



**THE IMPLEMENTATION OF THE GATS AND ITS IMPACT
UPON TOURISM DEVELOPMENT:
A CASE STUDY OF KOREA**

MISOON LEE

December 2002

Volume 2

**A dissertation submitted in part-fulfilment of the requirements of
Bournemouth University for the award of the Degree of Doctor of
Philosophy**

BOURNEMOUTH UNIVERSITY
SCHOOL OF SERVICE INDUSTRIES

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ABSTRACT

The research is aimed to examine the implementation of the GATS and its impact upon tourism development, particularly in Korea. The GATS (General Agreement on Trade in Services) agreement has been implemented in order to liberalise World Trade in services. In this respect, the research examines the performance of GATT to see how successful GATT has been in securing and fostering world trade in manufacturing industry and then moves on to examine the implementation of GATS and, by drawing upon findings from other trading agreements (such as the NAFTA and EU) estimate the likely impacts that such agreements will have on tourism services and the manner in which they are delivered.

The GATS agreement is a long-term undertaking in which major trading countries are likely to become members. GATS sets up a legal and operational framework for the liberalisation of international trade in tourism as well as other services. The principle of GATS is the liberalisation of exchange of services and it is adapted from the GATT (General Agreement on Tariff and Trade). The GATS has been established as part of the multilateral trade negotiations and introduced new rules for services to complete overhaul of the GATT trade system. The rapid growth of tourism is the product of liberalisation which has been the hallmark of economic policy throughout the world, during the past decade. The UNCTAD report (1999) states that both globalisation and liberalisation have increased the potential for international trade in goods and services to become an unprecedented engine of growth and an important mechanism for integrating countries into the global economy. However, the GATS has many implications for tourism, particularly for tourism policymakers since it covers many different areas and sectors in tourism. Unlike other services, tourism is not a specific type of service, but a mixture of different services consumed by tourists. Therefore, it is essential to understand the rules and the principles of GATS as applied to tourism sectors in international trade.

The overall aims of the study are:

1. To examine the factors that influence world trade in goods and services.
2. To examine the influences that GATS is likely to have on the scope and magnitude of world trade in services.

3. To determine how GATS impacts on tourism development in developing countries and act as a catalyst to enhance the development of developing countries.
4. To examine what are the likely effects of GATS upon tourism development and delivery in Korea.

Since one of the research objectives is to examine what is the likely effect of GATS upon tourism development and delivery in Korea, the case study was a useful technique. In particular, the case study seemed an appropriate strategy to answer the research question because the research area is relatively new. Therefore, descriptive research design was adopted for this particular study. Moreover, the research adopted an explanatory research design, in order to investigate relationships by giving answers to problems and hypotheses. Through explanatory research, this study seeks to explore aspects of tourism development as a result of liberalisation and globalisation in Korea. In particular, this study investigates specified areas such as: how will GATS help future tourism development in Korea? Why are there different perceptions of GATS between the private and public sector? How do government policies and regulations affect future tourism development? by using interviews and questionnaires. For this study, the semi-structured interviews were used and questionnaires were designed to gather information about the impacts of GATS on tourism development in Korea before conducting the survey, but it failed to obtain the necessary information.

It is hoped that these findings enhance an understanding of the role of international trade in services particularly tourism industry, which may assist national and international tourism policy makers to consider the complexities and difficulties of understanding the rules of multilateral trade agreements (such as GATS) not only to develop tourism but also to develop other service sectors, especially in developing countries.

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LIST OF ABBREVIATIONS

- AAPA:** Association of Asia-Pacific Airlines.
- AFAS:** ASEAN Framework Agreement.
- AFTA:** ASEAN Free Trade Area.
- ANOVA:** One Way Analysis of Variance.
- APEC:** Asia-Pacific Economic Cooperation.
- ASEAN:** Association of Southeast Asian Nations.
- ATC:** Agreement on Textiles and Clothing.
- CAP:** Common Agriculture Policy.
- CBD:** Convention on Biological Diversity.
- CDMA:** Code Division Multiple Access.
- CER:** Austria-New Zealand Closer Economic Relations Trade Agreement.
- CET:** Common External Tariff.
- CRS:** Computer Reservation System.
- CSD:** Commission on Sustainable Development.
- CUSTA:** Canada-US Free Trade Agreement.
- DMZ:** De-Militarised Zone.
- DSM:** Dispute Settlement Mechanism.
- EAP:** East Asia and Pacific
- EC:** European Community.
- ECOSOC:** Economic and Social Committee.
- ECSC:** European Coal and Steel Community.
- EEA:** European Economic Area.
- EEC:** European Economic Community.
- EFTA:** European Free Trade Association.
- EU:** European Union.
- FA:** Factor Analysis.
- FDI:** Foreign Direct Investment.
- FTA:** Free Trade Area.
- GATS:** General Agreement on Trade in Services.
- GATT:** General Agreement on Tariffs and Trade.
- GDP:** Gross Domestic Product.
- GDS:** Global Distribution Systems.

GNP: Gross National Product.

IATA: International Air Transport Association.

ICAO: International Civil Aviation Organisation.

IIE: Institute for International Economics.

ILO: International Labour Organisation.

IMF: International Monetary Fund.

IT: International Technology.

ITO: International Trade Organisation.

IUOTO: International Union for Official Tourism Organisations.

KATA: Korea Association of Travel Agents.

KISC: Korea Investment Service Centre.

KITA: Korea International Trade Association.

KNTC: Korea National Tourism Corporation.

KNTO: Korean National Tourism Organisation.

KOTI: Korea Transport Institute.

KOTRA: Korea Trade Investment Promotion Agency.

KRW: Korean Won.

KTRI: Korean Tourism Research Institute.

LDCs: Least-Developed Countries.

M&A: Mergers and Acquisitions.

MFA: Multifibre Agreement.

MFN: Most Favoured Nation.

MNE: Multinational Enterprise.

MOT: Ministry of Tourism.

NAFTA: North American Free Trade Agreement.

NBFIs: Nonbank Financial Intermediaries.

NICs: Newly Industrialising Countries.

NTBs: Non-Tariff Barriers.

NTOs: National Tourist Offices.

OECD: Organisation for Economic Cooperation and Development.

OEEC: Organisation for European Economic Cooperation.

OPEC: Organisation of the Petroleum Exporting Countries.

PATA: Pacific-Asia Travel Association.

PCA: Principal Components Analysis.

R&D: Research and Development.
RBD: Recreational Business District.
RIAs: Regional Integration Arrangements.
SITA: Service Information and Technology Architecture.
SME: Small and Medium Enterprise.
SPSS: Statistical Package for the Social Sciences.
STI: Science, Technology and Industry.
TBA: Travel Business Analyst.
TCR: Trans-China Railway.
TNCs: Transnational Corporations.
TRIMs: Agreement on Trade-Related Investment Measures.
TRIPs: Intellectual Property Rights.
TSA: Tourism Satellite Account.
TSR: Trans-Siberia Railway.
TTRs: Travel and Tourism Related Services.
TWA: Trans World Airlines.
UN: United Nations.
UNCTAD: United Nations Conference on Trade and Development.
UNIDO: United Nations Industrial Development Organisation.
UR: Uruguay Round.
VAY: Visit ASEAN Millennium Year.
VERs: Voluntary Export Restraints.
WDS: World Distribution Systems.
WTO/OMT: World Tourism Organisation.
WTO: World Trade Organisation.
WTTC: World Travel and Tourism Council.

ACKNOWLEDGEMENTS

It is a pleasure to thank the many people who made this thesis possible.

It is difficult to overstate my gratitude to my Ph.D. supervisor, Prof. John Fletcher. With his enthusiasm, his inspiration, and his great efforts to explain things clearly and simply. Throughout my thesis-writing period, he provided encouragement, sound advice, good teaching, and lots of good ideas. I would have been lost without him. I also thank my second supervisor, Prof. Steven Wanhill for his help and support during this work.

This study drew upon the knowledge and experience of managers, directors and other employees in the main tourism-related companies and organisations in Korea, particularly KNTA, KTRI, KATA and Ministry of Culture and Tourism. Although too numerous to name, they are appreciated for their individual contributions. This research benefited particularly from the receptivity of managers and owners of the private sector in Korean tourism, who shared their experiences and opinions with me in a variety of settings.

I am indebted to my many friends and staffs of the International Centre for Tourism and Hospitality, School of Service Industries at Bournemouth University for providing a stimulating and fun environment in which to learn and grow. I am especially grateful to Karen Ward and Lorraine Brown for their help and support. I wish to thank my best friends Hanaa Fayed and Elena Garnevska for helping me get through the difficult times, and for all the emotional support, entertainment, and caring they provided.

I wish to thank my entire extended family for providing a loving environment for me. My brother, my sisters, my aunt and my future mother-in-law were particularly supportive. I am grateful to my boyfriend, Sang-Hoon Kim who supported me tremendously at all the times. Without him, it was not possible for me to get through the difficult times while I stayed in the UK.

Lastly, and most importantly, I wish to thank my mother, H. J. Lim, whose foresight

and values paved the way for a privileged education. She always offered me unconditional support and love at each turn of the road. Without her, I simply would not be here today. To her I dedicate this thesis.

엄마의 사랑과 충고 진심으로 감사드립니다.

CHAPTER SEVEN: METHODOLOGY

7.1 INTRODUCTION

“The aim, as far as I can see, is the same in all sciences. Put simply and cursorily, the aim is to make known something previously unknown to human beings. It is to advance human knowledge, to make it more certain or better fitting. The aim is... discovery” (Elias, 1986, p.20).

As seen from the quotation above, research methodology and the research aim of discovery can be seen as universal, but various fields of research have developed their own methodological emphases and bodies of experience. Research reflects the traditions and practices in a field and draws attention to examples of relevant applications of methods and particular problems and issues which arise in such applications. However, according to Veal (1997), social surveys are more common in tourism and leisure fields since research in the tourism field encompasses a wide range of individual and collective human activity.

Research in social science can be defined as the process of finding out, explaining and evaluating, i.e. descriptive, explanatory and evaluative research. Descriptive and explanatory research is very common in the leisure and tourism area because tourism is a relatively new field and the phenomena studied are subject to change. For example, the patterns of participation among different social groups change and the importance of different tourism markets changes over time. Therefore, research in the tourism field must be aware of changing market conditions and concentrate on monitoring these changes which includes finding out past, current and future trends of tourism in a certain destination or destinations, and at the same time, it is essential to explain what factors cause these changes if any (Veal, 1997).

In the tourism field, research involves five main elements to establish a framework as seen from figure 7.1:

- People including tourists, residents, and service suppliers.
- Organisations including private and public tourism organisations.
- Services/facilities/attractions.
- The linkages between people, organisations and services/facilities/attractions.
- The physical environment within which everything takes place.

Urry (1990) stated that tourism research has been driven by private industry demands to a greater extent than leisure research. As a result, tourism research is characterised by a predominance of economic and marketing and related psychological research, rather than sociological research. Therefore, it is important to characterise the aspect or dimension of research as well as the techniques used for research and the theories developed for explanation. As discussed in previous chapters, much tourism-related research has focused on different tourism sectors but research on international trade in tourism is yet to be undertaken. This study will carefully examine the implications of GATS and discover other factors and issues related to international trade in tourism.

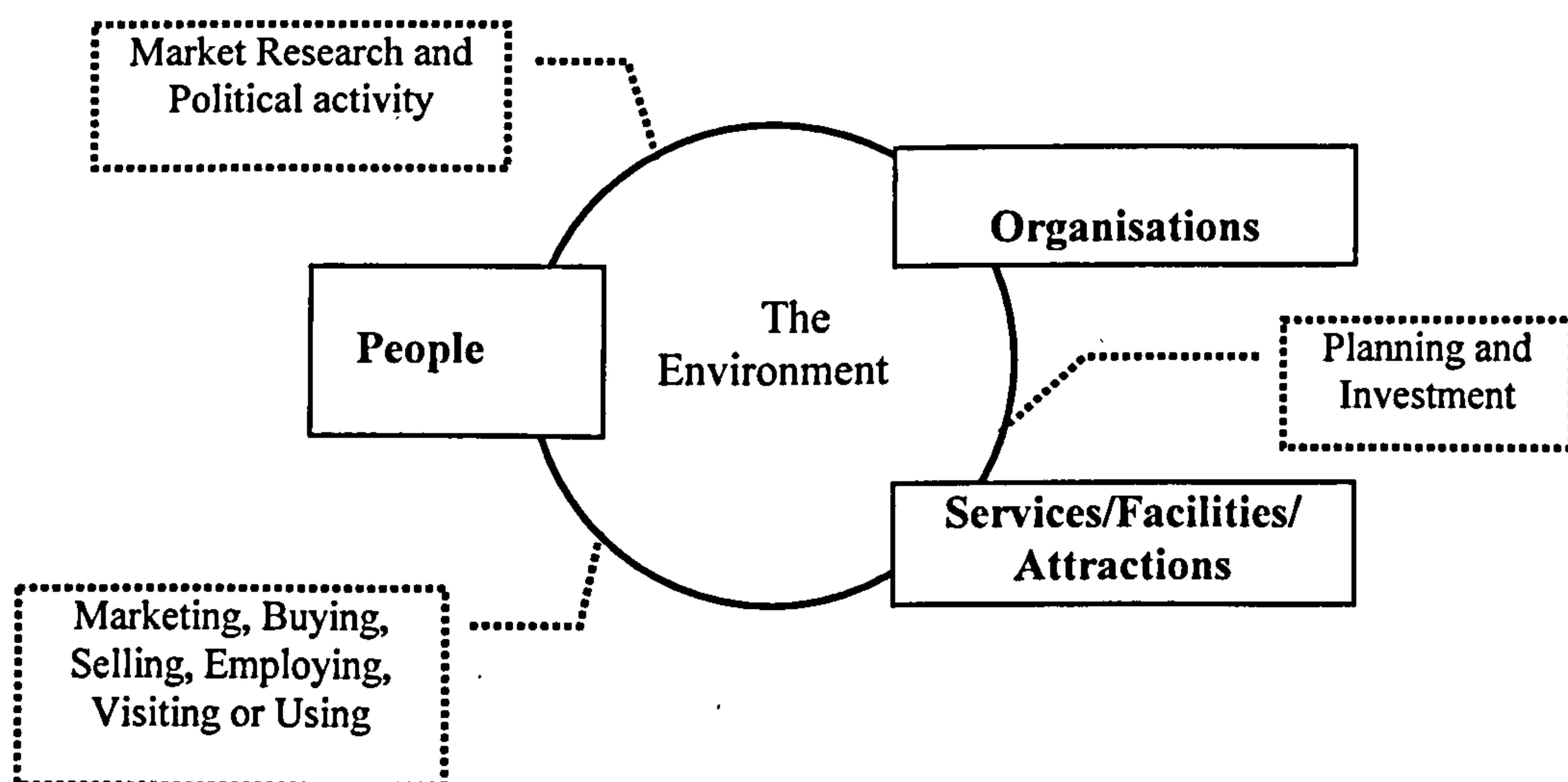


Figure 7.1 A leisure/tourism studies framework

Source: Adopted from Veal, 1997.

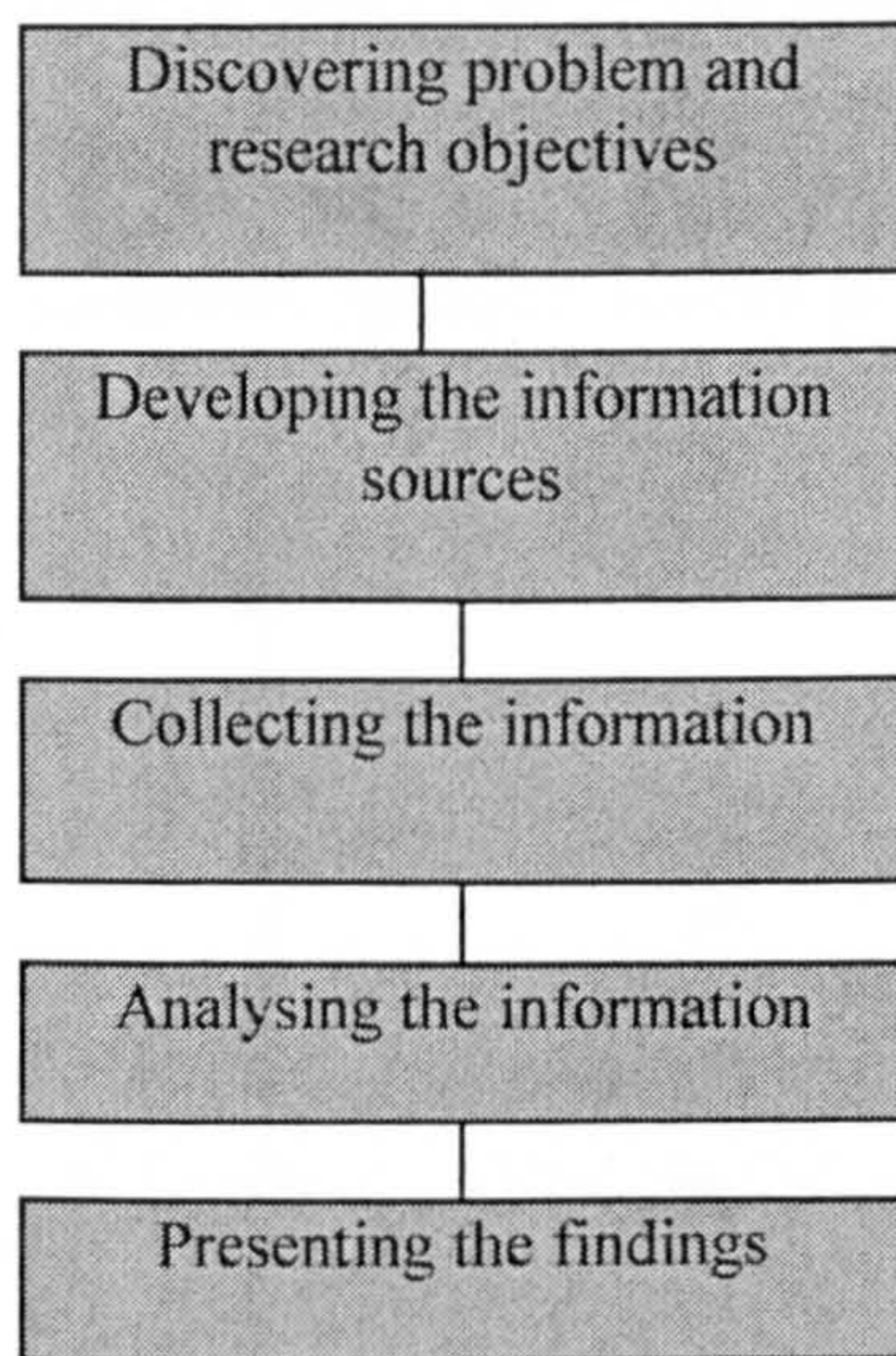
This chapter analyses the different factors and methods used to achieve objectives of the study, including the research process, research design, methods of data collection, and data analysis. The research was carried out using both secondary and primary data

in order to answer the research question as to whether GATS will have positive implications for the Korean tourism industry. The structure of this chapter is presented as follows:

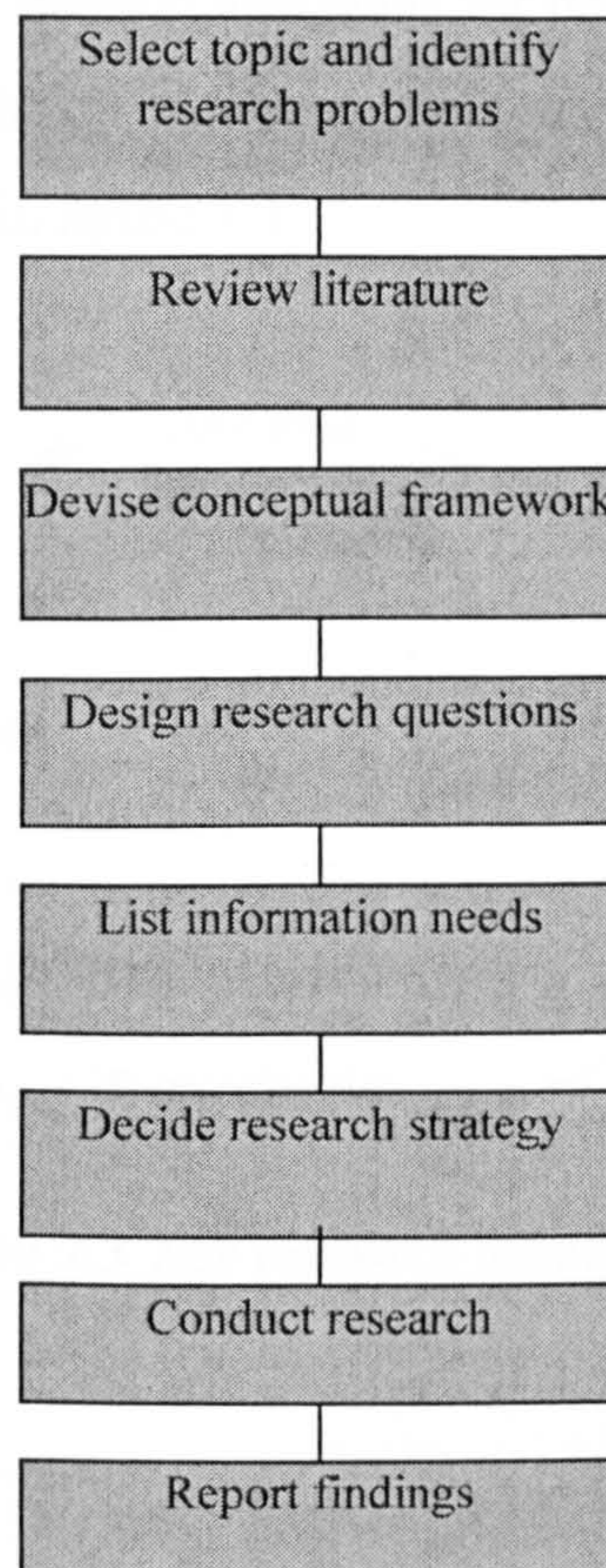
- First, the purpose of research is to discover answers to questions through the application of scientific procedures, which start with gathering relevant and reliable information from the secondary data. This section focuses on the research objectives and research process, starting from the questions of how the GATS (General Agreement on Trade in Services) will be implemented on the tourism industry and its impact upon tourism development in Korea.
- Second, once the research problem has been formulated clearly enough to specify the types of information needed, a research design is arranged for collection and analysis of data in a manner that aims to combine relevance to the research purpose. This section focuses on the elements and stages of research design.
- The third section focuses on the data collection methods employed. Both quantitative and qualitative methods will be described, presenting the questionnaire design, sampling methods, focus groups and locations.
- The fourth section focuses on methods adopted for both quantitative and qualitative sets of data.
- The final section of the chapter presents the limitations and problems of the research.

7.2 THE RESEARCH PROCESS

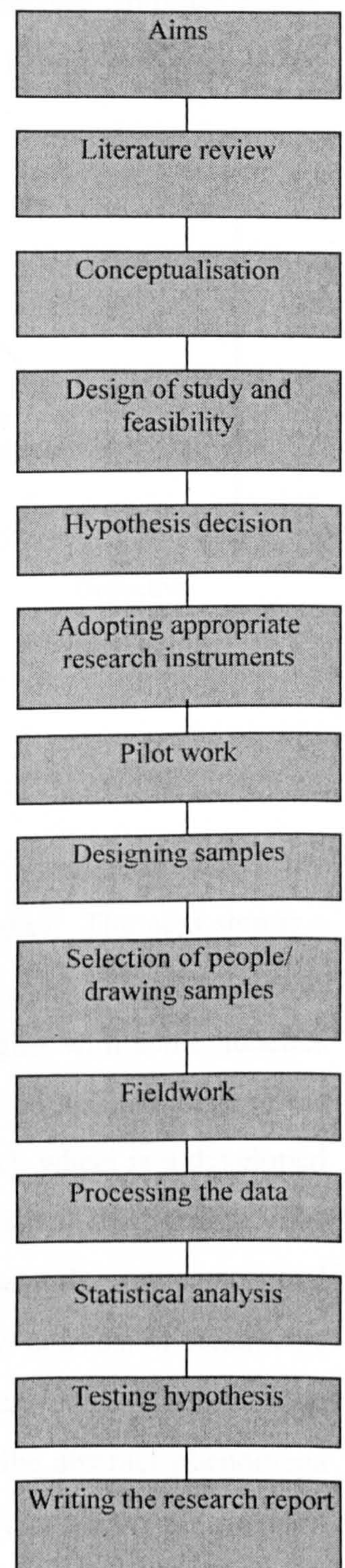
The research process has a variety of steps. The enormous variety of approaches to research suggests that not all researches follow precisely the same sequence of procedures. Various authors (Oppenheim, 1997; Veal, 1997; Kotler, 1988) suggest different steps and different approaches in order to achieve research goals as shown in figure 7.2.



Source: Kotler (1988)



Source: Veal (1997)



Source: Oppenheim (1997)

Figure 7.2 Different approaches in a research process

Rudestam and Newton (2001) state that there is no universally agreed format for a research proposal. However, in general, a good proposal contains a review of the relevant literature, a statement of the problem and the associated hypotheses, and a

clear delineation of the proposed method and plans for data analysis. In other words, one way of thinking about the phases of the research process is with reference to the so-called research wheel as seen in figure 7.3.

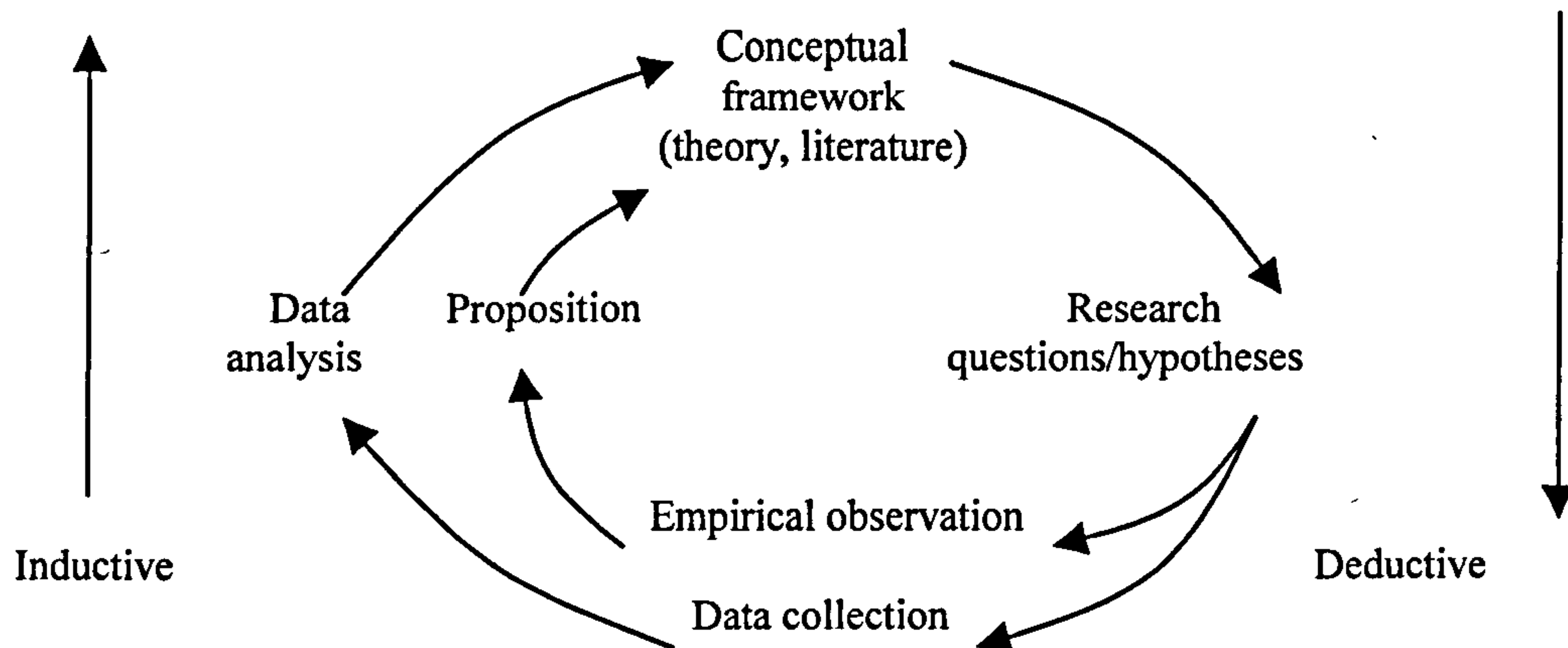


Figure 7.3 *The research wheel*

Source: Rudestam and Newton, 2001.

The most common entry point is some form of empirical observation where the researcher selects a topic from the infinite array of possible topics. The next step is a process of inductive logic that culminates in a proposition. The inductive process serves to relate the specific topic to a broader context and begins with some hunches about the form, which are typically guided by the values, assumptions, and goals of the researcher that need to be explicated. Stage two of the research wheel is a developed proposition, which is expressed as a statement of an established relationship. The proposition exists within a conceptual or theoretical framework. A conceptual framework, which is simply a less developed form of a theory, consists of statements that link abstract concepts (e.g., motivation, role) to empirical data. Theories and conceptual frameworks are developed to account for or describe abstract phenomena that occur under similar conditions. A theory is the language that allows the researcher to move from observation to observation and make sense of similarities and differences. It is important to note that the basic purpose of scientific research is theory (Kerlinger and Lee, 1999).

Moving forward along the research wheel, the researcher uses deductive reasoning to move from the larger context of theory to generate a specific research question. The research question is the precisely stated form of the researcher's intent and may be

accompanied by one or more specific hypotheses. First, the researcher tends to seek to discover or collect the data that will serve to answer the research question. The data collection process is essentially another task of empirical observation, which then initiates another round of the research wheel. Second, generalisations are made on the basis of the particular data that have been observed (inductive process), tied to a conceptual framework, which then leads to the elucidation of further research questions and implications for additional study.

Burns (1994) argued that the research process is an iterative one; depending on the circumstances and information collected, the researcher may constantly step forwards and backwards during the research, or even eliminate some steps in accordance with the piece of research undertaken. There is no actual agreement about the stages to be followed during research in practice even though different models have been developed by various authors. However, this research has adopted stages that commonly known and are recognised in tourism field as follows:

1. Formulating a research problem.
2. Conceptualising a research design.
3. Constructing an instrument for data collection.
4. Selecting a sample.
5. Collecting data.
6. Data processing and analysis.

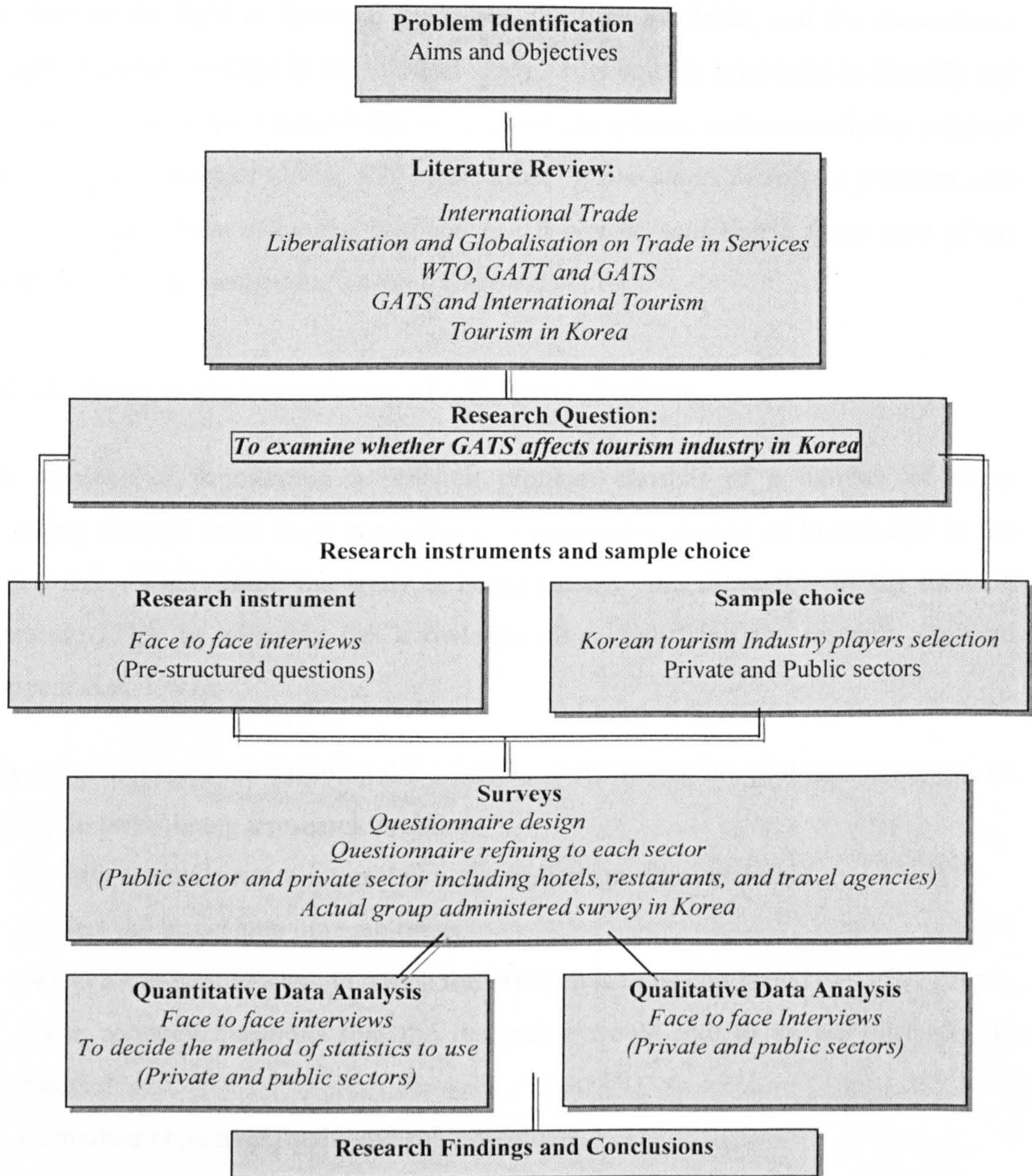


Figure 7.4 Stages of the research process

7.2.1 FORMULATION OF THE RESEARCH PROBLEM

According to Kumar (1999), formulating a research problem is the first and most important step in the research process. It is like the identification of a destination before undertaking a journey. A research problem identifies what, why and how a researcher intends to research. In other words, study design, measurement procedures, sampling strategy, frame of analysis are greatly influenced by the way in which the research problem is formulated. It is extremely important to evaluate the research

problem in the light of financial resources, the time available, and the researcher's expertise and knowledge in the field of study. It is equally important to identify any gaps in the researcher's knowledge of relevant disciplines, such as statistics required for analysis. Kerlinger (1986, p.17) stated that *"If one wants to solve a problem, one must generally know what the problem is. It can be said that a large part of the problem lies in knowing what one is trying to do."*

7.2.1.1 Steps in the Formulation of a Research Problem

The process of formulating a research problem consists of a number of steps. Working through these steps presupposes a reasonable degree of knowledge in the broad area within which the study is being carried out. A review of the relevant literature helps in widening the knowledge after identifying the research problem (Oppenheim, 1997).

The following steps are based on the principle of narrowing the problem which can be of help in formulating a research problem:

- Identify a broad area of interest in a researcher's professional field.
- Dissect the broad area into sub-areas.
- Select a sub-area or areas in which the research is to be conducted.
- Raise research questions that the researcher would like to answer through the study.
- Formulate objectives, main and sub-objectives.
- Assess these objectives to ascertain feasibility of attaining them in the light of the time, resources and technical expertise (Kumar, 1999).

Most research in the social sciences revolves around four 'P's as shown in table 7.1. The emphasis on a particular 'P' may vary from study to study but, in practice, most research studies are based on at least a combination of two 'P's.

Table 7.1 Sources of a research problem

Aspects of study	About	Study of
Study Population	People	Individuals, organisations, groups, communities.
Subject area	Problem	Issues, situations, associations, needs, population composition, profiles, etc.
	Programme	Contents, structure, outcomes, attributes, satisfaction, consumers, service providers, etc.
	Phenomenon	Cause and effect relationships, the study of a phenomenon itself, etc.

Source: Kumar, 1999.

In this research, the research question and research proposition were derived from a practical and personal points of view with the combination of the four 'P's mentioned above. From a practical point of view, this research is among the first attempts to offer information to decision-makers and potential developers of Korea on the perception of tourism experts in Korea for multilateral trade agreements such as GATS, which involve various policy and regulation-related issues (**Problem**) from different organisations and groups (**People**). In addition, from a personal point of view, having lived in Korea and been familiar with tourism, the author has witnessed various problems resulting from tourism development, which include the structure and attributes of the tourism industry (**Programme**). More importantly, as mentioned in chapters 1 and 4, research on the implications of GATS for tourism is urgently needed because the world is concerned about the future development of the tourism industry on the basis of the movement of liberalisation of trade under the GATS since the GATS is the first multilateral trade agreement in services and it is expected to have a great effect on many countries (cause and effect relationship from **Phenomenon**).

Since tourism has close relationships with other activities and industries, such as business and financial services, the impacts of a multilateral trade agreement such as GATS in different countries, especially between developing and developed countries are important to future development. Therefore, the research problem was developed from the following evidence and observations:

- The tourism industry is one of the fastest growing industries in many countries due to its large contribution to the economic growth as a result of the liberalisation of trade between countries. In other words, in historical terms, a large amount of the service sector is a relatively new development, and only recently it has been considered worthy of serious business endeavour. Trade in services, especially

travel and tourism is of sufficient economic importance and its impacts upon economies are significant enough for the subject of travel and tourism to deserve serious consideration. The main economic significance of tourism is common to all tourism, whether international or domestic. However, very little has been done to counteract the negative effects of trade liberalisation in developing countries.

- As the importance of the service sector increases, it is essential to determine and examine internal and external factors that affect future development in the service sector under the GATS.
- Since tourism development is mainly controlled by government, it is important to examine how the changes of government policies and regulations on tourism-sectors under the GATS affect the operation systems and performances of the tourism industry in Korea.

Given that tourism activities and sectors are characterised by high levels of interdependence and interconnectedness from one country to another, it seems important for tourism-related organisations and institutions to investigate the effects of trade liberalisation on tourism in different countries and focus on potential problems and benefits of multilateral trade agreements in member countries, especially developing and less-developed countries, to achieve balanced development in tourism between countries. Therefore, there is a clear need to understand and establish the position of the tourism industry in Korea in relation to the issues of trade liberalisation and GATS. The above observations led to the topic of “*the implementation of the GATS and its impact upon tourism development: a case study of Korea*” being chosen as the research question.

7.2.1.2 A Review of the Literature

Once a research topic is chosen and stated, the next step is to review the related studies. The process of reviewing the existing literature is sufficiently important for almost all research in the social sciences. Reviewing the literature refers to the process of identifying and engaging with previously published research relevant to the topic. In fact, the literature review is not a compilation of facts and feelings but a coherent argument that leads to the description of a proposed study (Rudestam and

Newton, 2001). However, research on tourism is not so plentiful because leisure and tourism studies are relatively new areas of academic enquiry and are wide-ranging and multi-disciplinary in nature. The literature can serve a number of functions, as listed below (Veal, 1997):

- The entire basis of the research.
- A source of ideas on topics for research.
- A source of information on research already done by others.
- A source of methodological or theoretical ideas.
- A source of comparison between your research and that of others.
- A source of information that is an integral or supportive part of the research.

For this thesis, various sources were used to provide information on the components of tourism development in relation to GATS and other trade agreements in the case of Korea. The key material used for this study included:

- Relevant publications, e.g. books, conference papers, newspapers, reports etc., obtained from British and Korean libraries of universities, research institutions, organisations and trade associations;
- Various journals, mainly the *Pacific Tourism Review*, *Annals of Tourism Research*, *Journal of Travel and Tourism*, *Journal of World Trade and International Journal of Contemporary Hospitality Management* were searched in order to find articles related to tourism development and GATS. Journals provide the most up-to-date information, even though there is often a gap between two and three years between the completion of a research project and its publication in a journal;
- Key words (e.g. Korean tourism, GATS, tourism development and liberalisation etc.) were searched in a variety of databases, mainly the Internet.

Furthermore, in this research, as discussed earlier, finding relevant literature was difficult since the research topic (the implementation of GATS and its impact on tourism development) is a relatively new study area in tourism. However, the literature review in this research concentrates on providing the framework of understanding the rules and principles of multilateral trade agreements in services,

particularly tourism, in connection with trade liberalisation and globalisation. The literature review was divided into five different sections as follows:

1. International trade: The main issues, such as the benefits of economic integration and the effects of different market structures in trade between countries, especially between developing and developed countries, were examined, in order to understand the factors that influence world trade in goods and services. This chapter also discusses the important theories of international trade including comparative and competitive advantages.
2. Liberalisation and globalisation of trade in services: The importance of international trade in services under different types of trade agreements such as EU, NAFTA, ASEAN, etc. was discussed. The chapter mainly focused on multilateral trade agreements in order to understand how these trade agreements influence world trade, particularly in developing countries and what are the main issues (problems and benefits) related to multilateralism versus regionalism.
3. WTO, GATT and GATS: The relationship between international trade and tourism was examined as well as the legal ground rules and objectives of WTO, GATT and GATS in international trade and its implications for trade in goods and services.
4. GATS and international tourism: The chapter examines the roles of government in the tourism industry, which provide a framework to understand the importance of government policies and regulations to future development in tourism. In addition, the chapter discusses the effects of GATS on the tourism industry, especially in developing countries.
5. Tourism in Korea: This chapter establishes the history, political and social background (such as the history, location, economic development, and tourism development) of Korea. Additionally, the chapter focuses on important tourism-related facts and figures that are essential to understand the current market conditions for tourism in Korea.

The literature review helped the author to identify control variables and to develop a research framework. This was mainly achieved by viewing how other researchers have addressed similar topics, something that constituted the basis for the determination of the research aim, objectives and research questions.

7.2.1.3 The Formulation of Aims and Objectives

Objectives are the goals that the study sets out to attain. Objectives should be listed under two headings: main and sub-objectives. The main objective is an overall statement of the thrust of the study. It is also a statement of the main associations and relationships that the study seeks to discover or establish. The sub-objectives are the specific aspects of the topic that the researcher wants to investigate within the main framework of the study.

The main aim of this investigation is *to examine the perceptions of tourism experts in the private and public sector of GATS, in an attempt to analyse the overall effects of multilateral trade agreements on the tourism industry*. The effects of GATS and its significance will depend upon a variety of factors including the extent to which the GATS is adhered to and the economic structure of a country together with its pattern of international trade in goods and services. Each layer of influence is explored and indicators are developed to identify the key factors of influence. A variety of general issues are explored including the effects of GATS on tourism SMEs; the role of services in countries who are signatories and those who are not signatories of GATS. Issues such as GATS and human resource development and management are explored as well as the delivery of specific services such as tour operations and air services (although the latter is currently not wholly included within the GATS sphere of control).

There are four main objectives in this research:

1. To examine the factors that influence world trade in goods and services.
2. To examine the influences that GATS is likely to have on the scope and magnitude of world trade in services.
3. To determine the effects of GATS on tourism development in developing countries.
4. To discuss the likely effect of GATS upon tourism development and delivery in Korea.

7.2.1.4 Constructing Hypotheses

An important consideration in the formulation of a research problem is the construction of hypotheses. The importance of hypotheses lies in their ability to bring direction, specificity and focus to a research study (Kumar, 1999). According to Kerlinger (1986: pp.17), a hypothesis is *“a proposition, condition, or principle which is assumed, perhaps without belief, in order to draw out its logical consequences and by this method to test its accord with facts which are known or may be determined”*.

There are four hypotheses in this research:

- The government has opened its market to all foreign companies and suppliers in the Korean tourism industry (no restrictions on international trade in the tourism industry).
- GATS (General Agreement on Trade in Services) will not affect Korean economic growth and it will not bring about any changes in the tourism industry in Korea after 2000.
- GATS will have positive impacts on the Korean tourism industry.
- There are different perceptions and awareness of GATS between the public and private sector in Korean tourism.

In summary, formulating research objectives and hypotheses is an important step in the research process, in order to provide a study with specific aspects of a research problem to investigate. Questionnaires and interviews were designed on the basis of those research objectives and hypotheses.

7.2.2 RESEARCH DESIGN

A research design is a plan, structure and strategy of investigation conceived to obtain answers to research questions or problems. The plan is the complete scheme or program of the research. It includes an outline of what the investigator will do, from writing the hypotheses and their operational implications to the final analysis of data (Kerlinger, 1986). A research design has two main functions:

- To conceptualise an operational plan to undertake the various procedures and tasks required to complete the study;
- To ensure that these procedures are adequate to obtain valid, objective and accurate answers to the research questions.

There are three types of research design: descriptive, explanatory and evaluative.

Descriptive research aims to describe a phenomenon. It is characterised by a prior formulation of specific hypotheses, based on previous research. A major type of descriptive design is the case study. Since the case study is recognised as the most common strategy for doing research in tourism, descriptive research is widely applied in the leisure and tourism area. This is partly because leisure and tourism are relatively new fields of study and there is a need to map the territory. Much descriptive research in the field might therefore be described as exploratory as it seeks to discover, describe or map patterns of behaviour. Another reason for the preponderance of descriptive research is that tourism phenomena are subject to constant change. For example, over time, the popularity of different tourism activities changes; the leisure preferences of different social groups change; and the relative importance of different tourism markets changes. A great deal of research effort in the field is therefore devoted to tracking basic patterns of behaviour and perception. Although a complete understanding and explanation of these changing patterns would be preferable, the providers of tourism services must be aware of, and respond to, changing market conditions whether or not they can be fully explained or understood. Therefore, tourism experts and professionals tend to rely on descriptive research to provide up-to-date information (Veal, 1997).

Since one of the research objectives is to examine what is the likely effect of GATS upon tourism development and delivery in Korea, the case study was a useful technique. In particular, the case study seemed an appropriate strategy to answer the research question because the research area is relatively new. Therefore, descriptive research design was adopted for this particular study.

The use of case studies has become extremely widespread in social research, particularly with small-scale research. The prospects of getting some valuable and unique insight depends on being able to investigate things in a way that is different from, and in some senses better than, what is possible using other approaches. The case study approach allows the study of things in detail. When a researcher takes the strategic decision to devote all his or her efforts to researching just one instance, there is obviously far greater opportunity to delve into things in more detail and discover things that might not have become apparent through more superficial research. In addition, a case study focuses on relationships and processes. Relationships and processes within social settings tend to be interconnected and interrelated. To understand one thing it is necessary to understand many others and, crucially, how the various parts are linked. The case study approach works well in social science because it offers more chance of going into sufficient detail to unravel the complexities of a given situation. It can deal with the case as a whole, in its entirety, and thus have some chance of being able to discover how many parts affect one another. One of strengths of the case study approach is that it allows the researcher to use a variety of sources, a variety of types of data and a variety of research methods as part of the investigation (Yin, 1994).

Moreover, the research adopted an *explanatory research design*, in order to investigate relationships by giving answers to problems and hypotheses. Explanatory research moves beyond description to seek to explain the patterns and trends observed. The explanatory research attempts to clarify why and how there is a relationship between two aspects of a situation or phenomenon. In other words, this type of research attempts to explain which variables are the cause (independent variables) and which variables are the effect (dependent variables) of a phenomenon (Kumar, 1999).

Through explanatory research, this study seeks to explore aspects of tourism development as a result of liberalisation and globalisation in Korea. In particular, this study investigates specified areas such as: how will GATS help future tourism development in Korea? Why are there different perceptions of GATS between the private and public sector? How do government policies and regulations affect future tourism development?

Once causes are understood, knowledge can be used to predict. For example, economists have found that demand for goods and services, including tourism-related goods and services, responds to price levels so that if the price of a product or service is reduced then sales will generally increase. But this does not always happen because there are often many other factors involved such as quality or the activities of competitors. Nonetheless, prediction is a key aim of much of the research that takes place in the area of tourism (Veal, 1997).

For a better understanding, an *evaluation research design* was adopted. Evaluation research arises from the need to make judgements on the success or effectiveness of policies or programmes. In addition, evaluation research is highly developed in some areas of public policy although it is less developed in the field of tourism (Veal, 1997). This is because of the difficulty of obtaining data that correspond satisfactorily to the evaluation of a program's performance (Ritchie and Goeldner, 1994). In a formative study, the emphasis of evaluation research is on identifying the strengths and weaknesses of a programme or intervention. Essentially this involves the evaluator gathering information on programme design and implementation. In particular, emphasis is on the perceptions and experiences of programme planners, practitioners and participants (Clarke and Dawson, 1999). During the presentation of the secondary data, by using an evaluation design, this study attempted to examine the policies and programmes of the public sector under the movement of liberalisation and globalisation, as well as the intervention of various international organisations such as the WTO and IMF in tourism development.

7.2.3 DATA COLLECTION TECHNIQUES

There are two major approaches to gathering information about a situation, person, problem or phenomenon. Based on the fact that sometimes information required is already available (secondary sources) and there are also times when the information must be collected from the survey (primary sources), which are categorised as seen in figure 7.5:

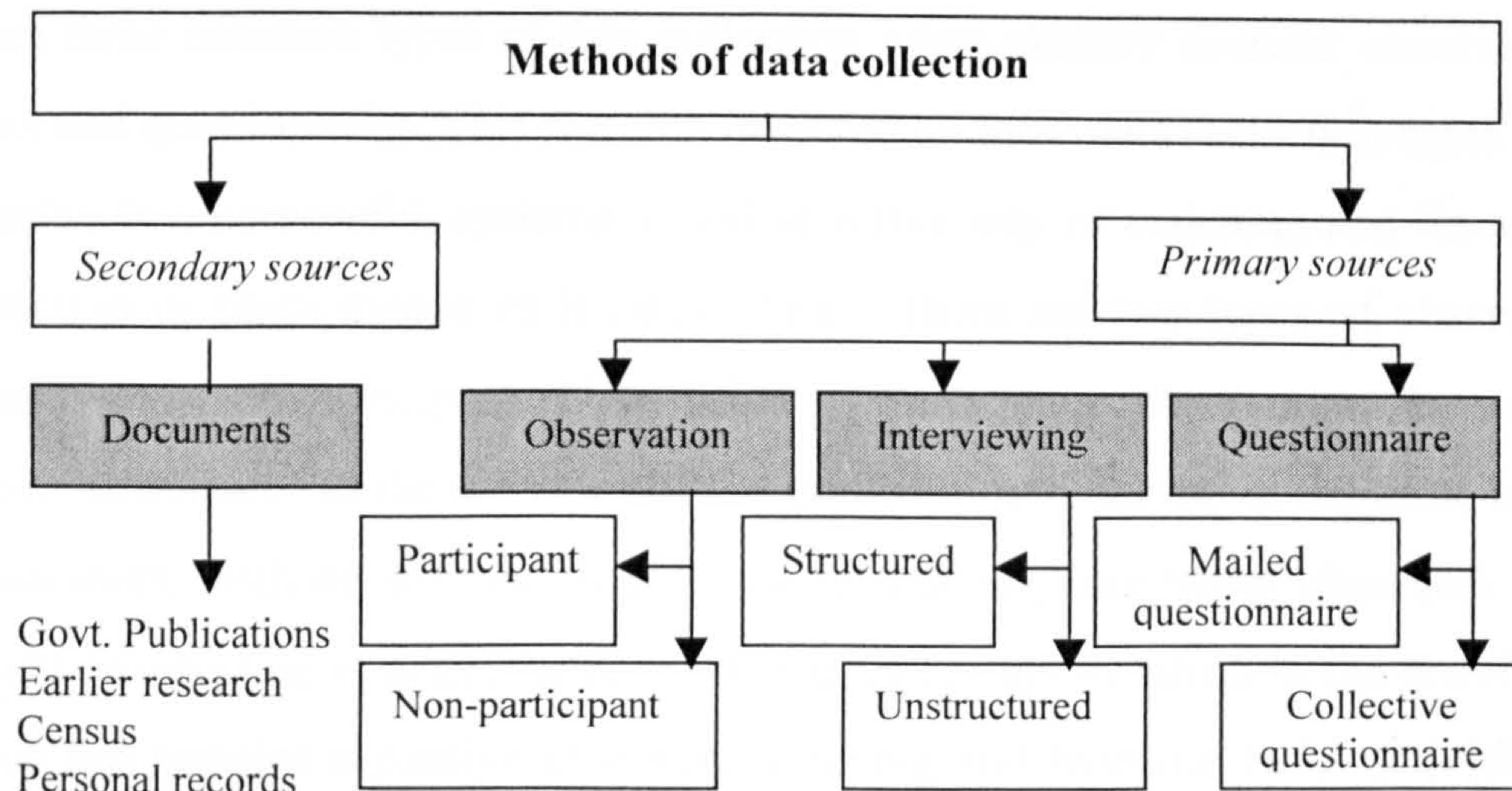


Figure 7.5 Methods of data collection

Source: Kumar, 1999.

- Secondary data: information gathered using this approach is collected from secondary sources. Examples of secondary sources include the use of census data to obtain information on the age and sex structure of a population; the use of an organisation's records to ascertain its activities; and the collection of data from sources such as articles, journals, magazines, books and periodicals to obtain historical and other types of information.
- Primary data: the sources used in this approach are primary sources. Finding out the attitudes of a community towards health services, ascertaining the health needs of a community, evaluating a social programme, determining the job satisfaction of the employees of an organisation, and ascertaining the quality of services provided by a worker, are examples of information collected from primary sources (Kumar, 1999).

For this particular study, both primary and secondary sources were used to collect the necessary data.

7.2.3.1 Collecting Data Using Primary Sources

Several methods can be used to collect primary data. The choice of a method depends on the purpose of the study, the resources available and the skills of the researcher.

There are three common types of data collection using primary sources: observation, interview and questionnaire. This research involved all three data collection types.

Observation is a purposeful, systematic and selective way of watching and listening to an interaction or phenomenon as it takes place. There are two types of observation: participant and non-participant observation. Participant observation is when a researcher participates in the activities of the group being observed in the same manner as its members, with or without their knowing that they are being observed. Non-participant observation is when the researcher does not get involved in the activities of the group but remains a passive observer, watching and listening to its activities and drawing conclusions from it (Oppenheim, 1997; Kumar, 1999). For this study, non-participant observation was used. Since the survey took place at the respondent's workplace, during the interview the researcher could observe and collect visual information concerning the nature of environment of the respondent, e.g. whether the facilities and size of companies corresponded to their category. In addition, direct observation was used to identify possible inaccurate replies given by respondents. Observation is appropriate in situations where full and accurate information cannot be elicited by questioning, because many respondents either were not co-operative or were unaware of the answers. Since the questions were designed to collect information about government policies and regulations for tourism in Korea, many respondents from the public sector were reluctant to make any negative statements.

Interviewing is a commonly used method of collecting information because of the distinctive advantages of interviews such as explanation of the survey's purpose, correction of misunderstandings, observation of respondents, greater depth and probing, and control of sequence of questions (Burns, 1995; Oppenheim, 1997). For a case study on the perceptions and attitudes of certain groups, this technique is the most appropriate to provide insights into how the groups think about complex and sensitive issues concerning government policies and regulations in relation to tourism development. According to Kumar (1999), the interview is the most appropriate approach to studying complex and sensitive areas as the interviewer has the opportunity to prepare a respondent before asking sensitive questions and to explain complex ones to respondents in person. However, there are disadvantages of using the interview technique. Interviews are much more expensive than postal questionnaires.

The larger or the more dispersed the sample, the greater the total cost of the interviewing operation. The cost factor also enters the data-processing stage. Since interviews are used particularly where many open-ended questions have to be asked, there will be a major and costly coding operation allied to any study that uses interviews (Veal, 1997). Nonetheless, because of the interview's advantages compared to other research methods, the researcher decided to use the interview technique as the main method of data collection, which resulted in a high response rates.

There are two types of interviews: structured and unstructured interviews. In a structured interview, the investigator asks a pre-determined set of questions, using the same wording and order of questions as specified in the interview schedule. An interview schedule is a written list of questions, open or close-ended, prepared for use by an interviewer, in a person-to-person interaction. One of the main advantages of the structured interview is that it provides uniform information, which assures the comparability of data. Structured interviewing requires fewer interviewing skills than does unstructured interviewing (Kumar, 1999). In contrast, in an unstructured interview, also known as an in-depth interview, the interviewer develops a framework, within which to conduct the interview. Unstructured interviews are not standardised and pre-planned, and are generally open-ended (Sapsford, 1999).

In this survey, the semi-structured interviews were used. Semi-structured interviews are a combination of structured and unstructured questions, by using this type of interview, the researcher was able to adapt questions according to each respondent's level of comprehension, and to obtain extra information about the research area that the researcher missed out from the structured interview questions. In general, the free conversation between the researcher and the respondent permitted the researcher to lead the conversation and probe, which gave the researcher a better chance to answer research questions.

A *questionnaire* is a written list of questions, the answers to which are recorded by respondents. In a questionnaire, respondents read the questions, interpret what is expected and then write down the answers. In this case, as there is no one to explain

the meaning of questions to respondents, it is important that questions are clear and easy to understand. For this study, questionnaires were designed to gather information about the impacts of GATS on tourism development in Korea before conducting the survey, but it failed to obtain the necessary information. The mail questionnaires were used during a pilot study and only one uncompleted questionnaire was returned out of a total 10 questionnaires. In fact, one of disadvantages of a questionnaire is the low response rate.

7.2.3.2 Collecting Data Using Secondary Sources

As mentioned earlier, there are occasions when the data has already been collected by someone else and a researcher needs only extract the required information for the purpose of the study. For this study, the secondary research involved, first, visiting the selected destination to collect the published statistics and any unpublished reports that may be accessible. These data provide a databank from which further analysis can be made, and are combined with the primary data. Secondly, the published and unpublished research that has been undertaken related to international trade and GATS are collected and assimilated in order to establish where these studies may provide information to assist in the construction of a general framework for trade liberalisation. In general, some of the many secondary sources can be grouped into the following categories (Kumar, 1999):

- **Government or semi-government publications:** there are many government and semi-government organisations that collect data on a regular basis in a variety of areas and publish it for use by members of the public and interest groups, for example, the census, vital statistics, economic forecasts, demographic information, government organised surveys, etc. As this study focuses on a case study of Korea, various economic and tourism related statistics that are published by Korean government organisations were used as well as annual reports and demographic information.
- **Earlier research:** for some topics, an enormous number of research studies that have already been done by others can provide the required information. However, as discussed earlier, since this study focuses on a relatively new area in tourism, it

was difficult to find the relevant information. Therefore, various reports and working papers that published by international organisations such as WTO/OMT, WTO, OECD, WTTC, UNCTAD, World Bank and EC were essential secondary sources for the research.

- Mass media: reports published in newspapers, magazines etc. can be another good source of data. In addition, the Internet was widely used for the collection of secondary data.

The task of using official statistics as well as other secondary sources in general, and in particular in tourism, is fraught with the following constraints and limitations:

- The validity of information may vary from source to source (Kumar, 1999).
- A lack of solid, comprehensive and internationally uniform information base on the economic repercussions of tourism (Andriotis, 2000) and an absence of a universally recognised definition of tourism make it difficult to identify between tourists and non-tourists in order to provide accurate figures in tourism-related statistics (Smith, 1983^a).
- The use of information from the personal point of view, especially newspapers and magazines, may have the problem of personal bias as these individuals are likely to exhibit less rigorousness and objectivity than one would expect in research reports (Creswell, 1994).
- Secondary data may not be present currently due to the time lag between data collection and publication (Adams and Schvaneveldt, 1991).

7.2.4 SELECTION OF SAMPLE

According to Oppenheim (1997), sampling is the process of selecting a few (a sample) from a bigger group (the sampling population) to become the basis for estimating or predicting a fact, situation or outcome regarding the bigger group. In other words, a sample is a sub-group of the population. There are two ways to collect data. The most accurate way of collecting data is the study of all elements within the population (census), which may not be possible for many researchers in the social sciences. Hence, the required data were collected from a proportion of the population by taking

a sampling frame for this study. This process of selecting a sample from the total population has advantages and disadvantages. The advantages are that it saves time as well as financial and human resources. However, the disadvantage is that it is difficult to discover the facts about the population's perceptions and characteristics of interest to the research but only estimate or predict them. Therefore, the possibility of an error in the estimation exists.

7.2.4.1 Types of Sampling

The various sampling strategies can be categorised in three different sampling designs as seen in figure 7.6:

1. **Random/probability sampling:** each element in the population must have an equal and independent chance of selection in the sample. Equal implies that the probability of selection of each element in the population is the same, that is, the choice of an element in the sample is not influenced by other considerations such as personal preference. The concept of independence means that the choice of one element is not dependent on the choice of another element in the sampling. In other words, the selection or rejection of one element does not affect the inclusion or exclusion of another. Random selection of subjects permits the research to generalise the results of the study from the sample to the population in question. There are three commonly used types of random sampling design:
 - **Simple random sampling:** the most commonly used method of selecting a probability sample. In other words, it is randomisation that assigns subjects to groups or experimental conditions in such a way that each subject has an equal chance of being selected for each condition. Subject characteristics are thus randomly distributed in every respect other than the experimental manipulation or treatment, allowing the researcher to infer that resultant differences between the groups must be the result of the isolated variable in question (Kumar, 1999; Rudestam and Newton, 2001).
 - **Stratified random sampling:** to control the size of the samples selected from different subgroups of the population, survey researchers generally make use of a technique known as stratification, in which the population is divided into theoretically meaningful or empirically important strata before the sample is

drawn. Respondents then are chosen randomly from within each stratum, and this permits pre-specified sample sizes to be selected for each of the strata. Therefore, stratified sampling is commonly used by social scientists because it can lend an extra ingredient of precision to a simple random or systematic sample (Bryman, 1992; Bryman and Cramer, 1999; Burns, 1995). In general, it is true that the more stratification factors, the greater the precision of the sample. For this particular study, stratified random sampling was used in the form of disproportionate stratified sample between the public and private sector in the Korean tourism industry.

- Cluster sampling: simple random and stratified sampling techniques are based on a researcher's ability to identify each element in a population. In this case, it will be easier if the total sampling population is small, but if the population is large, it becomes difficult and expensive to identify each sampling unit. In such cases the use of cluster sampling is more appropriate. Cluster sampling is based on the ability of a researcher to divide the sampling population into groups, called clusters, and then to select elements within each cluster, using the simple random sampling technique. Clusters are often being formed on the basis of geographical proximity or a common characteristic that has a correlation with the main variable of the study (Hague and Harris, 1993).
2. Non-random/probability sampling: non-probability sampling designs are used when the number of elements in a population is either unknown or cannot be individually identified.
- Quota sampling: the main consideration of quota sampling is a researcher's ease of access to the sample population. First, the sample is selected from a population that is of interest to a researcher. Second, the sample is selected from a location convenient to a researcher and whenever a person with this visible relevant characteristic (such as gender, race, etc.) is seen, that person is asked to participate in the study. The process continues until a researcher has been able to contact the required number of respondents, which is called quota sampling (Burns, 1995; Denscombe, 1998; Kumar, 1999).
 - Accidental sampling: it is similar to the quota sampling that is based on convenience in accessing the sampling population (Kumar, 1999). However, whereas quota sampling attempts to include people possessing a visible

- characteristic, accidental sampling makes no such attempts. This method is common among market research and newspaper reporters.
- **Judgemental or purposive sampling:** the most important consideration in purposive sampling is the judgement of a researcher as to who can provide the best information to achieve the objectives of the study (Denzin, 1998). This method was used for this study because 1) the researcher attempted to interview people who are likely to have the required information about GATS as well as government policies and regulations related to trade in Korean tourism and 2) this type of sampling is extremely useful when the research requires to develop something about which only a little is known or new. Since the research topic is new to the tourism industry and the GATS-related questions involved specified terms and vocabularies that can only be recognised by experts in the area, it seemed appropriate to conduct interviews with trade experts in governmental organisations and institutions in Korea.
 - **Snowball sampling:** this method involves the process of selecting a sample using networks. To start with, information is collected from a few individuals in a group or organisation, and then these people are asked to identify other members of the group, and in turn, those identified become the basis of further data collection. This process is continued until the required number has been reached, in terms of the information being sought (Hague and Harris, 1993; Kumar, 1999). This method was also used for the survey from the public sector in Korea.
3. **Mixed sampling:** mixed sampling has the characteristics of both random and non-random sampling designs. Overall, mixed sampling was used for this particular study since it involves both random and non-random sampling techniques.

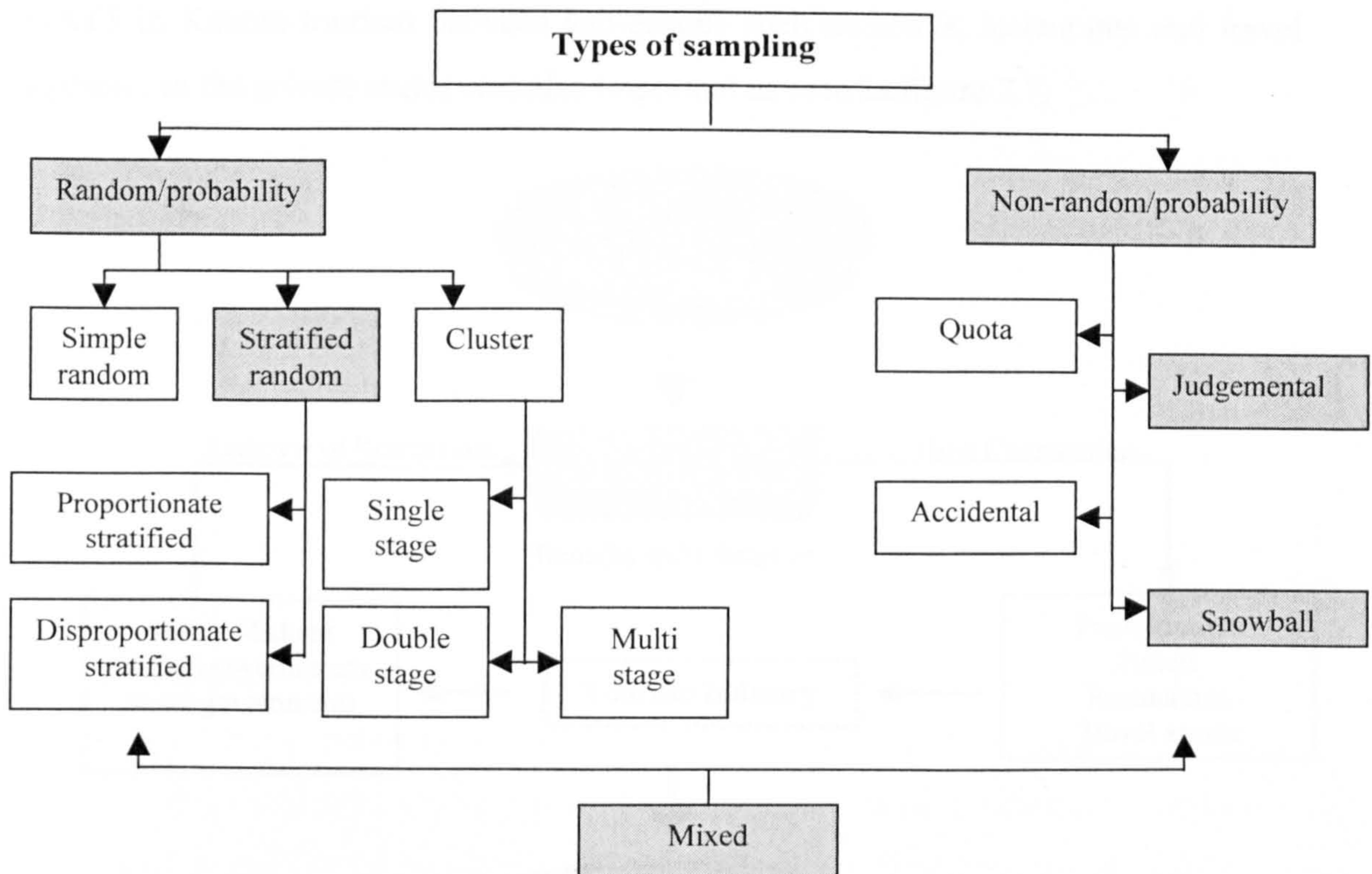


Figure 7.6 Types of Sampling

Source: adopted from Kumar, 1999.

7.2.4.2 Sample Procedure and Sample Size

One of the main problems faced by social researchers is the fact that it is not possible to collect data from all the respondents within the category being researched. As a result, many social researchers often collect data from a proportion of the population by taking a sample frame, hoping that the results will apply to the entire population (Denscombe, 1998; De Vaus, 1991; Burns, 1995). This method was seen as appropriate for this particular study. In respect of sample size, considering the nature of the research topic being focused on the perceptions of tourism experts, including government officials and private practitioners, for trade liberalisation and GATS in Korea, the study did not focus on having a large sample but determined to collect accurate and reliable information from each respondent. It was important to separate sample groups from the public sector to the private sector since one of the research hypotheses was focused on identifying different perceptions and awareness of GATS between the public and private sector in Korean tourism. In addition, identifying different perceptions and attitudes towards the movement of liberalisation under the

GATS in Korean tourism between sub-groups such as hotels, restaurants and travel agencies in the private sector was also important as seen in figure 7.7.

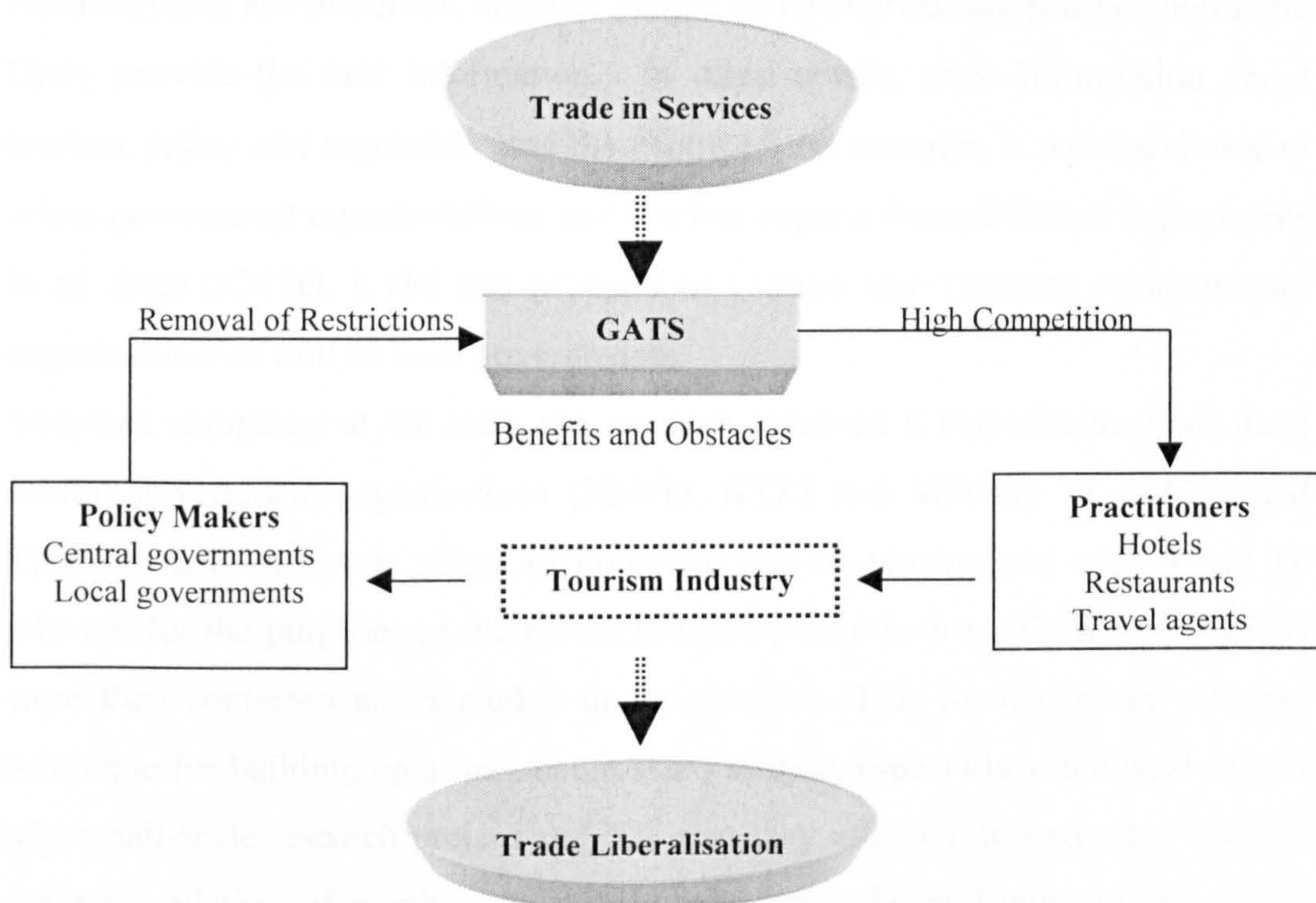


Figure 7.7 Research and Sampling Frame

Due to differences between the two main groups of the public and private sector, different sampling methods were used to obtain a representative sample from each group.

Government organisations sampling

Non-probability sampling was used for the selection of government organisation officials. The sampling procedure used was a mix of purposive and snowball sampling as follows:

- Purposive sampling: this method was used because the researcher deliberately selected particular organisations because they were seen as instances that are likely to produce the most valuable data for the study. In effect, government officials were selected with a specific purpose in mind, and that purpose reflects the

particular qualities of the people chosen and their relevance to the topic of the investigation (Kent, 1993). Given what the researcher already know about the research topic and about the range of people being studied, the people chosen are likely provide the best information. In other words, since information about tourism policy and regulation was the centre of the research, it was inevitable to select government representatives and tourism experts from different departments in all three (KNTO, KTRI and Ministry of Culture and Tourism) main tourism organisations as well as local governments.

- **Snowball sampling:** at the start, the research involved 6 respondents from three central government organisations (KNTO, KTRI and Ministry of Culture and Tourism) and each was asked to nominate one or two people who would be relevant for the purposes of the research in the public sector. These nominations were then contacted and included in the sample. This method is an effective technique for building up a reasonable-sized sample, especially when used as part of a small-scale research project and it is also very effective to save time because the accumulation of numbers is quite quick, using the multiplier effect of one person nominating two or more others (Denscombe, 1998).

Although the researcher selected 22 government officials from 19 different government organisations in the Korean tourism industry including 16 local government and 3 central government organisations, only 15 interviews were possible (including 6 from local governments; 2 from KNTO; 5 from KTRI; 2 from Ministry of Culture and Tourism), which represents an overall response rate of 68%. Interviewees were either managers or directors of different departments who has enough knowledge about government policies and regulations in tourism. Officials were selected from 5 major cities (Seoul, Busan, Daegu, Kyongju and Jeju), which are known as famous tourism destinations in Korea. The majority of interviews were undertaken in Seoul, since the capital city has the highest concentration of major government organisations and institutions by using snowball and purposive samplings.

Tourism practitioners sampling

A sample frame of the private sector was selected through a three-stage sampling method as follows:

- Stage one: at this stage, three most recognised tourism sectors (hotels, restaurants and travel agents) were selected to participate the research, which most effectively represent the Korean tourism industry according to the main criteria of location, size and characteristics of businesses. The country has a large number of tourist businesses spread over myriad locations. Therefore, a selection of locations and size had to be undertaken. In terms of location, although cities and regions with a lower concentration of tourism enterprises would be useful, this was not possible because it would increase the costs as well as the duration of the survey since the researcher had to travel a long distance from one location to another. Therefore, four cities (Seoul, Busan, Kyongju and Jeju) were selected. First the two largest cities (Seoul and Busan) in Korea were selected because the concentration of tourism-related businesses is high compared with other areas. The other two destinations were chosen because they are subject to extensive tourism development. In addition, the selection of businesses was disproportionate to their number in each city because more than half of the country's tourism-related businesses are located in Seoul and Busan as seen in table 7.2.
- Stage two: after location was determined, the next step was to make a list of tourist enterprises in each area. There were various sources for the sampling lists of tourist enterprises. For the hotel industry, a main source was the Hotel Directory of Korea 1999, published by the Korea Associations of Hotels and Korea International Trade Association (KITA). For the restaurant industry, it was impossible to obtain the list of restaurants since the number of restaurants is enormous in Korea regardless of location, size and nationality. Additionally, none of the tourism-related organisations and associations was able to provide the list. Therefore the researcher used national telephone directory, yellow pages and the Internet. For travel agents, a main source was the list of travel agents registered with Korea Association of Travel Agents (KATA). All these sources contained location of establishments, contact numbers, address and name of director or manager as well as category of businesses.
- Stage three: after identification of the lists of businesses for each sector, the next step was to select enterprises from those lists. Simple random or systematic sampling might produce misleading results since businesses in each sector do not carry identical weight. Therefore, a mix of businesses in each sector was

considered appropriate in order to identify variations by quality and size. The best indicator of quality and size was the category of the establishment. Category is almost always related to size and facilities that each enterprises provide. The size was the most important factor to consider in order to select the most appropriate enterprises for this study. In the beginning of the survey, the researcher concentrated on completing the interviews from enterprises that are large and highly recognised in Korean tourism since many travel and tourism-related businesses in Korea, especially restaurants and travel agents are small. In addition, since the research is focused on international issues such as foreign investment, foreign competition and foreign employment under different trade agreements, enterprises operating internationally were preferable for the study, especially for the hotel industry. Hotels graded as budget hotels were excluded from the survey since the use of one and two-star hotels is by domestic travellers and the majority of customers cannot be classified as travellers because many are staying in these hotels on a permanent basis as residents. Therefore, stratified and purposive samplings were used to select appropriate enterprises. A sample obtained by the process of dividing a population into categories (hotels, restaurants and travel agents) representing distinctive characteristics. In other words, in a simple random sample, a researcher would select subjects randomly from a single large pool, but in a stratified random sample, the researcher would divide this large pool of subjects into several groups (strata) and then randomly select subjects from within each group. However, for this study, the researcher deliberately selected particular establishments as the research required respondents who have enough knowledge and experiences in tourism including foreign competition and other international issues in order to answer international trade-related questions. In other words, the sample of people questioned was drawn from the lists that mentioned above (such as KITA, KATA, and the Korea associations of hotels) and stratified by categories.

Table 7.2 indicates the estimated population, sample frame and the overall response rates of 93%, achieved from the private sector. As seen in table 7.2, the response rates are extremely high. This is mainly because the researcher conducted interviews rather than mail questionnaires and telephone interviews. From the pilot study, the researcher discovered that people easily ignore postal questionnaires and refuse interview requests on the phone but the majority of people find it particularly difficult

to say 'No' if they are asked to participate in a study in person. Hence, the researcher decided to conduct interviews rather than mail questionnaires in order to increase the response rate.

Table 7.2 Population, sampling frame and response rate

	Estimated Population	Sample Frame	Response Rate
		No.	% (no.)
Total Five Star Hotels	35	26	100 (26)
Seoul	17	15	
Busan	5	5	
Kyongju	3	3	
Jeju	7	3	
Total Four Star Hotels	54	14	100 (14)
Seoul	16	9	
Busan	3	2	
Kyongju	2	1	
Jeju	5	2	
Total Three Star Hotels	192	10	100 (10)
Seoul	31	4	
Busan	13	4	
Kyongju	5	1	
Jeju	18	1	
Total Travel Agents	751	50	100 (50)
Seoul	602	40	
Busan	32	5	
Kyongju	14	2	
Jeju	27	3	
Restaurants	-	50	80 (40)
Total	-	150	93 (140)

7.2.5 QUESTIONNAIRE DESIGN

The interview questionnaires were developed as one of the researchers' main techniques in accordance with the characteristics of the research. The literature presents a diversity of data collection instruments. Before designing the questionnaire, the researcher considered many different factors. Burns (1995) suggests three categories of considerations, each of which holding a number of factors which need to be assessed prior to designing questionnaires:

- Researcher's resources and objectives (time limit, budget, desired quality of data);
- Respondents characteristics (incidence, willingness to take part, ability, diversity);
- The characteristics of the questions asked (complexity, information required from every respondent, topic sensitivity).

Once the above categories have been carefully assessed, the researcher has to identify a particular survey method. Although there are many types of data collection available, Oppenheim (1997) has identified five main methods as follows:

- Standardised interviews (face to face interviews);
- Mail questionnaires;
- Self administered questionnaires;
- Group-administered questionnaires;
- Telephone interviews.

Considering all the above facts, the interview was selected as the most feasible. Time and budget limits as well as the desired quality of the data were major considerations in this decision. Once the person administered questionnaire survey (in office interviews) had been chosen as a research technique, the process of designing the questionnaire began and the research moved from a general frame to a more specific structure of work. According to Kotler (1988), the design of the questionnaire is one of the most critical phases in the research process. In addition, the accuracy and relevance of the data collected depend strongly upon the questionnaire. Composing the questionnaire is a difficult and subtle task (Creswell, 1994). The questionnaire is an important tool of research and data collection, with measurement being one of its main functions.

According to Burns (1995), a questionnaire serves seven key functions:

- It translates the research objectives into specific questions;
- It standardises the questions and response categories so that every participant responds to identical stimuli;
- By its wording, question flow and appearance it promotes cooperation and keeps respondents motivated throughout the interview;
- Questionnaires serve as permanent records;
- Questionnaires speed up the data analysis process;
- It holds reliability assessments and are used in follow-up validations;
- It needs to avoid personal bias.

Amongst these seven functions, many researchers such as Oppenheim (1997), Kent (1993), and Kotler (1988) more emphasised on minimising bias since a question's wording or format influences respondents' answers. Having decided upon the most appropriate method of collecting information, attention was given to the method of approaching respondents. The way in which respondents are approached will heavily influence their cooperation and motivation to respond to undertaken surveys. There are a variety of approaches that lead to increased response rates, including the identification of the interviewer, explanation of the purpose of the research, assurance of confidentiality, incentives and length of the questionnaire.

Moreover, the build-up of question modules and the order of questions within modules were also of vital importance for the overall understanding and flow of the questionnaire. Oppenheim (1997) suggests that questions asked at an earlier point in the questionnaire can affect the answers supplied at a late stage. The design of the questionnaires for this particular study followed a simple, logical approach. The opening-module refers to general questions about government rules and policies for trade liberalisation, flowing into more specific details about some characteristics and expected impacts of the GATS on the Korean tourism industry at the completion of the questionnaire.

Finally, having chosen one of the most appropriate modules, the type of questions to be used was decided on. There are a variety of ways in which questions can be put in a questionnaire. However, the three most common types and their variations are described by Descombe (1998):

- Open-ended questions are those that leave the respondent to decide the wording of the answer, the length of the answer and the kind of matters to be raised in the answer. The advantage of open-ended questions is that the information gathered by way of the responses is more likely reflect the full richness and complexity of the views held by the respondent. There are, however, two disadvantages which built into the use of open-ended questions. First, they demand more effort on the part of the respondents, which might well reduce their willingness to take part in the research. Second, they leave the researcher with data which are quite raw and require a lot of time-consuming analysis before they can be used.

- Closed-ended questions allow only answers which fit into categories that have been established in advance by the researcher. Dichotomous closed questions present respondents with only two response options whereas the multiple category presents more than two options. The advantage of closed-ended questions is that the structure imposed on the respondents' answers provides the researcher with information which is uniform length and in a form that lends itself nicely to being quantified and compared. In other words, pre-coded data can be easily analysed. There are, however, two disadvantages. First, there is less scope for respondents to supply answers which reflect the exact facts or true feelings on a topic if the facts or opinions happen to be complicated or do not exactly fit into the range of options supplied in the questionnaire. Second, the participants might get frustrated by not being allowed to express their views fully.
- Scale response questions make use of any scales previously designed for specific purposes, such as Likert scales, hedonic or semantic differential scales. One of their most important elements is that they transform otherwise qualitative information into quantitative data. Those scale response questions are often used to explore people's opinions and attitudes in tourism-related studies.

Two different questionnaires were designed for the two groups (the public and private sector) assessed in this study. Since the questionnaires were designed for the interview, the use of semi-structured questionnaires consisted of open-ended and closed questions seemed appropriate for the study due to the flexibility of the interview. The two questionnaires contain identical or similar questions, worded appropriately for their respective concerns, to examine differences and similarities in perceptions of GATS between the two groups.

Each questionnaire consisted of five sections with similar questions (Appendix A.):

- Section A was titled *Government rules and policies towards trade liberalisation*, related to the government's attitude and intention towards trade liberalisation.
- Section B was titled *Awareness of the GATS*. This section contained questions that tend to identify whether government officials are aware of the GATS, which can be compared with the private sector.

- Section C was titled *General knowledge and information about GATS*. This section was designed to gather detailed information about the rules and principles of GATS, including modes of supply and MFN.
- Section D was named *Expected impacts of GATS on Korean tourism industry*. This section contains questions to identify whether there will be positive or negative impacts of the GATS on the Korean tourism industry in the future.
- Section E was designed to ask about respondents' personal information such as age, gender, income, education, previous and current employment, etc.

7.2.6 INTERVIEWS

Interviews are often used for gathering more superficial information from a large number of people or collecting more detailed information from a smaller number of people (Descombe, 1998; Kumar, 1999). The use of interviews normally means that the researcher has reached the decision that, for the purposes of the particular project in mind, the researcher would be better served by getting material which provides more of an in-depth insight into the topic. For this research, the use of interviews was the most appropriate method to collect required data because the valid information depends upon the value of contact with key players in the field who can give privileged information.

The main reasons for using the interviews for this study are as follows:

- To increase response rates;
- To gather accurate information;
- To develop a line of enquiry (Adjustments to the lines of enquiry can be made during the interview itself);
- To ensure that the results are deep, detailed, vivid and nuanced;
- To ensure that the researcher understood what each respondent tried to say.

In selecting the in-depth interview as a qualitative and quantitative method of data collection from the public and private sector in the tourism industry, some prior issues were considered (Kent, 1993):

- Who to talk to;

- The number of interviews;
- Selection of respondents;
- The actual type of interview;
- The degree of depth;
- The location of data collection.

However, the degree of depth is very much a subjective matter. Some interviews can be superficial, very short in journalistic nature, while others, considered genuine in-depth interviews, go further. The breadth of the interview is a mixture of the interviewers' skills and the interviewee's confidence to talk.

As mentioned earlier, face-to-face interviews tend to be an appropriate data collection method for this particular research topic. Although the main disadvantages encountered were the time and cost involved in conducting the interviews, the advantages of conducting interviews for this study are:

- The familiarity of the researcher with the Korean tourism industry;
- Personal contacts within the industry;
- Geographical scatter of the sample;
- Detail probing into the researched issue;
- A closer interaction between the interviewee and interviewer.

The interviews took place from December 1999 to June 2000 in the cities of Seoul, Busan, Kyongju and Jeju, Korea. As the topic of the research revolves around the tourism industry, a wide array of managers and owners from the government organisations and practitioners (in hotels, restaurants and travel agents) involved directly or indirectly with such an issue were selected (see appendix B):

- **Government organisations and local governments:** 15 interviews from KNTTO, KTRI and Ministry of Culture and Tourism in Seoul, Local governments in Busan, Daegu, Kyongju and Jeju.
- **Hotels:** 50 interviews with managers and directors from 3, 4 and 5 star hotels in Seoul, Busan, Kyongju and Jeju.
- **Restaurants:** 40 interviews with managers and owners from foreign and Korean-branded restaurants from Seoul, Busan, Kyongju and Jeju.

- **Travel agents:** 50 interviews with managers and owners from inbound, outbound and inbound and outbound specialists from Seoul, Busan, Kyongju and Jeju.

Overall, 150 managers and directors in the private sector were approached at their place of work during working hours, so that the respondents would feel comfortable in their natural surroundings and it seemed more convenient for the respondents to be visited in their work places, mostly a pre-arranged appointment was made with the respondents. The researcher often visited potential interviewees in person and on other occasions, the researcher called or sent e-mails to the respondent prior to the interview with a request to participate in the study. Occasionally, telephone contact with the potential interviewees was not possible, but the interview request was made via a secretary or an administrative assistant. A convenient date and time were set with each of the respondents, the researcher having to be flexible in order to meet the respondents' time limitations inherent in such situations. On many occasions, the owner of an establishment redirected the researcher to a more knowledgeable person within the company, if she/he thought that this person was more appropriate to interview, especially travel agents. Additionally, the participants were briefed upon the topic of the discussion and reassured over the confidentiality of the interview. The interviewees were also made aware of the audio tape-recording device. The interviews were last an average of 73.5 minutes, ranged from the minimum of 40 minutes to the maximum of 135 minutes. Finally, after running all interviews the results were further recorded in the form of transcripts and will be discussed later in the analysis chapters.

7.2.7 PILOT STUDY

Pre-testing the questionnaire is a very important task before actually beginning the main data collection through the main survey. According to Veal (1997), pilot surveys can be defined as "*small-scale trial run of a large survey*". The questionnaire is likely to contain faults, even if the drafts have been carefully reviewed by the researcher and assessed for all the points of a good design. The purposes of pilot study can be summarised as follows (Veal, 1997):

- Test questionnaire wording ;
- Test question sequencing;
- Test questionnaire layout;
- Familiarity with respondents;
- Test fieldwork arrangements;
- Estimate response rate;
- Estimate interview time;
- Test analysis procedures.

In an attempt to validate the data collection techniques, check comprehensibility and examine questionnaire design, presentation and complexity, a pilot study took place in the city of Seoul in December 1999. The sampling procedure used to pre-test the two questionnaires was judgemental or purposive sampling. Initially, the questionnaires sent to each respondent by post with postage paid reply envelop or through e-mails, which would be cheaper than face-to-face interviews and it would allow wider coverage. However, out of 10 questionnaires (3 for government organisation officials and 7 for private enterprises), only one questionnaire was collected. The remaining questionnaires were either returned as uncompleted or not returned at all. Several problems were encountered during the pilot survey:

- Some respondents complained that the terms and vocabulary used in the questionnaire were too difficult to understand. However, it was impossible to change those specially stated terms and words under the GATS agreement such as MFN, Modes of Supply, transparency, etc. because these words cannot be expressed in other terms due to a danger of misrepresenting its true meaning. The researcher decided to explain the meanings of those specified words in person, in order to help respondents to understand the topic fully.
- Postal questionnaires took a long time to collect the required information because people tend to find their own time to complete the questionnaire, when they are not busy, which might take few months.
- Postal questionnaires and telephone interviews demonstrated a very low response rate. People tend to ignore the questionnaire or pass it onto other people who do not have enough knowledge about the topic.

As a result, the researcher decided to conduct personal interviews and abandon self-administered questionnaires as a data collection technique. After the first pilot study, several amendments were made to the questionnaire, including altering question wording, shortening the length of the questionnaire by omitting some questions that the majority of respondents were not able to answer and altering the order of questions to provide a more logical flow. In the second stage of pilot study, the questionnaire was tested on 10 interviewees (2 with government officials from the public sector and 8 with managers and owners from the private sector). Meanwhile, interviewees were asked not only to answer the questions, but also to highlight any difficulties and limitations in order to understand and answer the questions. In this stage, the pilot study did not present any special logistical problems and permitted the last fine-tuning to the questionnaire before the main survey.

7.2.8 DATA ANALYSIS

After the completion of data collection, the next step is to analyse them with different statistical techniques. The data can be approached differently by using either quantitative or qualitative analysis, or both. The collected data is divided into two parts based on type of questions: the quantitative and qualitative type questions.

Prior to analysing the collected data, it is essential to have a clear understanding of the type of the data, which can make a major difference to what can be done with the data, statistically speaking, and the kind of conclusions that can be drawn from the analysis. There are certain statistical techniques that work with some kinds of data that will not work with others (Denscombe, 1998).

- **Nominal data:** nominal data come from counting things and placing them into a distinctive category that imply no specific order (e.g. gender).
- **Ordinal data:** like nominal data, ordinal data based on counts of things assigned to specific categories, but, in this case, the categories stand in some clear, ordered, ranked relationship. The categories are 'in order'. The most obvious example of ordinal data comes from the use of questionnaires in which respondents are asked to respond on a five-point scale such as strongly agree, agree, neutral, disagree, strongly disagree.

- Interval date: interval data are like ordinal data, but the categories are ranked on a scale. This means that the distance between the categories is a known factor and can be pulled into the analysis. The ranking of the categories is proportionate, and this allows for direct contrast and comparison (e.g. age).

Having collected data, the data was carefully inputted into the Statistical Package for the Social Sciences (SPSS) programme and an accuracy check was carried out both at the time of the input as well as after all data was inputted. In fact, before the researcher starts to analyse the collected data, it is essential to check the data set for errors (Pallant, 2001). Since the data involves more than 150 respondent answers, it is very easy to make mistakes when entering data, and unfortunately some errors can completely mess up the analyses. The researcher inspected the frequencies for each variable to check for errors and some corrections were made accordingly.

Once the data file has cleaned and corrected, the researcher can begin the process of inspecting the data file, and exploring the nature of the variables. This is in readiness for conducting specific statistical techniques to address the research questions. The statistical techniques used for this study can be summarised in three categories as univariate, bivariate and multivariate. However, one of the most difficult parts of the research process for most researchers is choosing the correct statistical technique to analyse the collected data. In most research projects, it is likely that the researcher will use a variety of different types of statistics, depending on the question the research is addressing and the nature of the data.

7.2.8.1 Univariate Techniques

The various ways of analysing and presenting the information relating to a single variable are called univariate analysis. In this respect, the first step in analysing the data is to identify how the data look like by examining each variable separately (Bryman and Cramer, 1999). A frequency analysis was done on the data of the first and second questionnaires. A frequency is the simplest form of descriptive analysis, which merely produces counts and percentages for individual variables. The objective of using frequency analysis was to identify how the data are distributed across the

categories; the mean measures an average and the median measures of central tendency describe the centre, middle, or most typical value in the sample (SPSS, 1985); the range measures the distance between the highest and lowest points in a set of cases; and the standard deviation measures how much dispersion there is in the distribution of values in a sample. In addition, the frequency analysis was used to see whether there were any significant patterns in the data so that the researcher could identify, from the data obtained, other relevant statistical methods to apply.

Although the frequency analysis revealed an interesting pattern of responses, it was not enough to explain how different the perceptions of GATS between respondents and whether the GATS will have a positive impact on the Korean tourism industry or not, which led to further analysis. In fact, results from the frequency analysis were used to explain the overall characteristics of the sample. Frequencies were mainly used to obtain descriptive statistics for categorical variables. This will tell the researcher how many people gave each response (e.g. how many men and women etc.). It is important to take note of the number of respondents in different subgroups in the sample. For some analysis (e.g. ANOVA) it is easier to have roughly equal group sizes. If group sizes are very unequal particularly if the group sizes are small, it may be inappropriate to run some analysis. In addition, for continuous variables it is easier to use descriptives, which will provide summary statistics such as mean, median and standard deviation to describe the characteristics of the sample.

7.2.8.2 Bivariate Techniques

This analysis examines the connection between one variable and each of a number of other variables. After the completion of univariate analysis, the next step was the examination of relationship pattern between two variables through cross-tabulation, correlations, t-tests and ANOVA.

Different types of chi-square, correlation and cross-tabulation are used to explore the strength of the relationship between two variables whereas t-tests and ANOVA were applied to compare the significance between two or more subgroups. There are a number of different techniques that can be used.

The most widely known test for comparing frequency distributions of two variables is the *Chi square* (χ^2). χ^2 compares the observed and expected frequencies in each category and examines the null hypothesis (H_0) of no relationship between the two variables, assuming that the variables are independent of each other (Bryman, 1992; Bryman and Cramer, 1999, SPSS, 1985). In seeking to discern whether a relationship exists between two variables in the population from which a random sample was selected, the null hypothesis would need to be rejected. If the null hypothesis is confirmed, the proposition that there is a relationship must be rejected. The chi-square statistic is then calculated. This statistic is calculated by comparing the observed frequencies in each cell in a contingency table with those that would occur if there were no relationship between the two variables.

The level of probability for rejecting the null hypothesis for all tests was based on the significant value of .05, where the results would have occurred by chance only 5 times out of 100. The main limitation of using χ^2 is that in order to use this test, no more than 20 percent of cells should have expected frequencies of less than 5, and none should contain expected frequencies of less than 1. *Cramer's V* was used to measure the strength of association between two nominal variables or one nominal and one ordinal whereas *Spearman's correlation coefficient rho (p)* was used to assess not only the strength of the relationship but also the direction between two ordinal variables (Bryman and Cramer, 1999). Cramer's V is derived from χ^2 and varies between 0 and +1, with the larger value signifying a strong relationship between the two variables. However, unlike Spearman's p , Cramer's V does not indicate whether the two variables are positively or negatively associated.

Cross-tabulation is one of the simplest and most frequently used ways of demonstrating the presence or absence of a relationship. By presenting a contingency table, the relationship between two variables of interest can be summarised and reduce the amount of information with which the researcher is confronted to make it readable and analysable. Detecting a pattern in the relationship between two variables is fairly easy when there are smaller data sets and the variables dichotomous.

The *Pearson correlation* was used to explore the strength of the relationship between two continuous variables. This gave the researcher an indication of both the direction (positive or negative) and the strength of the relationship. A positive correlation indicates that as one variable increases, so does the other. A negative correlation indicates that as one variable increases, the other decreases. Pearson correlation coefficients (r) can only take on values from -1 (negative) to $+1$ (positive). In addition, *Partial correlation* was used to allow the researcher to control an additional variable that it might be influencing the two variables of interest. By statistically removing the influence of this confounding variable, the researcher can get a clearer, and more accurate indication, of the relationship between the two variables.

T-test was used to compare the mean score on some continuous variable when there are two groups (e.g. men and women) or two sets of data (before and after). In other words, t-tests were applied to compare variability of response based on means calculated for one dependent variable and one independent variable divided into two subgroups. It does this by comparing the difference between the two means with the standard error of the difference in the means of different samples as seen in formula below:

$$t = \frac{\text{sample one mean} - \text{sample two mean}}{\text{standard error of the difference in means}}$$

There are two main types of t-tests as paired sample and independent samples t-tests. For this study, the researcher used independent samples t-tests to compare the perceptions of GATS between two different independent groups of respondents (the public and private sector).

One Way Analysis of Variance (ANOVA) is similar to a t-test, but it is used when there are two or more groups to compare their mean scores on a continuous variable. It is called one-way because it is looking at the impact of only one independent variable on the dependent variable. This analysis indicates if the groups of interest differ, but it does not specify where the significant difference is. In order to find out which groups are significantly different to one another, post-hoc comparisons can be conducted. It is also possible to test differences between specific groups, rather than

comparing all the groups, by using planned comparisons. There are two types of one-way ANOVAs and the researcher used independent samples ANOVA where the mean scores of two or more different groups of people were compared (Pallant, 2001). The table of ANOVA gives both between groups and within-groups sums of squares, degrees of freedom etc. In this table, the most important column to look is marked **Sig.** If significant value is less than or equal to .05, then there is significant difference somewhere among the mean scores on the dependent variable for the three groups. This does not indicate which group is different from which other group (Bryman, 1992).

The purpose of t-test and ANOVA is to test the hypothesis that group means of the population are equal. When the hypothesis is rejected, one mean in t-tests (or more means in ANOVA) is different from the other(s) and there is statistical significance. In t-test, the difference in the variance of the two groups is provided by the Levene's test for equality of variances and this test is significant, then the variances are unequal. SPSS calculates a t-value and significance for equal and unequal variances whereas ANOVA estimates differences among scores within each group and between groups by using the F-ratio. The larger the value of the t-value and F-ratio indicate that there is more variability between the groups caused by the independent variable, than there is within each group, and the greater the probability of rejecting the null hypothesis and accepting the research hypothesis.

7.2.8.3 Multivariate Techniques

It was the researcher's aim to answer research questions by exploring the data further and identify any relationships among three or more variables simultaneously through more complex analytic techniques called multivariate analysis. Multivariate analysis is used for exploring connections among more than two variables. It is important to note that in a number of multivariate techniques used, missing values were handled using the listwise option where cases with missing values are omitted from analysis.

Multiple Regression Analysis

Multiple regression is not just one technique, rather it is a family of techniques that can be used to explore the relationship between one continuous dependent variable and a number of independent variables or predictors (Tabachnick and Fidell, 1996). Multiple regression is based on correlation but allows a more sophisticated exploration of the interrelationship among a set of variables, which makes it ideal for the investigation of more complex researches such as impact studies in tourism. This analysis can be used to address a variety of research questions. It can tell the researcher how well a set of variables is able to predict a particular outcome. In addition, multiple regression provides information about the model as a whole (all subscales), and the relative contribution of each of the variables that make up the model (individual subscales). As an extension of this, the analysis allows to test whether adding an additional variable contributes to the predictive ability of the model, over and above those variables already included in the model.

There are a number of different types of multiple regression analyses, depending on the nature of the questions. The three main types of multiple regression analyses are (Descombe, 1998; Bryman, 1992; Pallant, 2001):

- **Standard multiple regression:** in standard multiple regression, all the independent or predictor variables are entered into the equation simultaneously. Each independent variable is evaluated in terms of its predictive power, over and above that offered by all the other independent variables. This is most commonly used multiple regression analysis. This approach can be used if the researcher wanted to know how much variance in a dependent variable was able to explain as a group or block. It also indicates how much unique variance in the dependent variable that each of the independent variables explained.
- **Hierarchical multiple regression:** In hierarchical multiple regression, the independent variables are entered into the equation in the order specified by the researcher based on theoretical grounds. Variables or sets of variables are entered in steps, with each independent variable being assessed in terms of what it adds to the prediction of the dependent variable, after the previous variables are controlled for. Once all sets of variables are entered, the overall model is assessed in terms of its ability to predict the dependent measure. The relative contribution of each block of variables is also assessed.

- Stepwise multiple regression: In stepwise multiple regression, the researcher provides SPSS with a list of independent variables and then allows the programme to select which variables it will enter and in which order they go into the equation, based on a set of statistical criteria. There are three different versions of this approach: forward selection, backward deletion and stepwise regression.

For this research, stepwise regression was used because it is the safest and widely used method when the aim is to explore the data for a solution which accounts for a maximum variance for a minimum of independent variables (Clark-Carter, 1997).

The following statistics are used in regression analysis:

- Coefficient of determination (r^2): This measures how much of the variance in the dependent variable is explained by the model (the percentage of total variation of the dependent variable explained by the independent variables). In this case, the higher its value the better the model explains the variance in the dependent variable (prediction). The SPSS also provides an *Adjusted R Square* value in the output. When a small sample is involved, the R square value in the sample tends to be a rather optimistic overestimation of the true value in the population (Tabachnick and Fidell, 1996).
- Beta coefficient (β): When two or more coefficient variables are measured, β is used to compare the relative effect of each independent variable on the dependent.
- Significance: This indicates whether the variable is making a statistically significant unique contribution to the equation. This dependent on which variables are included in the equation, and how much overlap there is among the independent variables. If the *Sig. Value* is less than .05, then the variable is making a significant unique contribution to the prediction of the dependent variable. There are two types of significance testing exist in multiple regression. The significance for the overall test is made with the use of the F-ratio. The F-ratio hypothesis is that the amount of variation explained by the regression model does not occur by chance (i.e., r^2 is greater than 0).

Factor Analysis

Factor analysis is a branch of multivariate analysis that is concerned with the internal relationships of a set of variables. This analysis is based on the idea that certain variables 'go together', in that people with a high score on one variable also tend to have a high score on certain others, which might then form a group (Veal, 1997). Factor analysis is different from many of other techniques used in this research. It is not designed to test hypothesis or to indicate whether one group is significantly different to another. It takes a large set of variables and looks for a way that the data may be reduced or summarised using a smaller set of factors or components (Tabachnick and Fidell, 1996). Traditionally, factor analysis has been used to explore the possible underlying structure in a set of interrelated variables without imposing any preconceived structure on the outcome.

In general, factor analysis offers two applications. The correlations between the variables are one application and the correlations between the respondents are another. In this study, factor analysis was used to examine the correlations between variables, rather than respondents. Analysis of a simple type of phenomenon can be approached using a simple, manual technique involving a correlation matrix of the variables. Groupings of variables can be produced by indicating which variables have their highest correlations with each other. This procedure only takes account of the highest correlation, with some use of being made of the second highest, but variables will have a range of lower-order relationships with each other which this method cannot take account of. In fact, a number of lower-order correlations may be more significant than a single highest correlation (SPSS, 1985). Therefore, factor analysis is often used as a method of quantitative analysis in social sciences, since it is a mathematical procedure which groups the variables taking account of all the correlations.

The term factor analysis encompasses a variety of different, although related techniques. One of the main distinctions is between what is termed principal components analysis (PCA) and factor analysis (FA). These two techniques are similar in many ways that accounts for most of the variability in the pattern of correlations. However, in PCA, the original variables are transformed into a smaller

set of linear combinations, with all of the variance in the variables being used. In FA, factors are, however, estimated using a mathematical model, where only the shared variance is analysed (Pallant, 2001). In this study, PCA was used because the researcher wanted an empirical summary of the data set, rather than a theoretical solution uncontaminated by unique and error variability. The PCA technique is also psychometrically sound, simpler mathematically and it avoids some of the potential problems with factor indeterminacy associated with factor analysis (Stevens, 1996).

There are three main steps in conducting factor analysis (Pallant, 2001; Tabachnick and Fidell, 1996; Stevens, 1996):

- Assessment of the suitability of the data for factor analysis: there are two main issues to consider in determining whether a particular data set is suitable for factor analysis: sample size and the strength of the relationship among the variables. In general, it is recommended to have a larger sample size for conducting factor analysis. In small samples, the correlation coefficients among the variables are less reliable, tending to vary from sample to sample. Factors obtained from small data sets do not generalise as well as those derived from larger samples. According to Tabachnick and Fidell (1996), it is comforting to have at least 300 cases for factor analysis. However, it can be considered that if there are strong, reliable correlations and a few, distinct factors a smaller sample size is adequate. The second issue to be concerned is that the strength of the inter-correlations among the variables. Stevens (1996) recommend an inspection of the correlation matrix for evidence of coefficients greater than .3. If few correlations above this level are found, then factor analysis may not be appropriate.
- Factor loadings: sample size is of key importance in the application of factor analysis since it is directly related to the reliability of the results. It is not common to factor analyse a sample smaller than 100 (Hair *et al.*, 1987). In this case, factor loading is important regarding the number of cases the researcher wants to analyse. Factor loadings are correlation of a variable and each respective factor. According to Hair *et al.* (1987), loadings at above $\pm .30$ are considered moderate, $\pm .40$ important and above $\pm .50$ very significant. According to Stevens (1996), the number of variables under investigation determines the significance of loadings and therefore there should be adjusted according to the size of the sample. In

general, loadings of an absolute value of $\pm .40$ or more were considered in order to load highly enough because it was appropriate for the number of variables and sample size.

- **Factor extraction:** factor extraction involves determining the smaller number of factors that can be used to best represent the inter-relations among the set of variables. Some of the most commonly available extraction techniques are *principal components*, *principal factors*, *image factoring*, *maximum likelihood factoring*, *alpha factoring*, etc. However, the most commonly used approach is principal components analysis. In order to determine the numbers of factors that best describes the underlying relationship among variables, it is necessary to find a simple solution with as few factors as possible and to explain as much of the variance in the original data set as possible. Tabachnick and Fidell (1996) recommend that researchers adopt an exploratory approach experimenting with different numbers of factors until a satisfactory solution is found. In this case, there are two techniques that can be used: Kaiser's criterion and screen test. One of most commonly used techniques is known as Kaiser's criterion or the eigenvalue rule. Using this rule, only factors with an eigenvalue of 1.0 or more are retained for further investigation. The eigenvalue of a factor represents the amount of the total variance explained by that factor. In addition, the criterion of eigenvalues greater than 1 was used to determine the number of factors because this criterion indicates the relative importance of each factor and is more reliable when the number of variables is between 20 and 50. Another approach that can be used is Catell's screen test. This involves plotting each of the eigenvalues of the factors and inspecting the plot to find a point at which the shape of the curve factors above the elbow, or break in the plot, as these factors contribute the most explanation of the variance in the data set.
- **Factor rotation and interpretation:** once the number of factors have been determined, the next step is to try to interpret them by rotating factors. This does not change underlying solution, but rather it presents the pattern of loadings in a manner that is easier to interpret. There are two main approaches to rotation, resulting in either orthogonal (uncorrelated) or oblique (correlated) factor solutions. In practice, the two approaches often result in very similar solutions,

particularly when the pattern of correlations among the variables is clear. However, according to Tabachnick and Fidell (1996), orthogonal rotation results in solutions that are easier to interpret. Oblique approaches allow for the factor to be correlated, however they are more difficult to interpret. Within the two broad categories of rotational approaches, there are a number of different rotational techniques provided by SPSS (orthogonal: Varimax, Quartimax, Equamax; oblique: Direct Onlimin, Promax). The most commonly used orthogonal approach is the Varimax method, which attempts to minimise the number of variables that have high loadings on each factor. Considering these facts, for this study, orthogonal solution and Varimax rotation have been chosen since they offer the best fit for the accomplishment of the research objectives (rotation results can be found in Appendix E).

Although factor analysis has been used in many social sciences research to help the investigator make sense of large bodies of interrelated data, especially for studies related to marketing and consumer behaviour in tourism, it is important to point out that there are some limitations of using factor analysis. The most common and important limitations are as follows (Hair *et al.*, 1987):

- There are too many techniques for performing factor analysis. Controversy exists over which technique is best.
- There is a problem with the subjectivity of performing factor analysis, which related to the first problem that mentioned above. Deciding how many factors to extract, which technique should be used to rotate the factor axes, which factor loadings are significant are all subject to many differences in opinion.
- There is a reliability problem during the process of analysis since a factor analysis starts with a set of imperfect data. When the data changes because of changes in the sample, the data-gathering process, or the numerous kinds of measurement errors, the results of the analysis also changes. Therefore, it is fair to say that the results of any single analysis are less than perfectly dependable.

7.3 LIMITATIONS OF VALIDITY AND RELIABILITY

For quantitative analysis, validity and reliability are considered to be very important in order to ensure that the measures developed are appropriate for the research.

Validity is the extent to which the collected data reflect the phenomenon under investigation. According to Veal (1997), tourism research represents many difficulties in ensuring validity because it mainly deals with people's attitudes and behaviour. In this case, the researcher is reliant on individual responses, mainly through the use of questionnaires in which the researcher has no control over responses. The data obtained by attitudinal surveys, which can be an unstable reflection of attitudes can never be as certain as the data obtained by the natural sciences due to many deficiencies of the questionnaires (Veal, 1997). There are many ways in which checks on the validity of the findings can be undertaken, but they boil down to the following items: (Bailey, 1987; Burns, 1995; De Vaus, 1991; Denscombe, 1998):

- **Criterion validity:** a comparison is made with how respondents reply to questions measuring a concept and existing, well-accepted measures of the concept. For this particular research, it was not possible to use other measures. In criterion validity, however, the interpretation of the findings is based on the ability of the variables to predict another variable. Prediction was made through regression analysis to clarify how well the six independent variables (age, gender, position, current employment, previous employment and education) could predict the factors (dependent variables).
- **Subjective validity:** there are two methods of subjective validity. One is the face validity which refers to the judgement that an operational definition appears, on the face of it, to measure the concept it is intended to measure (Singleton *et al.*, 1993). However, face validity is not widely acceptable since it is based on personal judgement rather than objective evidence. It is important to note that it is common fact that the researcher's self has been recognised as an influence in the research but not a cause of bias and one-sided reporting. Another one is content validity refers to the degree to which a measure covers the full range of behaviour being measured (Clark-Carter, 1997). To ensure subjective validity, experts were asked

to judge if the instrument covered the range that they would expect and a review of the literature was undertaken to identify different aspects of the concept.

- Construct validity: it measures theoretical expectations for the research. In addition, it measures, whether or not, the instances selected for investigation have been chosen on explicit and reasonable grounds as far as the aims of the research are concerned. However, the theoretical construct based on the literature review that is satisfied from the adopted research instruments for this research was proved from the research findings. The use of multiple regression and factor analysis along with cross-tabulation can ascertain construct validity, since different aspects of the theory (impact studies, the relationship between government rules and international trade agreements and impacts of international trade agreements on tourism) became clear by using these statistical techniques.

Reliability is also an important issue for analysis. The classic meaning of reliability is whether the research instruments are neutral in their effect, and would measure the same result when used on the other occasions applied to the same 'object' (De Vaus, 1991; Clark-Carter, 1997; Sapsford, 1999), which interferes with the consistency of the results. In an absolute sense there is probably no way of knowing this for certain. Yet there are ways of dealing with the issue in qualitative research. Principally, these involve providing an explicit account of:

- The aims of the research and its basic premises (purpose, theory);
- How the research was undertaken;
- Most importantly in this context, the reasoning behind key decisions made (e.g. in relation to sampling).

If a measure is valid, then it is also reliable, but if a measure is reliable, it does not mean that a measure is valid. Although reliability is easy to control in the natural sciences, it is often not possible in the social sciences because it deals with human beings in ever-changing social situations (Singleton *et al.*, 1993). Therefore, Veal (1997) suggests that social scientists, including those in tourism, need to be careful when they make general statements based on empirical research because any findings are related only to the subject involved, and at the time and place that the research was investigated.

De Vaus (1991) suggests that bad wording of questions, and different interviewers may obtain different answers from respondents. For example, the influence of gender, ethnic origin and appearance of the interviewer, problems of the coding of questions since different codes can be used for the same response, can have unreliability problems. For this survey, the appearance and manner of the interviewers, and the wording and coding of the questions were carefully examined in order to increase reliability. Additionally, the questionnaires were well developed and tested by the supervisor as well as other fellow researchers.

7.4 SUMMARY

This chapter has presented the sequential steps followed to complete this thesis. The research followed the general outline of survey research design, with special attention and focus on the perceptions and impacts of GATS in the Korean tourism industry. As is always the case, the pilot study and sample size could not represent the perfect parameters of the population, but although the result was not perfect one, it was a useful framework for further studies and an accurate information as the data obtained from the tourism experts in the Korean tourism industry through the face to face interviews rather than questionnaires. Since the research area is new, data availability and collection are the most obvious limitations. Secondary data on multilateral trade agreements related to tourism issues were extremely difficult to find, thus the research was mainly developed based on the appropriate theories of international trade. However, updated information about the GATS negotiations and other trade agreements in tourism was obtained later in the form of articles and reports. Moreover, the main research limitations for the field research were budget and time constraints that limited the duration of the study and the sample size. Given the nature of the research, long distance travel was involved within Korea. This travel was made mostly by airlines, which involved high costs during the survey. It took more than six months to conduct interviews both with the public and private sector in Korea. Since the study targeted tourism experts in managerial positions, making an appointment with them took longer than expected.

The research process and design will show if the major aim of this study will be achieved and if meaningful conclusions and suggestions for future tourism development in the final chapter may be provided that, when government policies and regulations related to the GATS is adopted by the Korean tourism industry.

CHAPTER EIGHT:

TRADE LIBERALISATION, GATS AND TOURISM IN KOREA: PROBLEMS AND POTENTIAL

8.1 INTRODUCTION

It has already been demonstrated that the tourism industry is growing as a strategic force which will lead the socio-economic development of the world into the 21st century. As such, countries around the globe are intensely competing for the development of a tourism industry of their own. The Korean government, recognising the importance of tourism, set up a long-term vision to promote Korea as a centre for tourism in Asia in the 21st century.

Based on this vision, the Korean government has introduced several policies to foster tourism in various fields such as strategic marketing, developing tourism resources on a large scale, improving the posture to accommodate tourism and expanding productive welfare through stimulating people's tourism-related activities. First, by implementing differentiated overseas marketing from one market to another, Korea attracted 4.66 million foreign tourists in 1999 and hence improved its ranking from 30th to 28th place in the world. Achieving US\$2.5 billion of surplus in 1999 in the balance of payments from tourism, together with US\$3.8 million of surplus in 1998, Korea recorded US\$6.3 billion of surplus consecutively for 2 years.

Korea has laid a foundation to foster the tourism industry and to promote tourism in the 21st century. As the literature suggests, both the private and public sector are playing an important role in different areas of the tourism industry. In addition, the government will require the private sector's expertise in order to succeed in the future development of the Korean tourism industry. Simultaneously, the cooperation between the private and public sector will be significant in achieving the liberalisation of the tourism-related industries in Korea under the GATS.

The GATS is a landmark achievement in terms of creating trade disciplines in virgin

territory, but it achieved little in terms of immediate liberalisation. The share of services in developing country exports has been growing very rapidly, and now accounts for almost 20 % of their total exports. Exports of services, particularly of tourist services, are of special importance to many small developing economies. While industrial countries have taken advantage of the GATS to offer market access commitments of some kind on over half of their service activities, developing countries did so on only 15 % of their services trade categories. The larger industrial countries, however, made offers on almost 30 % of their service sectors. Neither in developing nor in industrial countries did the GATS agreements involve commitments to reduce protection (Sauve, 1994).

While the GATS is important in providing a basic framework, it is not clear that its rules offer the best chance of persuading developing countries including Korea to make substantial commitments. Continuing efforts to build on the foundation provided by the GATS are a priority since the potential gains from comprehensive liberalisation of services are very large as discussed in the literature. Therefore, it is important for developing countries to examine the potential benefits and problems of the GATS prior to the system brings into the practice. The case study of Korea will provide better understanding in the implementation of the GATS and its impacts to many member countries that have similar economic and political background to Korea.

The next two chapters examine the results obtained from the analyses that were applied to satisfy the research objectives. They are as follows:

1. To examine the factors that influence world trade in goods and services.
2. To examine the influences that GATS is likely to have on the scope and magnitude of world trade in services.
3. To determine the effects of GATS on tourism development in developing countries.
4. To discuss the likely effect of GATS upon tourism development and delivery in Korea.

However, the survey focuses on identifying the likely effect of GATS upon tourism development and delivery in Korea, in particular.

In addition, there are four hypotheses in this research:

1. The government has opened its market to all foreign companies and suppliers in the Korean tourism industry (no restrictions on international trade in the tourism industry).
2. GATS (General Agreement on Trade in Services) will not affect Korean economic growth and it will not bring about any changes in the tourism industry in Korea after 2000.
3. GATS will have positive impacts on the Korean tourism industry.
4. There are different perceptions and awareness of GATS between the public and private sector in Korean tourism.

Given that the survey was conducted in both the public and private sectors, this chapter starts the exploration by presenting general perceptions and characteristics of the public and private sector in Korea according to its relevance and implications of trade liberalisation and GATS. The first part of the data analysis focuses on a descriptive analysis including frequency and cross-tabulation analysis. This is followed by a more in-depth analysis, including factor analysis.

The research question is to examine the implementation of the GATS and its impact upon tourism development, especially in Korea. The questions were divided into five different “dimensions” for both the private and public sector in Korea as follows:

- To recognise problems relating to liberalisation and globalisation of the tourism industry in Korea.

Several questions were developed to identify whether the Korean government has opened its market to all foreign companies and suppliers in the tourism industry.

- To identify the level of awareness of the GATS within the industry.
- To discover the degree of general knowledge and information that people who work in the public sector have about the GATS.
- To understand the Korean government's rules and policies toward the GATS.

Questions in those three areas were designed to discover, whether or not, there are

different perceptions and awareness of GATS between the public and private sector in Korean tourism.

- To derive expected and possible outcomes of the GATS.

Questions in this area were asked to the respondents to recognise whether GATS will affect Korean economic growth and bring about any changes in the tourism industry in Korea in the future.

8.2 DEMOGRAPHIC CHARACTERISTICS OF THE PUBLIC SECTOR

It is important to present the key characteristics of the sample in order to help provide a better understanding of the respondents' perceptions in terms of tourism development in Korea towards GATS. The respondents in the public and private sectors were asked seven different demographic questions at the end of the interview. The study included the following demographic characteristics: sex, age, employment status and education.

8.2.1 AGE DISTRIBUTION OF RESPONDENTS

Age distribution may influence perceptions of the role of multilateral agreements such as GATS in the Korean tourism industry. Most field research recognises the importance of age, education and other demographic factors of respondents in order to deliver effective and valuable results. These factors can help to understand the current situation or trends in public sector employment in the Korean tourism industry. In particular, age distribution and education may support the assumption that respondents in the public sector have a reasonable knowledge of important changes in tourism policies or regulations since all interviewees are either managers or directors in different Korean governmental organisations. For example, if the respondents' age range is between early and late 20s, it might suggest that they have not been associated with the tourism industry long enough to understand the Korean tourism market overall. Therefore, it is possible for respondents to provide uninformed

answers on GATS related issues in Korean tourism industry due to lack of knowledge and experiences of tourism related issues.

However, the results show that the majority of the respondents are between 25 and 39 years old and none of respondents are less than 25 years old (60 % for 25-39, 40 % for over 40 and 0 % for under 25). This distribution was not surprising given that the interviews focused on managers and directors.

Table 8.1 Age and gender distribution of respondents for public sector

Variables	Categories	N		Mean	Std. Deviation	Variance
		Count	%			
Age	1. less than 24	-	-	2.40	.51	.26
	2. 24-39	9	60.0			
	3. 40 and over	6	40.0			
Gender	1. male	11	73.3	1.27	.46	.21
	2. female	4	26.7			
Education	1. school	-	-	3.33	.49	.24
	2. college	-	-			
	3. university	10	66.7			
	4. postgraduate	5	33.3			

8.2.2 GENDER DISTRIBUTION

The sample was carefully chosen from managers and directors of relevant departments in the public sector as the questions needed to be answered by experts in tourism field. The results show that in keeping with national employment statistics, respondents in the public sector consisted of 73.3 % male and 26.7 % female as seen from table 8.1.

According to the Ministry of Culture and Tourism in Korea (2000), 30 % of employees working in tourism related government organisations are female, in spite of the fact that jobs in government organisations are among the most highly demanded, particularly for highly educated women in Korea. These figures might not present any significant issues, but it is possible for the employers to prefer men employees rather than women in the Korean society. Moreover, it can be assumed that discrimination between men and women exists in society. In recent years, many studies have been carried out to investigate the working environment in various industries, especially in the services industry by Korean trade unions and the Korean National Statistical

Office. These studies suggest that women workers do not get their first promotion until after 5 years on average whereas it only takes between 2 and 3 years for male workers (Korean National Statistical Office, 2000). This may be an obstacle to improving the overall working environment in Korea. The gender distribution is important to understand the results of analyses that will be represented in the next two chapters.

8.2.3 EMPLOYMENT STATUS OF RESPONDENTS

Three different questions were asked about the employment status of respondents in order to identify any working background in tourism. It is important to know whether the respondents, especially in the public sector, come from a tourism background since their background can influence perceptions of the implications of GATS for the Korean tourism industry. The results will be used for further analysis to examine whether answers are based on experience or knowledge from secondary data.

Table 8.2 Employment status of the respondents

Variables	Categories	N		Mean	Std. deviation	Variance
		Count	%			
Current employment	1. KNTO	2	13.3	3	1.07	1.14
	2. Ministry of culture and tourism	2	13.3			
	3. KTRI	5	33.3			
	4. local governments	6	40.0			
Previous employment	1. restaurants	-	-	4.64	.50	.25
	2. travel agents	-	-			
	3. hotels	-	-			
	4. others (tourism-related)	-	-			
	5. another public sector	5	33.3			
	6. others (non-tourism)	9	60.0			
	Non response	1	6.7			
Current position	1. deputy manager	1	6.7	2.47	.74	.55
	2. assistant manager	7	46.7			
	3. manager of a department	6	40.0			
	4. director	1	6.7			
	5. others	-	-			

As seen from table 8.2, the results present a couple of important facts. The first is that none of the respondents worked in the tourism-related private sector prior to their current job in tourism-related government organisations. Therefore, it can be assumed that major decision makers may not accurately understand problems in the Korean

tourism industry enough to design and impose efficient and appropriate tourism policies and regulations, which would affect working conditions between the public and private sector. In general, tourism experts in the private sector often complain about inefficient rules and regulations that the government enforces, which are a result of a lack of communication and understanding. The second fact is that 60 % of total respondents were working in a non-tourism related sector before they were employed by the government, where knowledge of business administration or economics was essential.

In addition, more than 30 % of total respondents had worked in non-tourism related departments in various government organisations. In Korea, almost all government employees rotate from one department to another, which was recognised as an important problem in the public sector, especially in the tourism industry. For instance, it took more than a year for foreign companies to complete paper work to set up their business in the services industry in the early 1990s, because they often repeat the whole process due to the frequent changes in personnel. As a result, a vast number of managers in government organisations have gained knowledge of many different areas and industries but it is difficult to say that they are real experts in one particular industry.

8.2.4 EDUCATION STATUS OF RESPONDENTS

The education level achieved by the respondents may act as a proxy for the degree to which they comprehend local, national and international issues. The results show that all respondents are relatively well educated since a significant proportion (33.3 %) of them have a masters or Ph.D. degree. Education, in general, is regarded as an important factor in Korean society. According to a survey conducted by the government in 1999, 97 % of Korean people were deemed to be literate which confirms the importance of education in Korea.

8.3 DEMOGRAPHIC CHARACTERISTICS OF THE PRIVATE SECTOR

The demographic characteristics can be used as a framework to categorise the significant changes and differences between different groups.

In order to answer the research question, it is important to investigate different perceptions and expectations of respondents in the private sector toward GATS since they are the main players in the tourism industry. Demographic characteristics include employment, age, sex, and education status of respondents were identified.

8.3.1 AGE AND GENDER DISTRIBUTION

Age and gender were found to be important explanatory variables within the employment trends of the private sector in the Korean tourism industry. Age group was divided into three different categories as shown in table 8.3. The table shows that 51.4 % of the respondents were aged 40 or over and 47.9 % of the respondents were aged between 25 and 39 whereas only 7 % of the respondents represent the age group were less than 24 years old.

In addition, table 8.3 shows the surprising fact that 87.9 % of respondents were male and only 12.1 % were female. The findings illustrate that Korean society, in general, prefers male rather than female employees for managerial and directorial positions regardless of the industry even though Korean society has generally accepted that many tourism employers are willing to employ a single young woman. Therefore, a large proportion of female employees work as a waitress, receptionist or housekeeper in the Korean tourism industry.

Women employees in urban areas, in general, are highly educated unlike women employees in rural areas. The Korean government provided comparable figures for women graduating from university: 61.1 % in urban and 12 % in rural areas. The economic participation rate of women has also increased steadily in urban areas since industrialisation from 34.4 % in 1965 to 48.1 % in 1999. In terms of characteristics of the female labour force, in 1975, only 2 % of the female labour force worked in

professional or managerial occupations, while 4 % worked in clerical positions. However, by 1998, 12.6 % of female employees were serving in professional or managerial positions, and another 16 % were working in clerical occupations in the cities. In contrast, in rural areas, women make up the majority of the rural population in Korea since the young male population tends to migrate to the cities for their education or career, and represent the oldest age groups (over 65 years old). Furthermore, the level of education is low in rural areas, and rural women are less educated than rural men. Education, training and extension in home economics, nutrition and rural entrepreneurship are particularly needed. Therefore, women's roles in the rural areas have not changed much over the last 60 years as they are mostly confined to the home or agricultural work which tends to pay very poorly compared with women employees' salary in cities (Korean Ministry of Labour, 2001). Consequently, the participation and interest of women in public life and in political decision-making is low at both local and national level. More importantly, women's employment is more concentrated in low profile jobs with lower pay in rural areas than in the cities. Although Korea belongs to the developed group of currently industrialising countries, it lags behind other developing countries in terms of women's employment.

In Korea, however, the tourism industry has been known as a women-concentrated or dominated industry for the last five decades. After the Korean War, many women needed a job to feed their children or to survive due to loss of their husband or father, and it was easy for women to find a job in service industry, especially the restaurant industry. Since then, the tourism industry's reputation of being a women's industry has remained in society.

According to Hemmati (1999), the tourism industry seems to be a particularly important sector for women (46 % of the workforce are women world-wide) as their percentages of employment in most countries are higher than in the workforce in general (34 - 40 % are women, ILO data). The numbers of women and their percentage of the workforce in tourism vary greatly between countries - from 2 % up to over 80 %. Although there were few obvious regional trends it would appear that in those countries where tourism is a more mature industry women generally account for around 50 % of the workforce. Of the data available for the years between 1988

and 1997, it appears that there has been a broad increase in the participation of women for tourism industry at a global level. The majority of this increase in female participation may be driven by the growth in the industry for specific developing countries, such as Puerto Rico, Chile and Turkey. For the industrially developed countries, there has been little change in the actual participation of women in the tourism industry.

Table 8.3 Age and gender distribution of respondents in the private sector

Variables	Categories	N		Mean	Std. Deviation	Variance
		Count	%			
Age	1. less than 24	1	.7	2.51	.52	.27
	2. 25-39	67	47.9			
	3. 40 or over	72	51.4			
Gender	1. Male	123	87.9	1.12	.33	.11
	2. Female	17	12.1			

8.3.2 EMPLOYMENT STATUS OF RESPONDENTS

Respondents from the private sector were asked three different questions (including current and previous employment status) as were respondents from the public sector to learn their employment status. Table 8.4 shows the distribution of interviewees in the restaurant, hotel and travel agent industry. In the hotel industry, there are only 6 Korean branded five-star hotels (Silla, Paradise, Western Chosun, Tower, Seoul Palace, and Hyundai) but more than 20 foreign branded five-star hotels in Korea. The researcher managed to interview managers from 4 Korean five-star hotels and 23 foreign hotels. Respondents in the restaurant industry were classified into four different groups. Interviews were carried out in 6 (15 %) American restaurants and 6 (15 %) foreign restaurants (one European, two Japanese, one Vietnamese, and two Chinese) out of total 40 (100 %) participants in the restaurant sector.

Of the private sector respondents, 37 % were previously involved in other industries rather than tourism. The majority used to work in marketing or financial companies, thus their experience in tourism has not been long enough to be a manager or a director. There was a strong tendency for many restaurant owners to show great difficulty in understanding the questions relating to international issues since their knowledge about tourism and international trade is limited. A quotation from one of the restaurant owners demonstrates the lack of understanding of the tourism industry:

“I don’t understand the relationship between tourism activities and restaurant businesses. A restaurant business is nothing to do with tourism, it is purely marketing and sales related”.

Table 8.4 Employment status of the respondents in the private sector

Variables	Categories	N		Mean	Std. Deviation	Variance
		Count	%			
Current employment	1. American brand restaurant	6	4.3	6.30	2.72	7.41
	2. other foreign brand restaurant	6	4.3			
	3. Korean restaurant	25	17.9			
	4. fast food restaurant	3	2.1			
	5. Korean brand five star hotel	4	2.9			
	6. foreign brand five star hotel	23	16.4			
	7. four star and three star hotel	23	16.4			
	8. travel agency (inbound)	13	9.3			
	9. travel agency (outbound)	16	11.4			
	10. travel agency (inbound and outbound)	21	15.0			
Current position	1. assistant manager	24	17.1	2.52	1.06	1.11
	2. department manager	54	38.6			
	3. general manager	28	20.0			
	4. director or president	33	23.6			
	5. others	1	.7			
Previous employment	1. a restaurant	18	12.9	3.03	1.37	1.88
	2. a travel agency	38	27.1			
	3. a hotel	43	30.7			
	4. others (tourism-related)	-	-			
	5. public sector	4	2.9			
	6. others (non-tourism)	37	26.4			

Cross-tabulation analysis for previous and current employment (Cramer’s $V = .530$) shows important facts. It is not surprising to know that people who start their career in the restaurant industry tend to stay in the same business until they retire, unlike the hotel and travel agent industry. 18.6 % of the private sector respondents who had previously been involved in the hotel sector had moved to the restaurant sector. 13.2 % of the respondents who used to work in a travel agent had moved to the hotel industry. More importantly, 100 % of the respondents who had previously worked in a restaurant had stayed in the same sector without moving to other sectors in tourism-related industries. This is because the interdependent relationship between hotels and travel agents is essential in order to deliver a successful operation but restaurant businesses can operate independently from other sectors. In other words, the operation system for restaurants is rather different from hotels’ and travel agents’. Therefore, respondents working in the catering and restaurant sector seem reluctant to

move to other sectors because it will be difficult for them to adapt to a new working environment and to develop new skills for working in the hotel and travel agent sector. According to Ladkin and Riley (1996), a higher proportion of hotel managers (63 %) was within company moves and 37 % of hotel managers were between company moves in the UK. Additionally, the total number of job moves generated by hotel managers in the UK are within the industry rather than outside the hotel industry, especially in the food and beverage department, which supports the similar result presented by the Korean tourism industry. The research shows that 66 % of hotel managers in Korea moved within the industry rather than outside the hotel industry. This may be phenomenon across all markets, not just in the UK and Korea. Ladkin and Riley suggested that *“a large proportion of internal moves to imply a greater degree of company influence because managers are aware of opportunities with their companies and take assertive action within the internal labour market”*. Therefore, it is fair to say that managers and directors in tourism, in general, are reluctant to move to another industry, particularly in the hotel and restaurant sector.

8.3.3 EDUCATION STATUS OF THE PRIVATE SECTOR RESPONDENTS

Korean employment by industry show a high concentration in the service industry (61 %) followed by the mining and manufacturing industry (24.1 %), agriculture, forestry and fishing (14.8 %). The primary industries of agriculture, forestry, fishing, mining and manufacturing are declining, while the service industry is increasing (Korean Confederation of Trade Unions, 1996). As demand for a job in the service industry increases, the education level increases dramatically, especially in tourism. In the 1970s and 80s, people who worked in the Korean tourism industry often held a high school diploma and some of them had to work more than 10 years to be a manager, but all this has changed.

The respondents were asked to examine, whether or not, they have educational background in tourism and 54 % of the private sector respondents had a degree in the tourism field. More importantly, the majority of restaurant owners and managers tend to have a degree in marketing or business administration rather than tourism. The findings from a cross-tabulation analysis show that more than 70 % of the private sector respondents had a degree, which supports the argument that education is very

important to workers/employers in the Korean tourism industry. Since, the 21st century is the era of knowledge and information, in all sectors, information, knowledge and technology are at the core of competitiveness. The tourism industry is no exception. It needs such elements to develop into a future-oriented industry.

Overall, the level of education is evenly represented between the three different tourism sectors (Cramer's $V = .206$). However, a smaller proportion of respondents in the private sector (10 %) had a postgraduate degree compared to 33.3 % of respondents in the public sector.

8.4 GOVERNMENT RULES AND POLICIES TOWARD TRADE LIBERALISATION

In view of the fact that the research involved more than one interview group and the size of data was quite large, statistical application was the most appropriate method to use. The data was explored using frequency and cross-tabulation analyses. A frequency analysis for the public sector indicated a pattern of positive responses in favour of trade liberalisation in Korea, but more negative responses toward the awareness and expected implications of GATS. Furthermore, the research shows that the respondents in the private sector are, in general, more negative toward trade liberalisation and the impacts of GATS on the Korean tourism industry although they recognised the importance of trade liberalisation to increase trade activities and improve economic performances in the future.

The questionnaire for the public and private sector respondents was divided into four different parts as follows:

- **Government rules and policies towards trade liberalisation:** An important goal for introducing GATS in international trade is to take the liberalisation process further, especially in developing and less-developed countries. Therefore, it is essential to examine the government's attitude and intention towards trade liberalisation by studying government rules and policies for both manufacturing and services industries.

- Awareness of the GATS: It is essential to identify whether or not people in the public sector were aware of the GATS which can then be compared with the results from the private sector. In addition, other trade-related questions were asked to help establish the background of Korean tourism development and perceptions of the private sector in relation to international trade.
- General knowledge and information about GATS: Five main questions were designed for the public sector respondents to gather more detailed information on understanding the rules and principles of GATS. On the other hand, four questions (including the expected problems and benefits of GATS) were asked to respondents in the private sector to discover the level of understanding of GATS, which will also be used for a comparison study between the private and public sector later. Questions were left unanswered if the respondents were not aware of the GATS.
- Expected impacts of GATS on Korean tourism industry: questions were asked to discover negative and positive implications of GATS on the Korean tourism industry. As discussed earlier (in chapter 3), trade liberalisation in services, in recent years, has been an important issue for many countries, especially developing countries. Korea has been recognised as a developing country with heavy trade restrictions. Therefore, studying possible future implications of GATS on Korean tourism industry will provide a framework for further research for other developing countries relating to the issues of GATS, trade liberalisation, and international trade in tourism industry.

International issues such as trade agreements in the world tourism industry have various impacts on individual countries, especially developing countries (see chapter 3). Therefore, it is important to examine both governmental and non-governmental sectors asking similar questions to deliver an accurate set of data analysis to complete a comparative study later in this thesis. However, several questions (trade policy and regulation-related) were designed only for respondents in the public sectors to obtain more information about the process of trade liberalisation and globalisation in the government point of view whereas other several trade liberalisation and GATS-related

questions were designed only for the private sector.

The Korean government slowly removes non-tariff barriers on goods and services to open up more services sectors for the foreign involvement since 1981 and the government introduced new trade policies and regulations to ease trade barriers for foreign investors in the late 1990s (see chapter 6, section 6.2.3). However, the important question to ask is, whether or not, the removal of trade barriers has changed trade conditions to both foreign and domestic companies in Korean tourism, which will be investigated in this research.

A high proportion of the public sector respondents (more than 80 % of respondents agreed with the fact that the government has removed more than 70 % of the trade restrictions in Korea) gave answers in support of the statement of “the Korean government has gradually reduced trade obstacles last two decades”. However, there are different views toward trade restrictions between the private and public sector. The public sector respondents suggested that there are no recognised restrictions on foreign companies and investors in the services industry, particularly in tourism related activities, but the private sector respondents disagreed. Different managers and directors in the private sector complained about the fact that the government applies different types of restrictions, including taxes and entry restrictions, to both foreign and domestic companies.

According to UNCTAD (1998^a), although developing countries encourage FDI in the tourism sector by undertaking commitments (reducing trade barriers) under the GATS, in some cases, both the services importer and exporter often impose restrictions such as immigration and security controls, together with documentation requirements, as well as any restrictions on currency movements, which might be applied to individual tourists, tourism businesses, or tourism labour (see chapter 3, section 3.2.3). Dicken (1992) argued that newly industrialised countries are development states (NICs) where market economies only operate subject to intervention by the State. In fact, many governments formed new trade policy for discriminating in favour of their own domestic firms (see chapter 3). Governments’ intervention in the economy has been increased, especially in developing countries and it affects the free trade policy. As a result, countries such as South Korea, Taiwan, Singapore and Hong Kong pursued an

explicit policy of import substitution. The aim of import substitution was to protect a nation's infant industries (see chapter 3, section 3.2.4). Therefore, it is clear that different non-tariff trade barriers exist in Korea but the respondents in the public sector were reluctant to identify existing trade barriers because they are the main players of introducing trade policies and regulations. This is a point to which the research returns in section 8.4.3.

The respondents in the public sector suggested that the government has changed tourism policies, mainly to attract more foreign investment into the country. In order to attract more foreign investors, the government has to develop tourism facilities and infrastructure to the international standards by reducing trade barriers first. The Korean government used to discourage people from spending on leisure and tourism services because they believed that tourism would boost the level of consumption and widen the gap between the rich and poor. However, the government now encourages people to spend on tourism and leisure services. Foreign exchange reserves had dwindled to about US \$4 billion by late 1997 in Korea (see chapter 6, section 6.2.4). According to Stephenson (1998), international trade in services becomes more important to developing countries than developed countries in recent years because services are contributing more to their economic growth than ever before. In other words, international trade in services, especially tourism, increases foreign exchange earnings for developing countries which, in turn, affects overall economic performances for a country (see chapter 3, section 3.2.2). Therefore, it is essential for the Korean government to increase foreign exchange reserves by promoting the tourism-related sectors, which will help to overcome current economic difficulties.

8.4.1 THE IMPORTANCE OF TOURISM

The movement of globalisation and liberalisation have become the centre of world trade, especially in the services industry (see chapter 2). In particular, international tourism plays an important role in generating globalisation in the economic, socio-cultural and socio-political processes. In fact, international tourism is recognised as a vehicle for economic development in many developing and less-developed countries. International tourism constitutes an important contribution to the employment and economic growth of the national economies. According to Plovsing (1998), the

growing importance of tourism as a rapidly expanding industry, is due to a number of reasons:

- The growing welfare of the populations in most countries;
- Implying growing leisure as normal working days have been shortened, weekend leisure increased and holidays extended;
- Combined with the development in the modes of transportation;
- Also combined with growing ease of crossing national borders;
- Which in general is reflected in the growing globalisation of world's economies and culture.

Therefore, the importance of international tourism has increasingly recognised by many countries due to its contribution to the achievement of general economic welfare.

In general, respondents suggested that tourism is one of the most important industries to the Korean economy. Because Korea has yet to be largely explored by foreign tourists and investors, the respondents were convinced that the country has a potential to develop tourism further by liberalising the market. As seen in table 8.5, 93 % of the public sector respondents answered that the Korean government regards the tourism industry as very important or the most important industry for the Korean economy.

Table 8.5 The importance of tourism (the public and private sectors)

Variables	Categories	N		Mean	Std. Deviation	Variance
		Count	%			
Q1. The importance of the tourism industry. (public)	1. the most important	6	40	1.67	.62	.381
	2. very important	8	53.3			
	3. fairly important	1	6.7			
	4. less important	-	-			
	5. least important	-	-			
Q1. The importance of the tourism industry. (private)	1. the most important	26	18.6	2.51	1.07	1.14
	2. very important	47	33.6			
	3. fairly important	41	29.3			
	4. less important	21	15.0			
	5. least important	5	3.6			

Similarly, table 8.5 shows that more than 80 % of the private sector respondents acknowledged that the government regards tourism as one of the most important industries (18.6 % for the most important, 33.6 % for very important, and 29.3 % for

fairly important) to the Korean economy whereas only 18.6 % of the respondents identified the industry as unimportant. Therefore, the majority of respondents in the public and private sector shared the same views about the fact that the Korean government recognises the importance of the tourism industry. Moreover, the vast majority of the respondents in the private sector were positive about future development of Korean tourism since the government has recognised the importance of tourism in recent years.

According to KNTTO (1999), tourism has been newly recognised as one of the best ways to overcome the economic crisis because it can attract foreign exchange, the lack of which was initially a main cause of the crisis. When the Korean government was implementing National Economic Development Plans in the 1960s and 1970s, the foreign currency earned from tourism was an important source of national development, which emphasises that the government recognised the importance of tourism and supported the tourism industry in many ways as early as in 1960s (see chapter 6, section 6.4.1).

Overall, a higher proportion of respondents in the public sector, not surprisingly, recognised the importance of tourism industry (40 % for the most important and 53.3 % for very important) compared to the private sector (18.6 % for the most important and 33.6 % for very important). Since the current government announced that they would promote the country's tourism industry by extending financial investment and reducing heavy restrictions for travel and tourism-related businesses, the recognition of the importance of tourism has increased in the public sector.

Table 8.6 Does the Korean government favours the tourism industry? (private sector)

Variables	Categories	N		Mean	Std. Deviation	Variance
		Count	%			
Q2. Gov. favours the tourism industry	1. yes	40	28.6	1.71	.45	.21
	2. no	100	71.4			

On the other hand, a question was asked to the private sector respondents to identify whether the government currently concentrates on developing tourism more than other service sectors and asked to specify 'how' if answer is 'yes'. The result was that only 28.6 % responded 'yes' and 71.4 % said 'no' to the question (whether the

government concentrate more on developing tourism than other industries). Of the 28.6 % participants, they responded that the Korean government endeavours to boost Korean tourism by *increasing the volume of investment and subsidies* (45.5 %), *introducing new marketing skills* (14.5 %), *attracting mega-events* (14.5 %), *introducing new tourism policy* (12.7 %), *reducing taxes* (7.3 %), and *offering low interest loans to new entrants and SMEs in the industry* (1.4 %). However, the respondents stated that the government has introduced low interest rates for loans and increased the budget to develop tourism products and improve infrastructure to welcome international tourists but it is not enough to develop Korean tourism to compete with other neighbouring countries such as Japan, Thailand and China. At present, Korean tourism is largely depending upon attracting mega-events and international conferences.

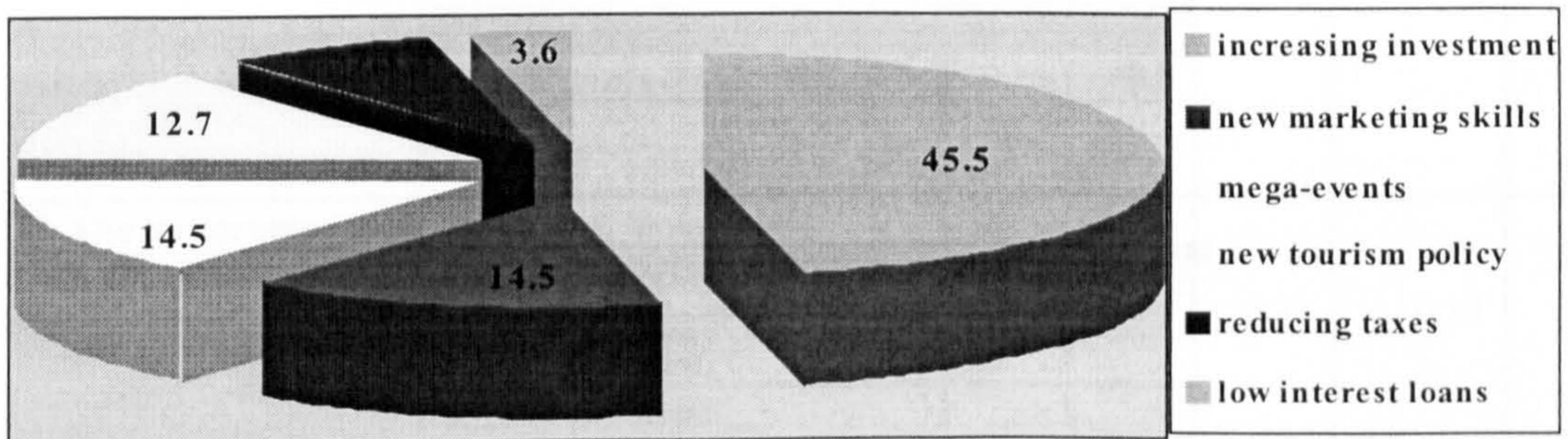


Figure 8.1 Areas that the government focuses upon in the tourism industry

8.4.2 THE IMPORTANCE OF TRADE LIBERALISATION

According to Keller (2001), the movement of globalisation is leading to liberalisation of tourism at the borders. The Tourism Committee of the OECD in the 1950s coined the phrase “tourism must go both ways”, accepting the international competition which implies and accepting growth in the tourism sector as a motor for the economy as a whole. The further dismantling of foreign exchange restrictions for travel abroad and of barriers to investment in tourism in the last two decades has substantially contributed to a high rate of growth in international tourism. Tourism must today be considered a relatively deregulated sector of the economy. Further steps are required however, particularly to lift the remaining restrictions on foreign currency transactions.

As discussed in the literature, liberalisation at the border is possible only in countries that are making parallel efforts to create a market economy system internally. The deregulation process which is needed to accomplish this does not in any way lead to a dismantling of the state system. The aim is simply to ensure that there are limits to state intervention in cases of market failure in the context of welfare economies, or for the purpose of re-distribution of wealth, especially in developing countries.

Table 8.7 The importance of trade liberalisation (public and private sectors)

Variables	Categories	N		Mean	Std. Deviation	Variance
		Count	%			
Q2. The degree of trade liberalisation. (Public)	0. 0%	-	-	72.67	7.04	49.52
	:					
	:					
	5.50%	-	-			
	6. 60%	2	13.3			
	7. 70%	7	46.7			
	8. 80%	6	40.0			
9. 90%	-	-				
10.100%	-	-				
Q3. The importance of trade liberalisation. (Public)	1. the most important	-	-	2.13	0.35	0.12
	2. very important	13	86.7			
	3. fairly important	2	13.3			
	4. less important	-	-			
	5. least important	-	-			
Q4. The importance of trade liberalisation. (Private)	1. the most important	30	21.4	2.34	1.06	1.12
	2. very important	58	41.4			
	3. fairly important	32	22.9			
	4. less important	14	10.0			
	5. least important	6	4.3			

The public and private sector respondents identified the importance of trade liberalisation not only in tourism but also other industries. In this section of the questionnaire, specific questions about trade policy and regulation were asked to the public sector respondents in relation to trade liberalisation. A considerably large proportion of the public sector respondents (86 %) identified that the government has reduced more than 70 % of trade restriction, especially in the services industry (see table 8.7). However, respondents hesitated to say that the country is 100 % liberalised in international trade. But with respect to the tourism industry, more than 90 % of respondents felt that trade liberalisation has been achieved. Moreover, 100 % of the public sector respondents suggested that trade liberalisation is important to the Korean economy (86.7 % for very important and other 13.3 % for fairly important).

Nevertheless, the researcher asked the private sector respondents to identify the importance of trade liberalisation to their industry, which can be compared with Q.1 (the importance of tourism in Korea) by applying cross-tabulation analysis. Table 8.7 shows that a total 85.7 % of respondents answered '*most important*' (scale 1) to '*important*' (scale 3) and only 14.3 % of respondents suggested that trade liberalisation is not important to develop their industry further. Although a large proportion of the respondents suggested that trade liberalisation is very important to improve their business performances, they were not convinced that the government has an intention to liberalise remaining non-tariff barriers, especially restrictions on foreign employment.

A series of cross-tabulations were performed in order to investigate differences in the private sector respondents' perception of the Korean tourism industry (Q.1) and trade liberalisation (Q.4). The findings indicate that more than 80 % of the respondents acknowledged that the tourism industry is important to the Korean economy, and recognised the importance of trade liberalisation to develop the industry (as seen in figure 8.2).

Overall, the majority of respondents in the Korean tourism industry recognised the importance of trade liberalisation to further tourism development. UNCTAD (1994) suggests that trade liberalisation allows countries to pursue specialisation in harmony with their comparative advantages. In a liberalised industry, firms will tend to employ productive resources in those activities where they can be more efficiently utilised and consumers will benefit from access to cheaper products. In the tourism industry, many developing and less-developed countries develop tourism by allowing foreigners to invest and operate their businesses freely. For example, several tourism destinations such as Bali, Tunisia, Bahamas, etc., become internationally well-known tourist destinations by allowing multilateral foreign companies to involve in establishing new tourists facilities (including hotels, restaurants, etc) and changing infrastructure (including roads, airports, etc) whereas domestic companies provide cheap labour. In this respect, trade liberalisation seems more beneficial to developing and less-developed countries to achieve further tourism development. By contrast, in a protected industry, companies have to adjust in response to the increase in international competition, which will be difficult for tourism-related companies in

developing and less-developed countries since most tourism-related companies are small sized and financially difficult to compete with foreign companies on international basis (see chapter 3, section 3.3.3).

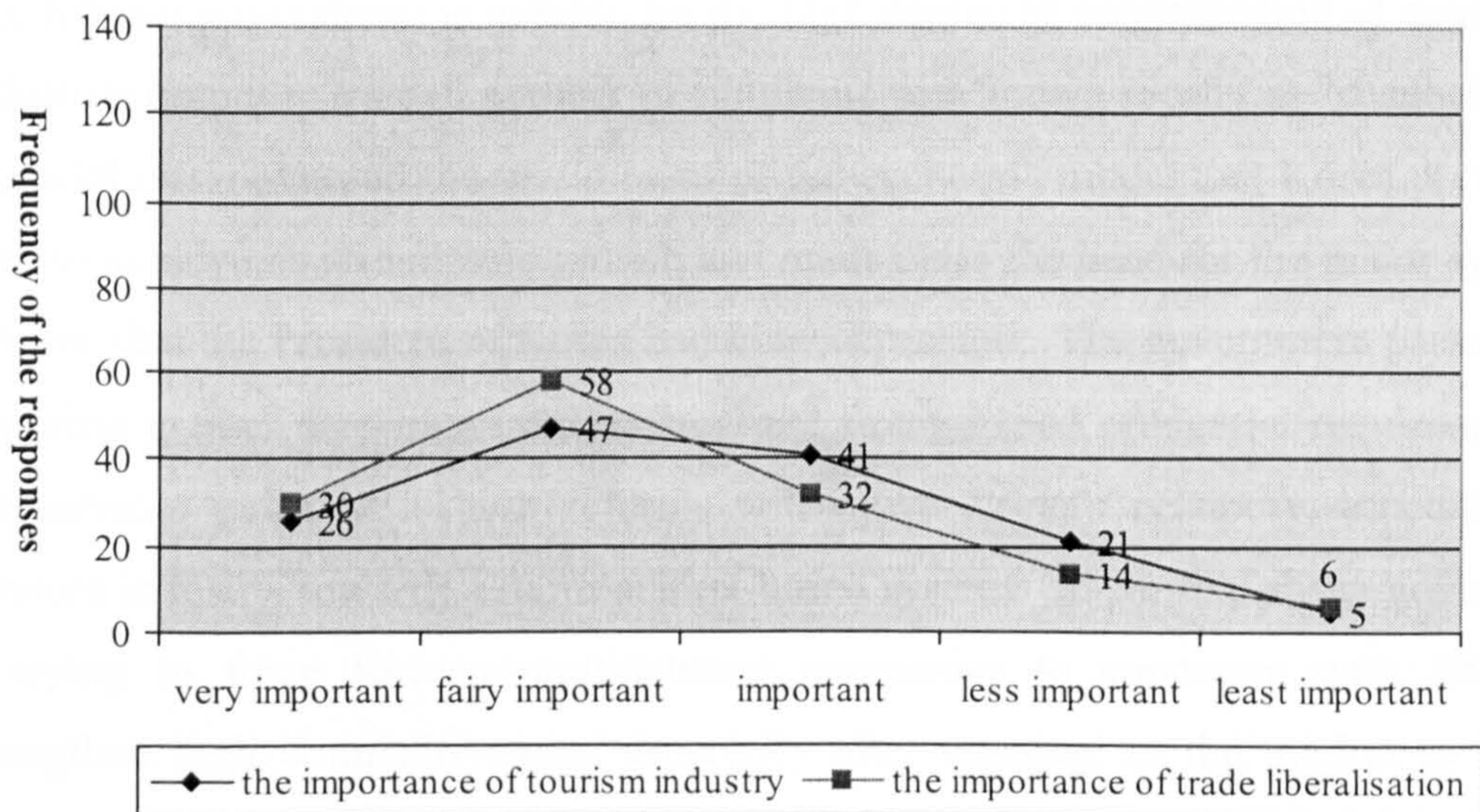


Figure 8.2 Responses to the importance of tourism industry and trade liberalisation (private sector)

Although the movement of trade liberalisation seems significant in order to boost the industry to develop further and contribute largely to the economy, a majority of the respondents have not experienced any major changes in terms of improving market performances in the Korean tourism industry since 1996 when the government announced to reduce trade restrictions. This shows that trade liberalisation cannot be achieved in a short run.

In summary, a higher proportion of the public sector respondents suggested that trade liberalisation is important to achieve further economic growth in Korea. However, the private sector respondents were not convinced that the government would change trade policies and regulations to achieve liberalisation in the near future. In fact, the importance of tourism has been recognised in recent years by the government, as the president of Korea attempted to promote the tourism industry in order to attract more foreign investment and foreign exchange earnings by hosting international events such as Visit Korea Year 2001 and World Cup 2002. However, the government has not shown the intention to remove remaining trade restrictions and barriers to open up the

market to foreign suppliers and investors, which might have affected the perceptions of managers in the private sector towards the importance of trade liberalisation in Korean tourism.

The Korean government is notable for the high degree of concentration of capital and industrial output in a small number of conglomerates known locally as "chaebol". The financial crisis exposed the weaknesses of the economic model that Korea previously used to achieve its remarkable growth and made plain the need for the major systemic reforms that the President of Korea had long advocated. The government passed laws requiring greater corporate transparency and strengthened prudential requirements in the services industry. These reforms will move Korea's economy, especially the services industry, towards a more market-based system. In particular, the government is trying to force Korean multinational companies to cooperate with SMEs to strengthen their competitiveness, especially after opening up the market to foreign suppliers. In general, Korea's economy is based on private ownership of the means of production and distribution, with basic pricing decisions left to the private sector, but the role of the public sector is essential in the tourism industry to provide basic infrastructure and provisions that need further tourism development. Although the public sector is at the centre of making decisions on policies and regulations in travel and tourism-related industries, a question about the effective implementation of those changed policies and regulations to the industry has been raised by the private sector. Public organisations and state enterprises seem to carry a reputation for a lack of readiness before implementing policies and regulations that have been agreed under different trade agreements, such as the readiness of the rules and regulations of the agreement, area of implementation provision. Additionally, public organisations and state enterprises have not paid much attention to planning and the evaluation of implementing a trade agreement to the industry after becoming a member. Therefore, the credibility of the public sector has been disregarded by the private sector, especially with the implementation of rules and regulations under the GATS.

The responses to a question regarding the identification of the least liberalised areas, if any, in Korea focused on factors considered as trade restrictions on international trade. 40 % of the public sector respondents answered that the government needs to liberalise foreign investment, followed by foreign ownership (26.7 %) and foreign

employment (20 %). These answers were given by not only counting for services industry but also counting together with manufacturing industry. The respondents mentioned that it is necessary to apply some level of protectionism on foreign employment and ownership to maintain low unemployment rate and prevent domestic firms being owned by foreigners. Therefore, it is fair to say that although tourism is recognised as one of the most liberalised industry, trade restrictions still exist on international trade in Korea.

Moreover, 40 % of the public sector respondents suggested that the government seems to protect the agriculture industry from foreign countries (see figure 8.3). Agriculture has been recognised as the most sensitive industry to liberalise (see chapter 6, section 6.2.3.2). The Korean government was often involved in dispute settlements under GATT because the government refused to open the market for agricultural products to other member countries, particularly corn and sugar from America and rice from Japan.

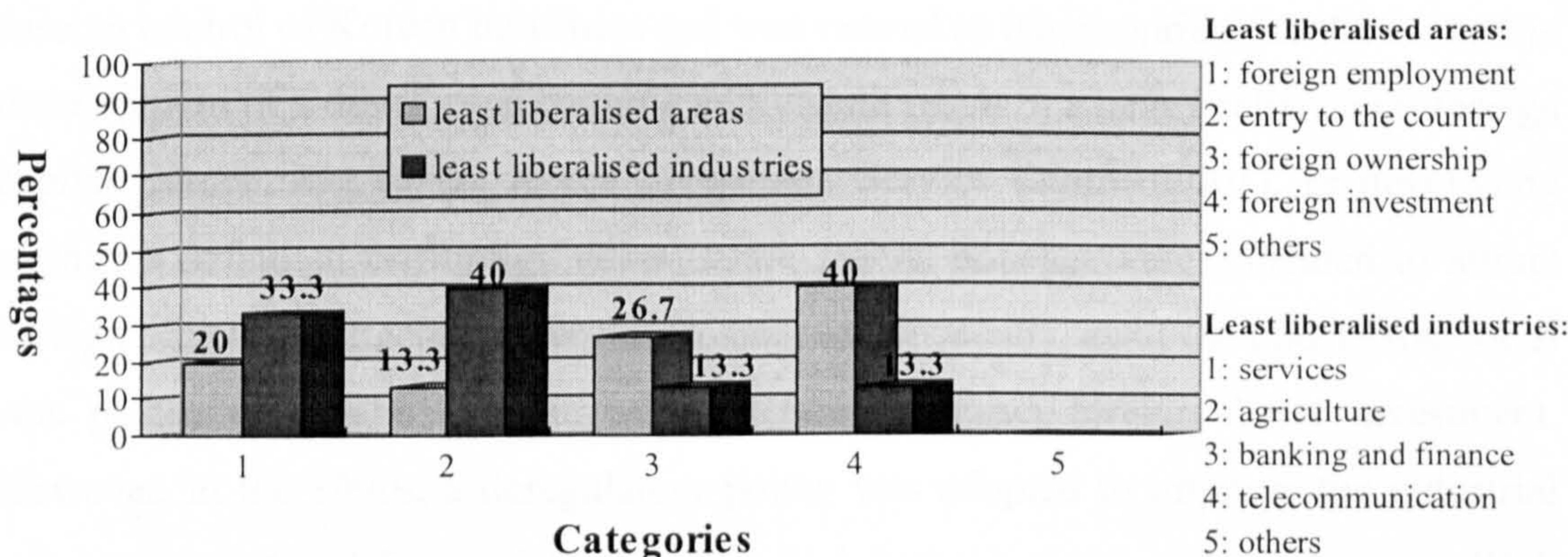


Figure 8.3 Least liberalised areas and industries in Korea (public sector)

Nonetheless, 100 % of the public sector respondents unexpectedly answered that the Korean government is encouraging foreign investment in the country for both the manufacturing and services industry. As seen from figure 8.4, the largest proportion of the public sector respondents (33 %) stated that the government is trying to attract more foreign investment mostly in the services industry, followed by manufacturing (26.7 %), information technology (20 %) and finance (13 %) industry.

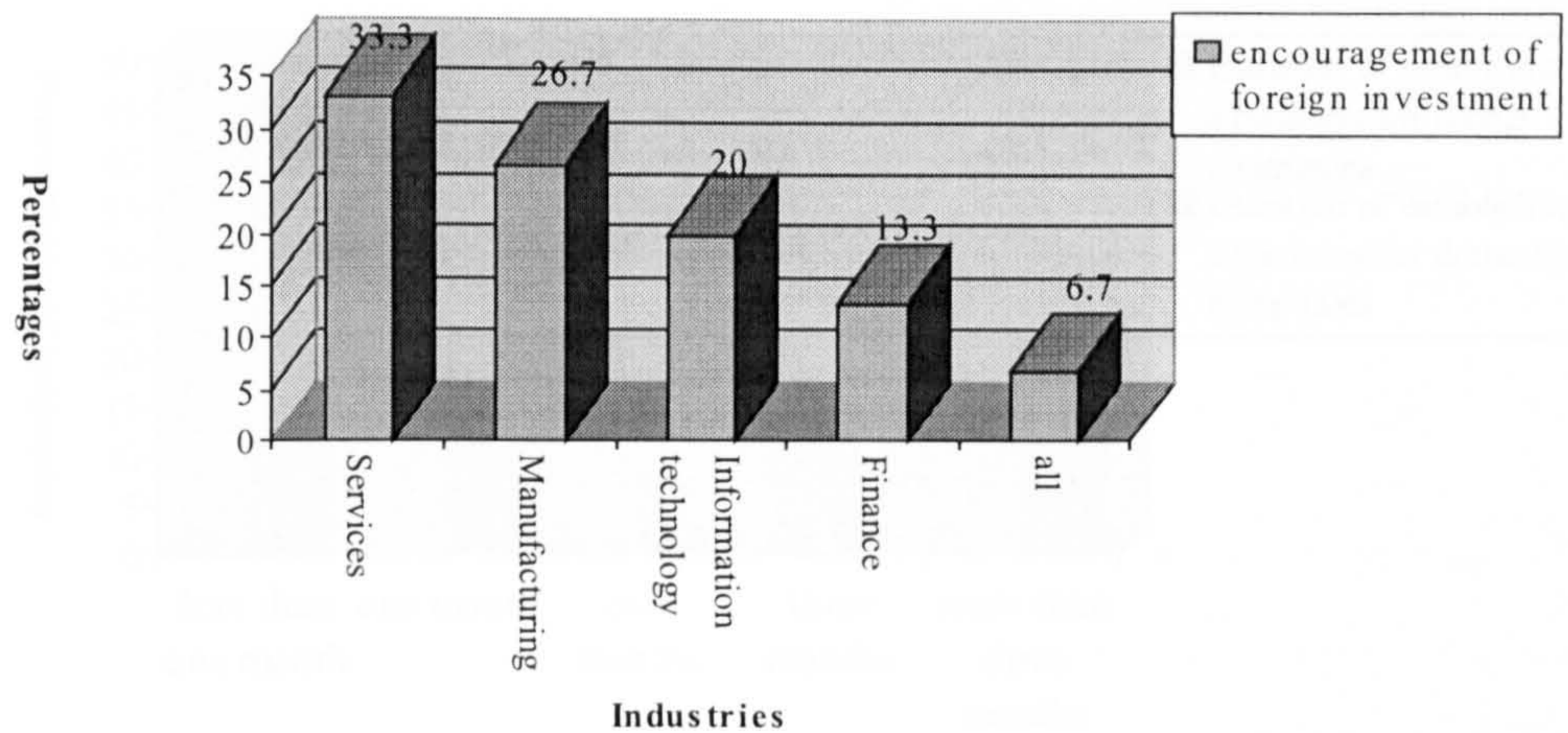


Figure 8.4 Responses to the promotion of foreign investment by the Korean government (public sector)

Foreign direct investment in Korea has been permitted since 1962, but until the 1970s, actual investments were limited to commercial loans and loans from multilateral organisations such as the World Bank. This stemmed from the government's fear of foreign control of Korean industries and was viewed as inappropriate for the economic development of a developing country, as it would result in a heavy reliance on foreign capital. According to the Korea Investment Service Centre (2001), as developing countries defaulted on foreign debts in the 1980s, policies were amended to attract foreign direct investments rather than loans. Consequently, as of the mid 1980s, focus was placed on establishing an infrastructure to attract foreign direct investment. However, in the 1990s, a deregulatory policy was adopted to improve the industrial structure and attract foreign investment in high-tech areas rather than services. With Korea's accession to the OECD in December 1996, and the partial liberalisation of M&A type direct investments, the government began to increase its effort to deregulate foreign investments to match the practices of other developed countries.

The majority of the public sector respondents mentioned that the crisis years of 1997 and 1998 marked the transition to an active investment-promoting environment through such policies as full deregulation of foreign currency trading and hostile M&A of Korean companies by foreigners, and the enactment of the Foreign Investment Promotion Act and Free Trade Zone Designation Act.

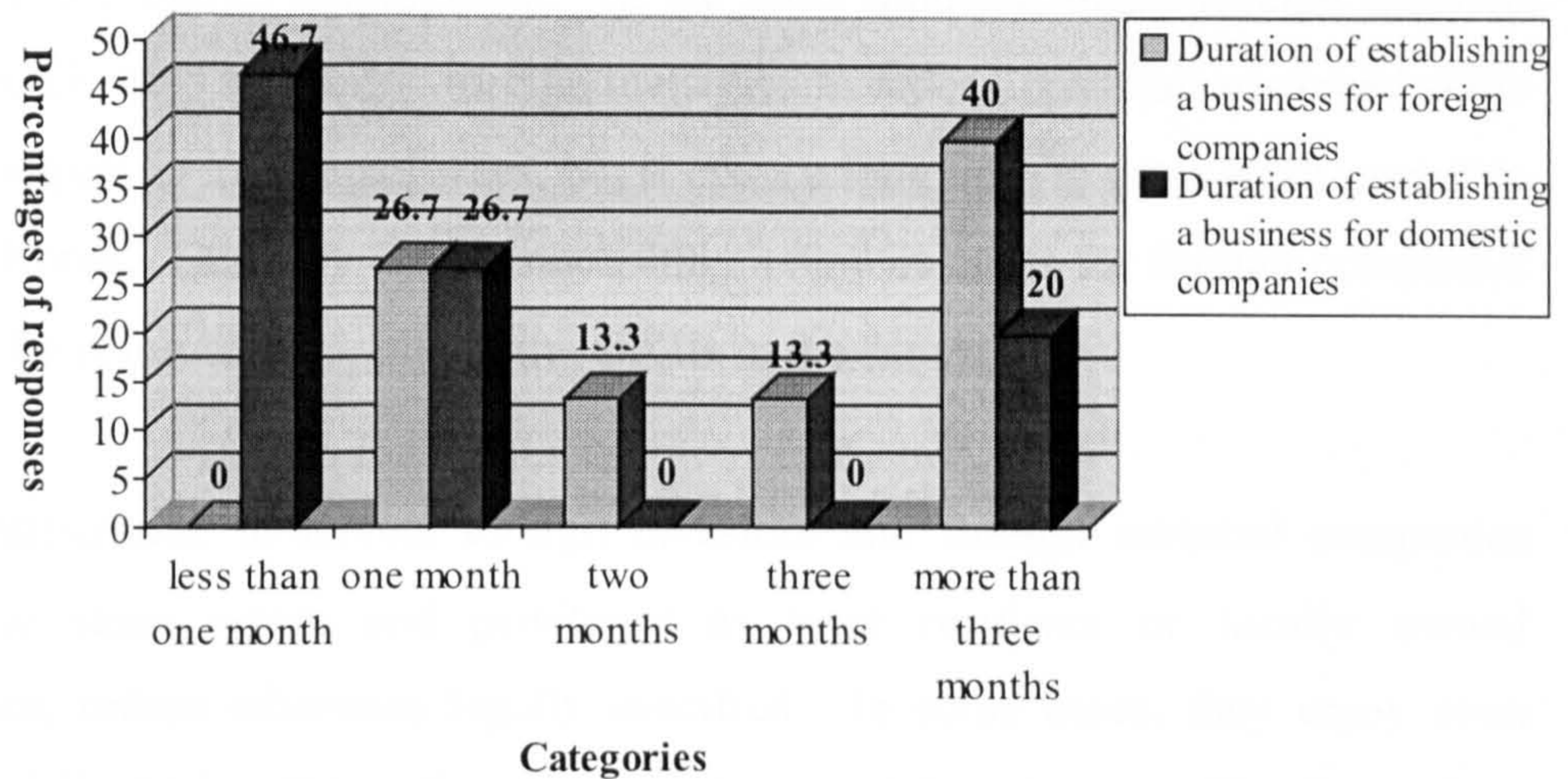


Figure 8.5 Duration of establishing new businesses in Korea (public sector)

A question was asked to examine the existence of discrimination between foreign and domestic companies in the Korean tourism industry. The figure 8.5 shows that there are differences in establishing tourism-related businesses between domestic and foreign companies in Korea. An important proportion of the respondents stated that it takes more than three months to set up a business for foreign firms whereas it takes less than one month for domestic firms. The public sector respondents identified several reasons for why it takes more time for foreign companies to establish a business in Korea as follows:

- **Complicated administration work:** It takes longer for foreign companies to prepare the necessary documents to meet the requirements of foreign investment. The government requires a report and approval process and a non-resident investor is required to designate a resident as his/her proxy in notifying investment decisions. However, in order to minimise the number of institutions a foreign investor needs to contact and to increase processing speed, KOTRA (Korea Trade Investment Promotion Agency) established KISC (Korea Investment Service Centre) in July 1998 as a one-stop service centre for foreign investors, which improves overall investment environment in Korea. In general, foreign companies experience more complicated administration work to establish a new business compared with local companies not only in Korea but also in many other countries.
- **Restrictions on foreign employment:** An important trade obstacle in Korea is the

restriction on foreign employment. In the hotel industry, many foreign branded luxury hotels need to employ foreign managers in order to pass on advanced skills and techniques to local employees, but it takes a long time to get a work permit to work in Korea. This may delay establishing a new business for foreign companies and may be resolved by applying the GATS in the future.

- Other restrictions: In Korea, foreign investors and foreign invested companies enjoy the same rights and privileges as local residents or locally owned companies, unless otherwise legally specified. In some cases, they enjoy even greater privileges in areas such as tax incentives and the selection of business sites. In addition, no specific restrictions apply to foreign investment in Korea as long as such investment does not violate national security, public health and conservation of the environment. However, when accessing and having a presence in the local market on the same level as a local investor in pre-establishment, foreign investors may face direct and indirect restrictions such as restrictions on investment in certain types of businesses, limits on the amount of shares held in a company or restrictions relating to land acquisitions.

According to the Ministry of Foreign Affairs and Trade in Korea (2001), currently, eight business areas are partially open to foreign investment. They are the primary industry of rice/barley and beef cattle farming and the fishery, the wholesaling of meat, newspapers/periodical publication, the energy industry (nuclear fuel processing, electricity generation/distribution), maritime transportation, air transportation, telecommunications (wired and wireless), and specially chartered banks such as export-import banks. Only two areas, radio and television broadcasting, are entirely closed to foreign investment. The remaining business areas, some 1029, are entirely open to foreign investment. The country's foreign investment liberalisation rate increased from 92.2 % in 1997 to 99.8 % as of March 2001 to exceed OECD standards. As discussed above, all types of foreign investment are now permitted, be they establishing a new business, acquiring shares from capital increases from an existing business, acquiring existing shares in a business, mergers and acquisitions, or long-term loan investment, including investment in privately owned businesses.

Furthermore, in post-establishment, one of the factors which may act as an obstacle to

the operating environment for a foreign invested company is the restriction on fund transfers. In China, overseas remittances are a permission item not only for tax purposes but also as a means for the country to manage its international balance of payments. In Thailand, remittances over a certain threshold are subject to a remittance tax on top of the ordinary applicable tax. In the case of Korea, the Foreign Investment Promotion Act legally and unconditionally guarantees international remittances by foreign investors even under circumstances of natural disaster, war, and significant international economic changes.

The current Korean government introduced a campaign to promote tourism as a leading industry for the Korean economy in the 21st century and the president is strongly involved with the campaign. Therefore, following two questions were designed to discover which industries will lead the Korean economy in the future including tourism. The Korean government cited the statement of “the world economy will be driven by services industry in 21st Century” (KNTO, 1999), thus it is important to know whether or not the Korean government is trying to promote the services industry rather than the manufacturing industry.

As seen from table 8.8, the public sector respondents identified that the government is concentrating on information technology (46.7 %) and computer-related industries (26.7 %). As IT and computer-related industries play an important role in the tourism-related industry, it is fair to say that future development of the Korean tourism industry will not be as grey as it was in the past. Moreover, 33.3 % of the respondents suggested that the government is paying less attention to the environment even though the world is concerned about environmental issues. This suggests the fact that development of sustainable tourism will be slow in Korea. In addition, 26.7 % of the respondents mentioned that the government concentrates less on the agriculture industry, followed by forestry industry (20 %) and education (6.7 %).

Table 8.8 Descriptive analysis on trade liberalisation (public sector)

Variables	Categories	N		Mean	Std. Deviation	Variance
		Count	%			
Q4a. Areas that least liberalised in trade.	1. foreign employment	3	20.0	2.87	1.19	1.41
	2. entry to the country	2	13.3			
	3. foreign ownership	4	26.7			
	4. foreign investment	6	40.0			
	5. others	-	-			
Q4b. Industries that least liberalised in trade.	1. services	5	33.3	2.07	1.03	1.07
	2. agriculture	6	40.0			
	3. banking and finance	2	13.3			
	4. telecommunication	2	13.3			
	5. others	-	-			
Q5. The government encourages foreign investment in Korea. If yes, which industries.	1. finance industry	2	13.3	2.93	1.22	1.50
	2. manufacturing	4	26.7			
	3. IT industry	3	20.0			
	4. service industry	5	33.3			
	5. whole industry	1	6.7			
Q6a. Duration of setting up foreign companies.	1. less than one month	-	-	3.71	1.33	1.76
	2. one month	4	26.7			
	3. two months	2	13.3			
	4. three months	2	13.3			
	5. more than three months	6	40.0			
	Non response	1	6.7			
Q6b. Duration of setting up domestic companies.	1. less than one month	7	46.7	2.14	1.61	2.59
	2. one month	4	26.7			
	3. two months	-	-			
	4. three months	-	-			
	5. more than three months	3	20.0			
	Non response	1	6.7			
Q6c. The reason for the differences of establishing new businesses between domestic and foreign firms.	1. complication of preparation	6	40.0	1.85	.90	.81
	2. restrictions on foreign employment	3	20.0			
	3. trade restrictions	4	26.7			
	4. others	-	-			
	Non response	2	13.3			
Q7. The government concentrates more on some industries than tourism.	1. manufacturing	2	13.3	2.50	.85	.75
	2. computer related	4	26.7			
	3. IT industry	7	46.7			
	4. biotechnology	1	6.7			
	5. others	-	-			
	Non response	1	6.7			
Q8. The government pays less attention on some industries than tourism.	1. agriculture	4	26.7	2.23	1.01	1.03
	2. forestry	3	20.0			
	3. environment	5	33.3			
	4. education	1	6.7			
	5. others	-	-			
	Non response	2	13.3			

8.4.3 THE PERCEPTIONS OF RESPONDENTS FOR TRADE OBSTACLES

The question was asked to explore the perceptions of trade obstacles in various areas. Table 8.9 show that the vast majority of the public sector respondents either disagreed or strongly disagreed with the statements of “there are recognised trade obstacles related to labour, trade restrictions and current government regulations in Korean

tourism". In other words, more than 70 % of respondents, overall, emphasised on the fact that the Korean tourism industry is ready to compete with foreign suppliers and establishments under equal trade conditions with less trade barriers. As mentioned earlier, this is not unexpected since they are the main players of decision-making process for tourism policies and regulations. However, 40 % of respondents were concerned about monopolistic market conditions in the airline industry. In Korean tourism, there are only two local airline companies (Korean Air and Asiana Airlines) and Korean Air dominates more than 80 % of the market with economic and political support from the government. In 1990s, the country suffered from the collusion of the previous government and Korean Air. At that time, a government statement was published to state that the Korean air had been donating a large amount of finances to support the political campaign for the former government as a return to a favour that the government had been provided to the Korean air, which brought a large impact on the country. In addition, since the airline was established in early 1990s, the company is not financially stable enough to compete with the Korean Air, therefore it seems even more difficult to compete with large foreign airlines.

**Table 8.9 Responses to the perceptions of the respondents towards trade obstacles
(public and private sectors)**

	Strongly agree		Agree		Disagree		Strongly disagree		Total	
	Count	%	Count	%	Count	%	Count	%	Count	%
9a. There are trade obstacles related to labour. (Public)	-	-	-	-	11	73.3	4	26.7	15	100.0
3a. There are trade obstacles related to labour. (Private)	23	16.4	54	38.6	61	43.6	2	1.4	140	100.0
9b. There are trade obstacles related to capital investment (Public).	-	-	3	20.0	12	80.0	-	-	15	100.0
3b. There are obstacles related to capital investment. (Private)	75	54.0	24	17.1	40	28.6	1	0.7	140	100.0
9c. There are trade obstacles related to trade restrictions. (Public)	-	-	-	-	11	73.3	4	26.7	15	100.0
3c. There are obstacles related to trade restrictions. (Private)	30	21.4	4	2.9	102	72.9	4	2.8	140	100.0
9d. There are obstacles related to transport. (Public)	-	-	6	40.0	9	60.0	-	-	15	100.0
3d. There are obstacles related to transport. (Private)	42	30.0	34	24.3	64	45.7	-	-	140	100.0
9e. There are obstacles related to current gov. regulations. (Public)	-	-	-	-	10	66.7	5	33.3	15	100.0
3e. there are obstacles related to current gov. regulations. (Private)	37	26.4	36	25.7	66	47.1	1	0.7	140	100.0

On the other hand, the private sector respondents were asked to state the major obstacles to the growth of the industry they are involved in, according to five categories (labour, investment, trade restrictions, transport, and others). Table 8.9 shows that more than 50 % of the private sector respondents agreed that there are trade obstacles related to labour, capital investment, transport and current government regulations, but more than 70 % of the respondents disagreed with the statement “there are trade obstacles related to trade restrictions to tourism development in Korea”. It is evident that when the respondents agreed that there are trade obstacles related to labour, capital investment, transport and current government regulations in Korean tourism, they should recognise trade obstacles related to trade restrictions. In other words, trade obstacles related to labour, capital investment and government regulations can be recognised as trade restrictions, therefore the result shows that the respondents either did not fully understand the term “trade restrictions” or not have enough knowledge about trade-related issues. In fact, the first three categories (labour, foreign investment and trade restrictions) are strongly interrelated. With the acceleration of economic globalisation, labour issues have emerged as a matter of primary concern in the fields of international trade and economic co-operation. Recently, foreign investment in Korea has burgeoned, especially in the service industry. However, conflict between workers and foreign employers has been brewing due to the employers' lack of understanding of local laws and culture, thus creating major problems in the area of international labour (Ministry of Finance and Economy, 2001^a). Also, prospective foreign investors often experience difficulties because of their lack of knowledge of Korean labour laws, institutions and practices. This is because foreign investors and employers fail to investigate market conditions, and study local laws and regulations prior to the actual involvement with the market but the conflict between foreign employers and local workers can be formed because labour-related policies and regulations are not transparent or given sufficient prominence, which is expected to change after implementing the GATS.

Nonetheless, the different perceptions related to trade obstacles between the public and private sector were clear. The majority of respondents in the public sector disagreed with the statements regarding trade obstacles whereas more than 50 % of the private sector respondents recognised trade obstacles related to labour, capital investment, transport and current government regulations. Respondents in the public sector were

reluctant to identify trade obstacles in any areas since they are the main players of introducing government policies and regulations related to tourism.

Table 8.10 Frequency analysis on trade obstacles (private sector)

Variables	Categories	N		Mean	Std. Deviation	Variance
		Count	%			
Q3a. Obstacles to tourism development relate to labour	1. lack of occupational consciousness	9	6.4	2.70	1.26	1.59
	2. foreign language problems	31	22.1			
	3. shortage of experts	18	12.9			
	4. lack of gov. support on training	10	7.1			
	5. low wages	9	6.4			
	6. others	1	.7			
	No response	62	44.4			
Q3b. Obstacles relate to capital investment	1. lack of gov. investment	70	50.0	1.54	1.01	1.03
	2. lack of foreign investment	16	11.2			
	3. problems of gov. policy	5	3.6			
	4. discrimination between small and large firms	5	3.6			
	5. slow capital returns	3	2.1			
	6. others	-	-			
	No-response	41	29.5			
Q3c. Obstacles relate to trade restrictions	1. imposing too much taxes	27	20.9	1.51	1.04	1.08
	2. complicated legislation	2	1.4			
	3. government intervention	2	1.4			
	4. entry restrictions	4	2.9			
	5. others	-	-			
	No-response	105	73.4			
Q3d. Obstacles relate to transport	1. congestion	33	23.3	2.37	1.52	2.32
	2. lack of traffic signs	12	8.6			
	3. lack of multi-language signs	13	9.3			
	4. lack of public transport	9	6.4			
	5. problems of securing airline seats	6	4.3			
	6. others	3	2.1			
	No response	64	46			
Q3e. Obstacles relate to others	1. High tax rates	23	16.4	3.31	1.84	3.38
	2. strong gov. intervention	4	2.9			
	3. lack of gov. support to SMEs	9	6.4			
	4. restricted regulations	15	10.7			
	5. lack of developing new products	14	10.0			
	6. others	10	7.1			
	No response	65	46.4			

Cross-tabulations were performed in order to identify if the respondents in different tourism sectors (hotels, restaurants, and travel agents) have experienced different issues with respect to trade obstacles according to labour, capital investment, trade restrictions, and transport. All respondents, regardless of which sector they work in, identified similar problems as follows:

- Labour (Cramer's $V = .381$): 22.1 % of the respondents recognised that people

working in tourism industry often face a problem with respect to communicating with foreign customers which may hinder further growth of tourism, and 12.9 % were concerned about the shortage of experts within the industry. Although more than 70 % of the respondents in the private sector were highly educated, many of them are not specialised in tourism-related areas except for hoteliers. As mentioned earlier, an important proportion of the respondents were business or marketing oriented rather than tourism.

- Capital investment (Cramer's $V = .325$): A majority of the participants presented many different views towards government and foreign investment. A significant proportion (50 %) of the respondents stated that the private sector in the tourism industry is still facing financial difficulties in spite of government efforts to boost tourism by increasing the level of investment and subsidies. In addition, 11.2 % interviewees urged the need to attract more foreign investment into the industry for further development.
- Trade restrictions (Cramer's $V = .291$): Many respondents were not familiar with the term trade restrictions. Therefore, 73.4 % of the respondents left the question unanswered and the rest of the respondents presented answers that are commonly discussed in the media (TV or newspapers). 20.9 % of the respondents identified that the government seems to impose too much tax on foreign companies and suppliers and 2.9% of the participants were concerned about applying heavy restrictions on entering the country to foreigners as trade restrictions.
- Transport (Cramer's $V = .303$): Over the last fourteen years, the Korea Transport Institute (KOTI) has carried out a wide array of research projects that have been instrumental in the development of Korea's national transport network. But many challenges lie ahead to improving the transport system in Korea. Domestically, though transport demand continues to grow at a rapid pace, Koreans are burdened by increasingly severe traffic congestion as 23.3 % of the respondents identified, a result of the persistent under-supply of transport infrastructure and shortage of connections between transport modes. In addition, almost 19 % of the respondents stressed to the lack of traffic signs in Korea (8.6 % for lack of traffic signs and 9.3 % for shortage of internationally used language signposts).

As the literature suggests, overseas, the WTO and other bodies have been successful in speeding the liberalisation of trade (Bergsten, 1996). Furthermore, there has been increased discussion on a number of important topics, including the emergence of an intra-regional system similar to NAFTA, the possibility of the unification of the Northeast Asian regional transport system, and the building of international transport networks such as the TSR and the TCR, with the Korean peninsula as a starting point (Korean Ministry of Transport and Construction 2001). At the same time, several major trends can be witnessed, such as increased awareness of the need for environmentally friendly transport and transport safety, shifting transport demand brought about by an ageing population, rapid developments in information technology, and globalisation.

- Others: Several other obstacles to development and growth of their industry were identified. 16.4 % of the participants identified imposing high tax rates on tourism products as one of trade obstacles to tourism development. In addition, a small number of respondents suggested that Korean people seem to have negative perceptions of the tourism industry (less than 10 % of the participants), which can be a major obstacle to further development. People who worked in the service industry are classified as working-class in Korean society over the past four decades, which continues to affect Korean people's perception of tourism although these perceptions started to change from 1990s, since tourism industry requires high qualifications and skills for their employees. Therefore, the future for Korean tourism is expected to be bright because people are willing to change and accept differences and difficulties in order to develop the tourism industry even though many problems remain unsolved. In addition, *heavy restrictions* (10.7 %) and *lack of new tourism products* (10 %) were identified as obstacles to the development of tourism. Continuous development of new tourism products is considered one of the most important factors in order to promote the tourism industry in many countries. According to KNTTO (2001^a), in recent years, the Korean government and tourism organisations have been endeavouring to promote tourism industry by addressing new targets. Three suggestions have been made for improving overall inbound tourism receipts: 1) attracting more tourists, 2) increasing tourism expenditures of Korea's inbound tourists and 3) facilitating tourism infrastructure. The following strategies have been suggested

for attracting more tourists: 1) redefinition and diversification of target markets, 2) development of tourism products and enhancement of their promotional activities which were also one of the concerned areas by the respondents from the private sector that need to be improved for promoting the Korean tourism industry, 3) planning and hosting of mega-events, 4) development of cultural tourism, 5) cooperation with foreign local governments, 6) planning and implementation of marketing strategies for the potentially emerging market (see chapter 6, section 6.3). Therefore, it is fair to say that the problem with developing new tourism products will be solved in the near future.

Oxley (1998) suggested that liberalisation means removing barriers to entry for new, qualified providers (see chapter 3). Competition and freedom of entry have an important role to play in ensuring that users of a service are offered the best available price and quality combinations. A regulatory system that ignores such potential by blocking entry and competition is unlikely to be beneficial for the economy as a whole. In the tourism industry, the issue of protectionism is more complicated than other industries because it is difficult to regulate and monitor the degree of protectionism that can be considered to be an obstacle for developing world tourism. However, the protection of jobs is another argument (apart from the infant industry argument) that supports protectionism. The idea is that protectionism can create or at least preserve jobs for the residents (see chapter 3). If the country removes trade protection to allow foreigners to work in a country, the employment opportunities may fall for the residents. Thus, it will be difficult for international bodies such as the WTO and GATS to promote trade liberalisation, especially in developing countries such as Korea. Although the public sector respondents did not recognise trade obstacles related to labour, capital investment and current government regulations, the respondents in the private sector identified that the Korean government applies trade restrictions to certain areas to protect domestic market. Therefore, an important question is whether implementing the GATS will remove those identified trade obstacles in Korea in the future. The answer is uncertain in this stage.

In this section, the results were analysed to address the first and fourth hypothesis (the Korean government has opened its market to all foreign companies and suppliers and there are different perceptions of GATS between the public and private sector in

Korean tourism)

8.5 AWARENESS OF THE GATS

To many people, GATS may seem complicated and confusing, and really hard to understand, especially to the general public. That is because, in some ways, complexity is part of the problem. This important decision-making process of global importance is made inaccessible to the general public, leaving it to the trade 'experts' to quietly decide what's best for member nations. Rao (2002) stated that *"International trade agreements are not discussed or debated by the people who will be affected by such agreements. They are geared to the industry and governments, yet are implemented at the local level. This undermines and threatens the autonomy and participation of local communities and indigenous peoples"*.

As seen in table 8.11, somewhat surprisingly, all of the public sector interviewees indicated that they knew about the GATS to some degree. However, only 13.3 % suggested that they were very familiar with the GATS and a further 6.7 % suggested that they were fairly familiar with it. Although all of the respondents said that they knew about GATS very few (20 % of respondents) declared that they had any real knowledge of the system. The other 80 % of respondents seem to know a little about the GATS and showed little interest in the GATS, mainly due to their lack of information or understanding of the subject. More importantly, it is surprising to know that although the researcher purposely focused on managers and directors of tourism-related government organisations who are mostly dealing with tourism policies and regulations, the majority of them do not fully understand the GATS, which may suggest that the government is not regarding the agreement important enough to inform all the government officials (even managers and directors). However, many of the respondents who were familiar with the GATS considered to be too complicated.

Table 8.11 Descriptive analysis on awareness of the GATS (public and private sectors)

Variables	Sectors	Categories	N		Mean	Std. deviation	Variance
			Count	%			
Are you familiar with the GATS?	Public	1. very familiar	2	13.3	3.07	1.03	1.07
		2. fairly familiar	1	6.7			
		3. familiar	6	40.0			
		4. less familiar	6	40.0			
		5. not known	-	-			
	Private	1. very familiar	-	-	4.72	.68	.46
		2. fairly familiar	2	1.4			
		3. familiar	12	8.6			
		4. less familiar	9	6.4			
		5. not known	117	83.6			

In contrast to the public sector, 83.6 % of the private respondents were not aware of the GATS negotiations at all, which confirms the communication problem between the private and public sector in relation to tourism policies and regulations in Korea; a large percentage of respondents from the private sector complained about not being informed about changes in tourism policies and regulations. The reactions from the private sector were different from the public sector. As seen from the statement below, more than 80 % of the interviewees from the public sector stated that communication between the public and private sector is carefully monitored. It is important for the government to share necessary information with the private sector and to inform any changes in tourism policies and regulations. A manager in the international tourism policy department in KNTTO argued that:

“The public and private sector have been working together very efficiently for a long time in the Korean tourism industry which can be confirmed by private enterprises. I was personally involved in sending out files and catalogues of newly developed tourism policies and regulations to major hotels, travel agents and other tourism and travel-related industries.”

With 83.6 % of the private sector respondents not aware of GATS, it is difficult to see how GATS can work in the absence of understanding. Although the majority of the respondents in the private sector are managers and owners of different establishments in tourism, they have no necessary knowledge or information about GATS, which can be a problem in order to implement GATS into the Korean market. On the other hand, as mentioned in the literature (see chapter 6, section 6.5.1), it is important to increase

the degree of globalisation and liberalisation for the further growth of Korean economy, especially after the Asian Financial Crisis in 1997. Therefore, the GATS can be used to increase international competitiveness of the country in the future (see chapter 5, section 5.4.2). In this respect, considering the fact that the rules and principles of GATS are difficult to understand for managers and owners of private enterprises, the government needs to conduct training or education to ensure that tourism professionals are aware of GATS, since Korea is a member of the GATS. It is also important for the government to address the possible outcomes and implications of GATS for the Korean tourism industry so that private enterprises can mentally and physically prepare for changes in the near future.

In summary, 100 % of participants in the public sector were familiar with GATS to some extent since they are the main players to deal with the issues related to various trade agreements, but respondents in the private sector were less familiar with the agreement due to a lack of communication with the public sector. According to the European Commission (2000^b), awareness of the importance of the GATS negotiations in the liberalisation of the provision of services in WTO countries and in acceding ones is still rather limited in the tourism sector. Of the respondents, the private sector had less information and interest, at present, governmental organisations and associations are more informed and interested in the GATS. It is essential that international trade negotiators, in negotiating their negotiating positions, should collaborate closely with officials from national tourist organisations and experts from the private sector, so that the latter can provide them with a clear vision of tourism priorities and ensure the follow-up to the negotiating process. In this sense, the result shows that trade negotiators in Korea might have failed to consult with experts in the private sector prior to submitting final negotiations on service sectors and sub-sectors under the GATS (addressed the fourth hypothesis).

As far as the responses from the higher educated portion of the sample (Mphil/PhD level) to their awareness of the GATS, 80 % of the respondents who had a Master or PhD degrees in the public sector were familiar with the GATS and 20 % of them were less familiar with the GATS. Furthermore, 66.7 % of the respondents who had a university degree have known about the GATS but only 6.7 % of them were fairly familiar with the rules and principles of the GATS and other 33.3 % of the respondents

came across with the agreement before but they have very little knowledge about it. Therefore, there seems to be a moderate positive relationship (Cramer's $V = .592$) between the awareness of the GATS and education level in the public sector.

Table 8.12 Awareness of the GATS and education level (public sector)

	Very familiar		Fairly familiar		Familiar		Less familiar		Not known	
	Count	%	Count	%	Count	%	Count	%	Count	%
School	-	-	-	-	-	-	-	-	-	-
College	-	-	-	-	-	-	-	-	-	-
University	-	-	1	6.7	4	26.7	5	33.3	-	-
Postgraduate	2	13.3	-	-	2	13.3	1	6.7	-	-
Total Responses	2	13.3	1	6.7	6	40.0	6	40.0	-	-

However, the education level was not significant to the responses from the private sector since none of the respondents who had a Master or PhD degrees were familiar with the GATS and 80 % of the respondents who had a university degree were not familiar with the GATS.

Table 8.13 Awareness of the GATS and education level (private sector)

	Very familiar		Fairly familiar		Familiar		Less familiar		Not known	
	Count	%	Count	%	Count	%	Count	%	Count	%
School	-	-	-	-	-	-	1	33.3	2	66.7
College	-	-	-	-	3	8.3	3	8.3	30	83.3
University	-	-	2	2.1	9	9.4	5	5.2	80	83.3
Postgraduate	-	-	-	-	-	-	-	-	5	100.0
Total Responses	-	-	2	1.4	12	8.6	9	6.4	117	83.6

On the other hand, surprisingly, the highest percentage of the private sector respondents who were familiar with the GATS were involved in restaurants followed by travel agents. The researcher made several assumptions before conducting the survey that: 1) managers and directors in the hotel industry are mostly familiar with the GATS negotiations since they often deal with foreign employees and customers, and 2) The respondents who have a higher education are more likely to have a broad knowledge of multilateral trade agreements such as GATT and GATS. These assumptions were proven to be wrong in the private sector.

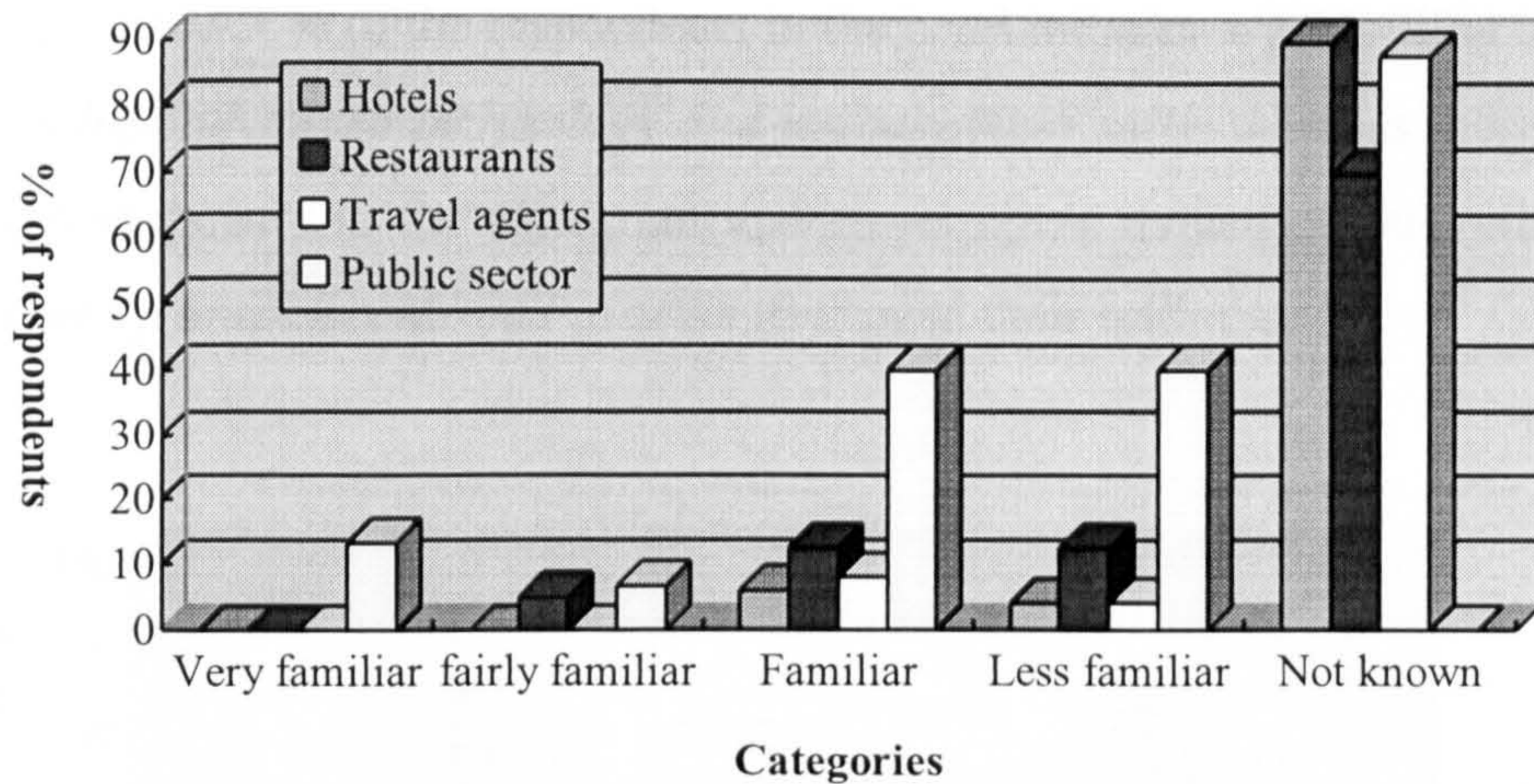


Figure 8.6 Responses to awareness of GATS (the public and private sectors).

Regarding responses to the awareness of GATS and the importance of trade liberalisation, there is a moderately negative relationship (correlation matrix = $-.632$). Participants who were aware of the GATS were unlikely to recognise the importance of trade liberalisation; this aspect will be investigated in detail later (see chapter 10). From the interviews, a vast majority of participants who understood the principles and rules of the GATS indicated negative perceptions of the importance of trade liberalisation as well as the importance of the GATS agreement to the Korean tourism industry. Private tourism enterprises in Korea were convinced that trade liberalisation is less important to future tourism development in Korea than to the manufacturing industry. The implementation of the GATS would bring some changes in tourism policies and regulations towards foreign investment, but many Korean private enterprises doubt that the GATS is able to bring real changes to the industry (such as boosting market activities, attracting more foreign investors to establish tourism-related businesses, etc.) whether positive or negative. In fact, as the literature suggests (see chapter 4, section 4.4), GATS has many structural and fundamental problems that need to be improved in order to effectively to serve its purposes and principles (addressed the second hypothesis).

Q.8 was addressed to the private sector respondents (N=17) who were aware of GATS. Of the respondents, only a small percentage was considered to use the GATS in support of their business, while many respondents in the public sector mentioned that people in the private sector showed a close interest in the effective integration of the travel and tourism sector with other foreign companies in the GATS. As seen from

figure 8.7, only 33.3 % of the respondents in the hotel industry were willing to use the GATS to *adopt advanced technology and management skills* whereas more than 50 % of the respondents in the restaurant and travel agent industry would like to use GATS to *set up branches abroad* in order to expand their business.

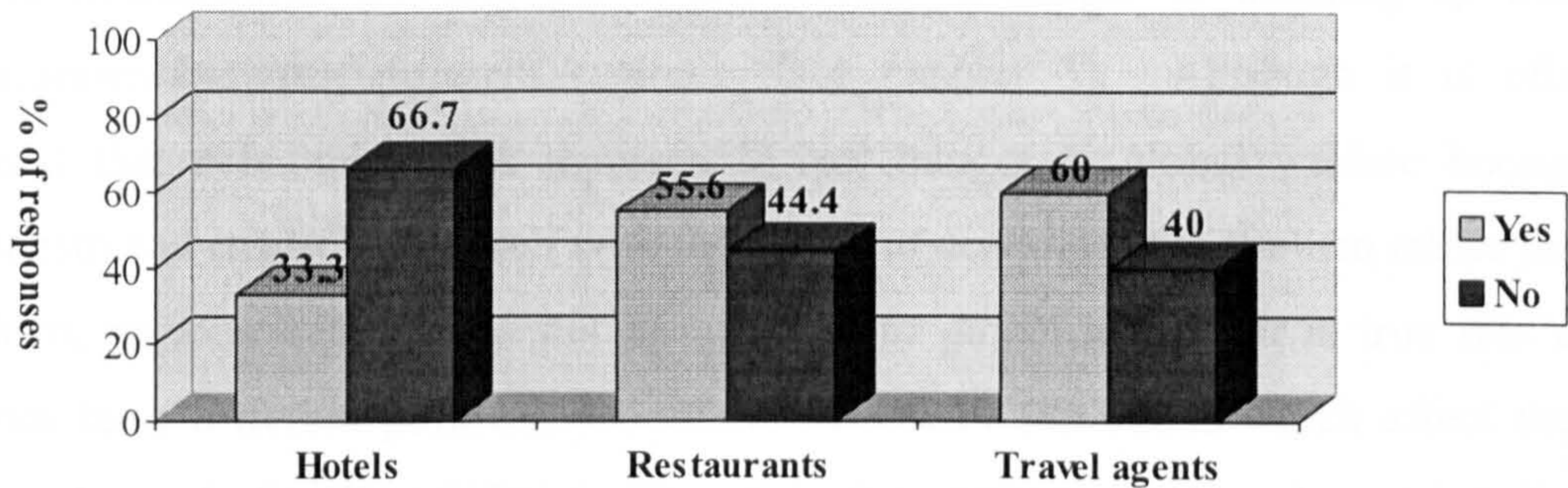


Figure 8.7 Usefulness of the GATS for an expansion of the business in different tourism sectors (private sector)

The original GATS, agreed in 1994, is full of mistakes made by governments who did not understand this extraordinarily complex and technical agreement properly (see chapter 5). There is currently insufficient data on the impact and implications of trade in services. Even though the agreement is not fully developed and some key parts of it are still untested, it is already having a significant impact on public policy. The GATS played a key role in several recent WTO cases, where its broad wording was interpreted forcefully. The rulings in these cases show that the “services” agreement can be used to challenge an almost unlimited range of government regulatory measures that, even indirectly or unintentionally, affect the conditions of competition of international service suppliers. However, multinational corporations have been instrumental in lobbying for GATS, and played a central role in writing the original agreement. They continue to have enormous influence over the direction of the current negotiations, ensuring that the final agreement will operate in their interests. Therefore, SMEs in the tourism industry are not convinced about using the GATS in order to expand their businesses in the future.

8.5.1 PERCEPTIONS OF THE RESPONDENTS TOWARD VARIOUS TRADE AGREEMENTS

It is true that the regional integration arrangements have helped to increase the degree of trade liberalisation globally but it also creates a danger of building up trade protectionism between different regions (see chapter 3). Although it is often discussed that economic blocs represent a real danger to global welfare because regionalism can easily ally itself with the forces of economic nationalism rather than globalism, regionalisation need not be opposed to globalisation. It is true that all countries have different political, economic and social conditions which affect their nature and speed of trading policies. Therefore, it is important to develop regionalism and globalism together to support one to another.

A question was asked to the public sector respondents in order to detect awareness of the importance of the GATS negotiations, compared with other regional trade agreements in Korea. Eight respondents (53.3 %) think the GATS is the least important and more than 50 % of respondents suggested that APEC and Korea-Japan regional trade agreement are more important to the Korean economy (see chapter 6, section 6.2.3). Although a significant proportion (26.7 %) of the respondents believed that the GATS is not going to affect trade in Korea, there is a danger for these answers to be biased since many respondents do not fully understand the GATS negotiations.

Table 8.14 Importance of different trade agreements (public and private sector)

Variables	Sector	Categories	N		Mean	Std. deviation	Variance
			Count	%			
The importance of GATS	Public	1. most important	4	26.7	3.00	1.31	1.71
		2. fairly important	-	-			
		3. less important	3	20.0			
		4. least important	8	53.3			
	Private	1. most important	41	29.3	2.85	1.31	1.73
		2. fairly important	9	6.4			
		3. less important	20	14.3			
		4. least important	70	50.0			
The importance of APEC	Public	1. most important	2	13.3	2.33	.71	.52
		2. fairly important	6	40.0			
		3. less important	7	46.7			
		4. least important	-	-			
	Private	1. most important	19	13.6	2.60	.93	.86
		2. fairly important	42	30.0			
		3. less important	55	39.3			
		4. least important	24	17.1			
The importance of Korea-China regional agreement	Public	1. most important	4	26.7	2.40	1.12	1.26
		2. fairly important	4	26.7			
		3. less important	4	26.7			
		4. least important	3	20.0			
	Private	1. most important	19	13.6	2.43	.89	.79
		2. fairly important	61	43.6			
		3. less important	41	29.3			
		4. least important	19	13.6			
The importance of Korea-Japan regional agreement	Public	1. most important	5	33.3	2.27	1.22	1.50
		2. fairly important	5	33.3			
		3. less important	1	6.7			
		4. least important	4	26.7			
	Private	1. most important	61	43.6	2.12	1.17	1.37
		2. fairly important	28	20.0			
		3. less important	24	17.1			
		4. least important	27	19.3			

On the other hand, the answers are evenly distributed from most important to least important for the Korea-China regional trade agreement as seen in table 8.14. This is because Korea has begun to trade with China in recent years and the impacts of the regional trade agreement may have not been analysed until now, especially in the services industry. Although Korea and China signed the bilateral economy and trade agreement in 1992, the trade activities between these two countries have been poor but the trade environment started to improve since the Korean President's visit to China in 1998. The two countries had a meeting in Seoul in November 2001 to enhance cooperation in the automobile, CDMA mobile telephones, nuclear plant and the tourism industry. However, the largest proportion of 33.3 % of the respondents said that the Korea-Japan regional trade agreement is the most important, particularly for

the tourism industry since travellers from Japan continue to increase and both countries will be joint hosts for the World Cup 2002.

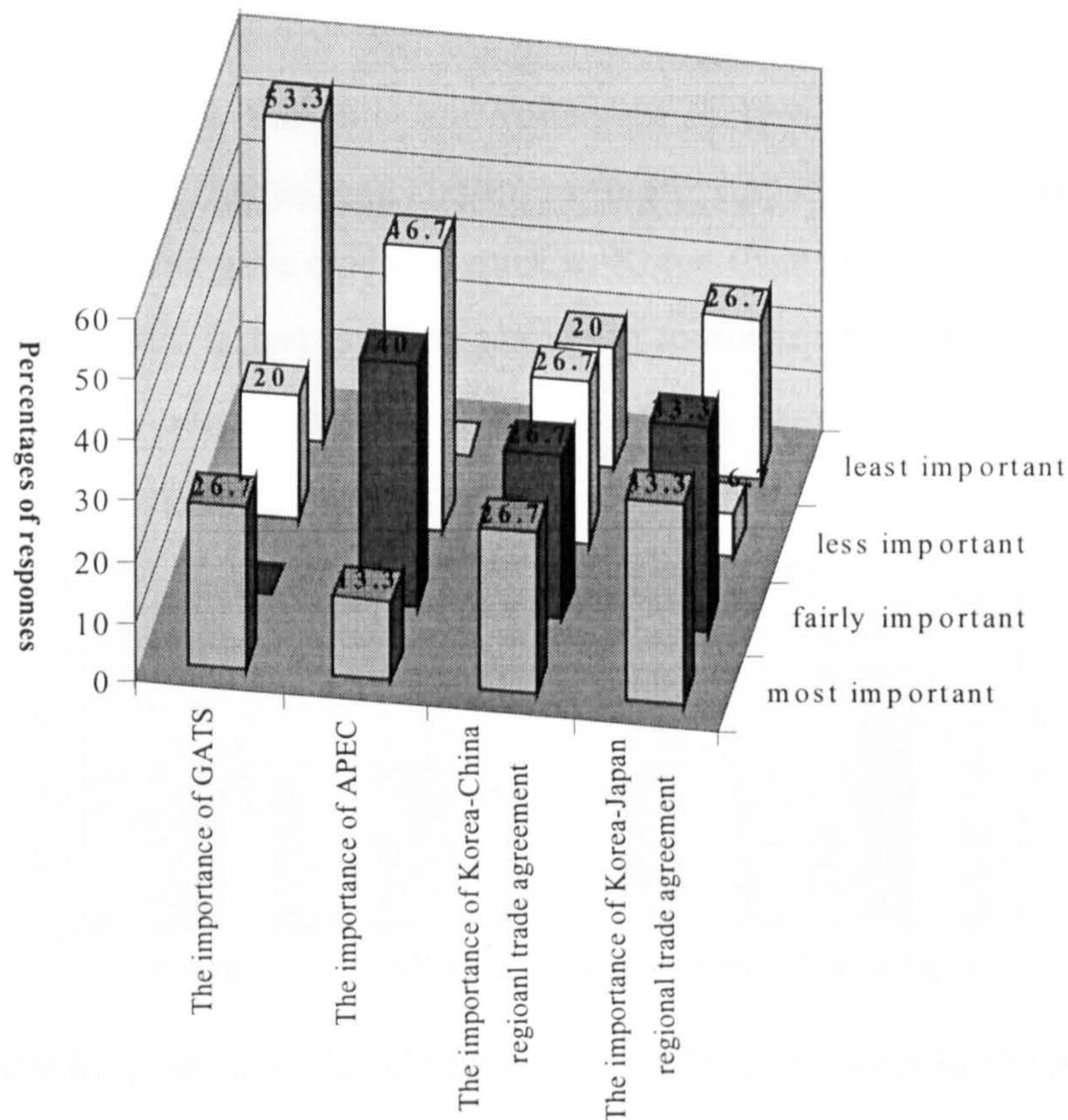


Figure 8.8 Responses to the importance of trade agreements to Korea (public sector)

Given the importance of globalisation and liberalisation to international trade, the perceptions of private enterprises about the importance of regional trade agreements are also important as well as the perceptions about multilateral agreements for the country's future tourism development. A question was asked the private sector respondents to indicate the importance of four different trade agreements as shown in table 8.14. The respondents recognised regional trade agreements as being more important than multilateral trade agreements. 43.6 % of the respondents identified the Korea-Japan regional trade agreement as the most important, followed by Korea-China trade agreement, APEC, and lastly GATS, which were very similar to the responses from the public sector.

The result from correlation matrix ($= .632$) shows that the importance of trade

liberalisation and of GATS are highly correlated as expected since GATS was introduced by the WTO to achieve trade liberalisation in services. Therefore, these two variables cannot be interpreted separately for the research.

As seen in figure 8.9, the hotel and restaurant sectors identified the regional trade agreement between Korea and Japan as more important than other agreements whereas travel agents gave credence more to Korea-China regional trade agreement as China is the world's fastest growing market in tourism, which will be discussed later in chapter 9.

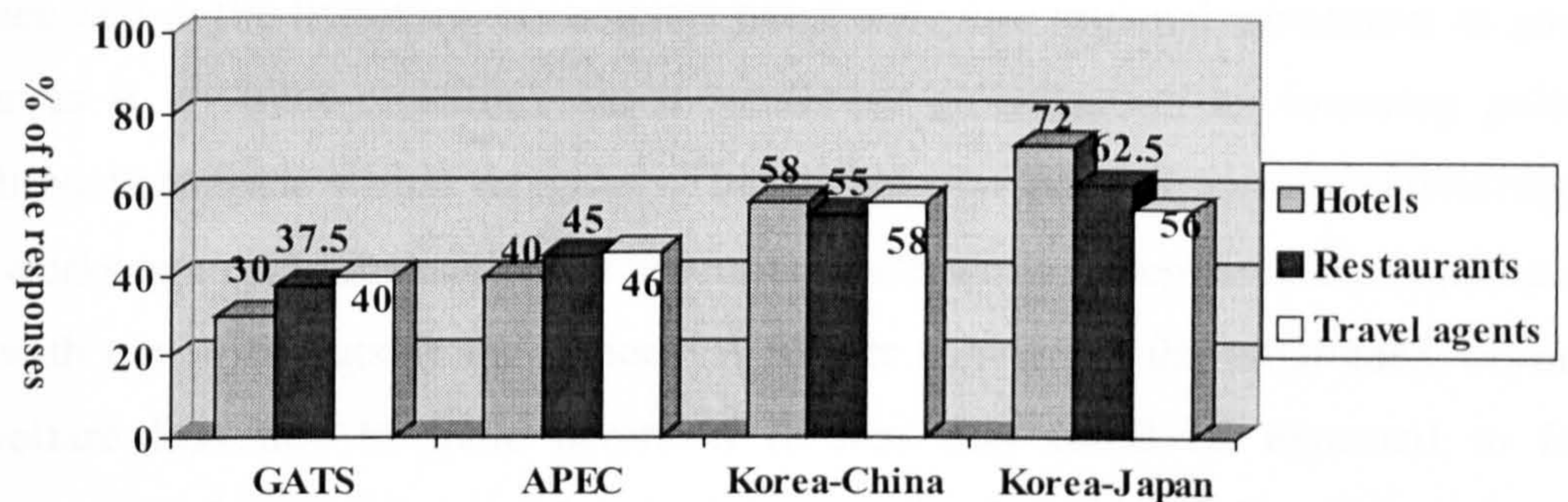


Figure 8.9 Responses to the importance of trade agreements in the private sector

Note: responses do not add up to 100% due to multiple answers

According to Oman (1996), as a centrifugal process and as a microeconomic phenomenon, driven by the actions of individual economic actors, globalisation reduces the economic “distance” not only between countries and regions, but between the economic actors themselves. It also tends to disrupt entrenched oligopolies, effectively changing the “rules of the game” in the struggle for competitive advantage among firms, within countries as well as between countries. Such disruption feeds perceptions of increased uncertainty and instability within countries, just as the reduced economic “distance” feeds perceptions of increased interdependence between countries, both of which tend to be associated with globalisation.

International policy debate over the last ten years has actually focused more on regionalisation than on globalisation (see chapter 3). Economists tend to see globalisation as enhancing global welfare because they see it increasing the possibilities for efficiency gains through greater international specialisation and above

all by giving freer rein to the forces of competition in global markets — forces that help channel the energies of people and the resources of countries into activities where they are likely to be most productive. They see regionalisation, however, as capable of being either good or bad, with the outcome also more directly dependent on the action of policy makers. The considerable difficulty to conclude the Uruguay Round of multilateral trade negotiations, and the remarkable proliferation of *de jure* regional agreements since the mid-1980s, starting with the Single Market in Europe and including NAFTA, Mercosur (in South America), the 1992 ASEAN Free Trade Agreement (AFTA) and others, have also focused attention on regionalisation.

As discussed in the literature, economists judge a *de jure* regional agreement as good insofar as it is “trade-creating”, i.e. it reinforces globalisation by lowering policy impediments to trade within a region. They judge it as bad if it is “trade-diverting”, i.e. it works against globalisation by favouring trade within a region at the expense of trade with countries outside the region. A further concern in the latter case, beyond the welfare loss due to trade diversion (a loss that could be expected to fall disproportionately on the many developing countries left out of the major regional groupings), is the risk of *degenerate regionalism*, i.e. an escalation of regional accords leading to a fragmentation of the global trading system into a number of closed and relatively hostile regional blocs. The risk of both markedly trade-diverting regional agreements and degenerate regionalism, the cost of which could also be expected to fall disproportionately on weaker countries left outside the major blocs, not to mention the danger of inter-bloc frictions escalating into open conflict, has been reduced, but not eliminated, by the conclusion of the Uruguay Round and the creation of the World Trade Organisation. Much of the economic policy debate over globalisation and regionalisation has thus focused on two closely related questions: (i) Are the major regional agreements trade-creating or trade-diverting? and (ii) Do they work for or against a more open world trading system? The answers are not clear. While the data on actual trade patterns are consistent with a benign (not trade-diverting) interpretation because they show inter-regional trade growing about as strongly as intra-regional trade, debate over the second question, in particular, remains inconclusive.

Overall, the tourism experts in Korea recognise the importance of Korea-Japan and Korea-China regional trade agreements over GATS and APEC for their business, which was predicted at the beginning of the research. As identified in the literature, the largest group of tourist arrivals to Korea is Japan, China and other Asian countries, rather than Europe and the Americas. They also suggested that introducing bilateral trade agreements can be the first step into globalisation and liberalisation. According to the WTO (2000^a), the majority of WTO members show an appreciation for Korea's active participation in the movement of liberalisation and globalisation. Many member countries underlined that their bilateral trade and investment ties with Korea had been strengthened over the recent period. They noted Korea's increased willingness to explore bilateral trade agreements and its involvement in regional groups such as APEC and ASEAN. In the light of Korea's interest in such arrangements, members sought and were given reassurance about Korea's commitment to multilateralism, bilateral trade agreements, especially between Korea-China and Korea-Japan were favourable to be a framework for Korea to develop tourism to the global level.

In geographical terms, China and Japan are the nearest countries to Korea, thus they have been important trading partners to the Korean economy for more than three decades. Since China became a republic, the volume of trade has increased for both export and import between China and Korea. In contrast, although the Korean government applied restrictions on Japanese goods until the late 1990s because of political conflict between the two countries (see chapter 6), Japan has been an important market for the Korean tourism industry. The government and private enterprises cannot ignore the fact that Japan and China are two of the largest tourism generating markets in the world. In addition, since the respondents were not fully understand the GATS, they were reluctant to comment on the agreement whereas the respondents were more confident to discuss about the Korea-Japan and Korea- China regional agreement as they have enough knowledge about them.

In this section, the second and fourth hypotheses were addressed.

8.6 GENERAL KNOWLEDGE AND INFORMATION ABOUT THE GATS

Korea has commitments under the General Agreement on Trade in Services (GATS) in 80 activities within 8 commitments (business, financial, communication, tourism and travel related, construction, transportation, distribution and environmental services) of a total 12 commitments (see Appendix D). Those on financial services and basic telecoms, inter alia, improved conditions for foreign presence, and were promptly ratified. Korea's sole GATS Article II MFN exemption remains on computerised flight reservation services. However, Korea has not signed the other 4 commitments (including education; health related and social services; recreational; cultural and sporting; and other services not include elsewhere). It is essential to learn the reasons for the government's decision relating to the specific commitments under the GATS. As these questions were designed to obtain expert opinions on the specific commitments under the GATS, the questions were asked only to the public sector respondents.

Firstly, the public sector participants suggested various reasons why the government signed those eight commitments including tourism and travel related services. The main reasons were to achieve trade liberalisation (40 %) and globalisation (13.3 %) as seen from table 8.15. Additionally, 26.7 % of the respondents stated that the Korean government participated with multilateral trade agreements such as GATT and GATS for political reasons. Korea is known as a country that is heavily connected with America's economy and politics, hence it is important for the Korean government to maintain a good relationship with America. These 26.7 % of respondents believed that Korea was indirectly forced to sign as many as possible since America is the main player in the WTO.

Some of the respondents mentioned that the reason why the government signed the tourism and travel-related services under GATS is that, so far, negotiations regarding services have resulted in obligations that do not significantly open markets, compared to what would happen in the market anyway. Moreover, because the opening of the market was driven by the demand for tourism and travel-related services, the transformation into a more open environment is not likely to be reserved. Therefore,

as far as tourism markets are concerned, GATS commitments do not result in much change, at least for now.

Secondly, a significant proportion (60 %) of the interviewees considered three areas (education; health related and social services and recreational; cultural and sporting) to be not competitive because most education and health related services are provided by the government. Therefore, those services have not been developed to compete with foreign companies, especially from developed countries. At the same time, 20 % of the respondents indicated that the government might be reluctant to allow foreign companies to enter the market because those industries are not ready to be open to foreign companies (refer to infant industry arguments). Moreover, education, health related and social services and cultural services are very sensitive to the country. The Korean government is not ready to expose those services to foreign systems whereas education systems and social services largely differ between Eastern and Western countries.

The Korean government is very strong about protecting infant industries from foreign companies (see chapter 3). Since many of SMEs are competing with some of the foreign multinational companies in the tourism industry, protectionism become unavoidable to prevent foreign companies taking over the domestic market. As a result, the government introduced tight restrictions, including entry, administrative and ownership restrictions, to foreign companies, which make it hard for foreign companies to set up their businesses in Korea, and hence they chose to go somewhere else to establish their business.

Table 8.15 The responses to Korea's specific commitments under the GATS (public sector)

Variables	Categories	N		Mean	Std. deviation	Variance
		Count	%			
Q12. The reasons for signing 8 commitments.	1. globalisation	2	13.3	2.50	1.09	1.192
	2. liberalisation	6	40.0			
	3. political reason	4	26.7			
	4. image improvement	1	6.7			
	5. others	1	6.7			
	Non-response	1	6.7			
Q13. The reasons for not signing the other 4 commitments	1. instability of industry	2	13.3	2.07	.62	.379
	2. not competitive to open	9	60.0			
	3. not ready to open	3	20.0			
	4. others	-	-			
	Non-response	1	6.7			

8.6.1 MFN EXEMPTIONS UNDER THE GATS

WTO members have also made separate lists of exceptions to the MFN principle of non-discrimination (see chapter 4). When GATS came into force, a number of countries already had preferential agreements in services that they had signed with trading partners, either bilaterally or in small groups. WTO members felt it was necessary to maintain these preferences temporarily. They gave themselves the right to continue giving more favourable treatment to particular countries in particular service activities by listing "MFN exemptions" alongside their first sets of commitments. In order to protect the general MFN principle, the exemptions could only be made once; nothing can be added to the lists. They were reviewed after five years (in 2000), and will normally last no more than 10 years. The exemption lists are also part of the GATS agreement.

Therefore, the question of why the Korean government registered America as the only Most Favoured Nations under the GATS was asked to the public sector respondents. The majority of the interviewees (73 %) suggested that the Korean government gives exemptions only to America under the GATS agreement because of political and economic reasons. 40 % of the respondents stated that Korea has been dependent on America economically and 33 % of the respondents in politics since the Korean War. It is difficult for Korea to separate economic dependence from political dependence since the War. Because of the conflict between North and South Korea, Korea has been offered military support by America for more than 50 years. Korea remains militarily underdeveloped and dependent on America, even though Seoul has achieved

fast economic growth, including an increase in GDP, GNP, etc. compared to North Korea and other Asian countries. With security dependence has become financial dependence. A prominent argument used by the Clinton administration to justify the \$57 billion international bailout of the Korean economy is that failure to do so might destabilise the peninsula and put the American troops stationed there in the middle of a new Korean War.

Table 8.16 The reasons for the exemptions to America (public sector)

Variables	Categories	N		Mean	Std. deviation	Variance
		Count	%			
Q.15. The reason for the exemptions to America under GATS	1. political reasons	5	33.3	1.77	.73	.526
	2. economic dependence	6	40.0			
	3. important trading partnership	2	13.3			
	4. others	-	-			
	Non-response	2	13.3			

According to Bandow (1998), Korea's continuing defence dependence seems to be leading, in turn, to economic dependence. South Korea was a major recipient of U.S. foreign aid into the 1970s; it wasn't until 1969 that the South covered more than half the cost of its own defence budget. America was still providing significant amounts of security-oriented aid as late as 1986. That assistance, of course, was in addition to the direct American military subsidy in the form of the defence commitment and troop deployments. Korea spent years investing the cash in its economy that it saved by relying on the United States. Some of that money was obviously well spent, as evidenced by South Korea's astonishing economic growth over the last two decades. But some of it was spent on industrial policy schemes that crashed in 1998.

The financial crisis led the IMF and the United States to organise a \$57 billion bailout package, which included \$1.7 billion from the United States, in January 1998. Potentially, there are many more billions to come, many of them through the IMF, to which America is the largest contributor (Originally, the United States planned to contribute only \$5 billion as part of a financial backup, should it prove necessary; it took barely a month for American taxpayers to be moved up to the frontlines). On top of the U.S. share of the IMF bailout is \$1 billion (Korea originally asked for \$1.6 billion) in credit guarantees for the purchase of American agricultural products, as well as a half billion-dollar increase in export-import bank credit insurance. Exactly why America should spend so much more to help a nation that it has already helped so much

for so many years is unclear. Former U.S. ambassador to Korea William Potter described the situation aptly some three decades ago: "*They've got hold of our big fat udder and they won't let go.*" Having said that, America and Korea no longer maintain a subordinate relationship in either political or economical aspects, but are more close collaborators. In other words, Korea maintains economic and political cooperation with America more closely than any other country in the world, which obviously affects decisions to offer exemptions to America under the GATS.

8.6.2 TOURISM DEVELOPMENT AND GATS

Korea's emergence as an international tourism destination is a result of the 40 years of steady economic progress (from the 1960s until 1997, before the financial crisis) (see chapter 6). The country turned its attention to developing tourism industry as one of the economic resources, following decades of developing manufacturing industry. In recent years, governmental financial support for tourism has been extensive and is expected to grow. The nationality of tourists arriving in Korea has been changed from Americans to Asians. In 1970, Americans accounted for 32 percent of inbound tourists, while Japanese formed the second largest group. By 2000, however, visitors from Japan comprised 46 percent of the total, followed by visitors from North and South America at 11 percent. In addition, following Korea's recent opening to Chinese citizens, visitors from China have been increasing gradually.

Table 8.17 shows that the Asia and Pacific region is most important to the private sector respondents in the Korean tourism industry, followed by America and Canada, Europe, the Middle East, and Africa. Additionally, 68.6 % of the private sector respondents indicated that the Asia and Pacific region has the greatest potential to develop in the future. Asia is a significant region for the Korean tourism industry for both the inbound and outbound travel market (see chapter 6). The highest number of arrivals come from Japan followed by America and China due to geographical advantages as well as less language barriers and less culture shock. Therefore, the number of tourists from neighbouring countries is expected to increase in the future, and Asia and Pacific region will be a major player in the Korean tourism industry for at least another decade.

**Table 8.17 The importance of different regions in the Korean tourism industry
(private sector)**

	Most important		Fairly important		Important		Less important		Least important	
	Count	%	Count	%	Count	%	Count	%	Count	%
Africa	1	0.7	6	4.3	2	1.4	18	12.9	113	81.4
Europe	23	16.4	25	17.7	82	58.6	8	5.8	2	1.4
America & Canada	25	17.9	89	63.1	21	15.0	5	3.6	0	0
Asia & Pacific	91	65.0	15	10.7	29	20.7	2	1.4	3	2.1
Middle East	0	0	5	3.6	6	4.3	107	77.0	22	15.0
Total Responses	140	100.0	140	100.0	140	100.0	140	100.7	140	100.0

Note: responses do not add up to 100% due to multiple answers

To investigate sectoral differences in this question, a series of cross-tabulations were performed (see table 8.17). As far as private tourism enterprises in Korea are concerned, Asia and Pacific region is most important, followed by America and Europe regardless of which tourism sector they are participated with. The Middle East and Africa are less important to the Korean tourism industry. Therefore, it can be conclude that the hotel, restaurant and travel agent sectors are interdependent and the impact of external factors such as implementing a trade agreement, terrorism, and the financial crisis is expected to be similar.

Table 8.18 Important regions for the tourism development in Korea (private sector)

Categories		Hotels		Restaurants		Travel agents	
		Count	%	Count	%	Count	%
Africa	1. Most important	0	0	0	0	1	2.0
	2. Fairly important	2	4.0	1	2.5	3	6.0
	3. Important	0	0	2	5.0	0	0
	4. Less important	4	8.0	4	10.0	10	20.0
	5. Least important	44	88.0	33	82.5	36	72.0
	Total	50	100.0	40	100.0	50	100.0
Europe	1. Most important	4	8.0	6	15.0	13	26.0
	2. Fairly important	10	20.0	8	20.0	7	14.0
	3. Important	32	64.0	22	55.0	28	56.0
	4. Less important	3	6.0	4	10.0	1	2.0
	5. Least important	1	2.0	0	0	1	2.0
	Total	50	100.0	40	100.0	50	100.0
America & Canada	1. Most important	4	8.0	11	27.5	10	20.0
	2. Fairly important	32	64.0	25	62.5	32	64.0
	3. Important	13	26.0	3	7.5	5	10.0
	4. Less important	1	2.0	1	2.5	3	6.0
	5. Least important	0	0	0	0	0	0
	Total	50	100.0	40	100.0	50	100.0
Asia & Pacific	1. Most important	42	84.0	23	57.5	26	52.0
	2. Fairly important	3	6.0	6	15.0	6	12.0
	3. Important	4	8.0	10	25.0	15	30.0
	4. Less important	0	0	1	2.5	1	2.0
	5. Least important	1	2.0	0	0	2	4.0
	Total	50	100.0	40	100.0	50	100.0
Middle East	1. Most important	0	0	0	0	0	0
	2. Fairly important	4	8.0	0	0	2	4.0
	3. Important	1	2.0	3	7.5	2	4.0
	4. Less important	41	82.0	30	75.0	36	72.0
	5. Least important	4	8.0	7	17.5	10	20.0
	Total	50	100.0	40	100.0	50	100.0

However, 26 % of travel agent respondents recognised Europe as one of the most important regions to tackle in order to improve their business performance. Since a package travel product called the 'backpacking tour' was introduced in the early 1990s, the number of Korean tourists travelling to Europe almost doubled. In the beginning, major Korean travel agents and tour operators introduced the package with the intention of creating a new and unusual tourism product at high prices that would appeal to high-class parents who want their children to be able to experience tough but invaluable lessons from exploring a destination which is far away and different from Korea. The package later became popular for Korean tourists regardless of age and income because people were looking for somewhere new to explore, which changed travel trends from Asia to Europe. Consequently, Europe became one of the most desirable tourism destinations for Korean tourists, and tourism activities in Europe

have increased. Therefore it is important to continue to develop new tourism products for destinations in Europe as well as developing new tourism products to attract European tourists to Korea.

On the other hand, it was extremely difficult to travel abroad in the 1980s due to the long distances, low disposable income, lack of leisure time, heavy restrictions on travelling abroad, etc. However, the number of Korean tourists travelling to Asia, America, and Europe regions has gradually increased over the last decade as the Korean economy grew dramatically in early 1990s. In this respect, the GATS can help the Korean private enterprises to expand their business or enhance the quality of services further by training their staffs in more advanced environment, import highly skilled foreign employees, set up international branches, etc.

8.6.3 MODES OF SUPPLY

Four different modes of supply (consumption abroad, commercial presence, movement of natural persons, and cross-border) were provided under the GATS, a question was asked to ascertain the respondents' expectations about the effectiveness of GATS in four different modes of supply (see chapter 5, section 5.4.1.1). Many member countries realised that "commercial presence" is the preferred mode of delivery for many service suppliers because governments including developing countries could manage to control those established companies in comparison with those companies operating "across the board" from their home base. As regards movement of natural persons, the negotiations are still not clear under the GATS. The main issue for tourism is that many activities involves a movement of natural persons and the problems seem to arise with a temporary relocation of skilled persons and non-skilled persons since entry regulations and qualification requirements for temporary movement of natural persons, are not covered under GATS.

Table 8.19 shows that, in general, respondents in the public sector expect GATS to be either less or least effective in 'consumption abroad' and 'movement of natural persons' in Korean tourism industry whereas the respondents expressed positive expectations of GATS for 'commercial presence' and 'cross-border'.

Table 8.19 Responses to the effectiveness of modes of supply (public and private sectors)

Variables	Sectors	Categories	N		Mean	Std. Deviation	Variance
			Count	%			
Effectiveness of GATS on consumption abroad in Korean tourism industry.	Public	1. mostly effective	4	26.7	2.73	1.28	1.64
		2. fairly effective	2	13.3			
		3. less effective	3	20.0			
		4. least effective	6	40.0			
	Private	1. mostly effective	51	36.4	2.24	1.13	1.27
		2. fairly effective	28	20.0			
		3. less effective	37	26.4			
		4. least effective	24	17.1			
Effectiveness of GATS on commercial presence in Korean tourism industry.	Public	1. mostly effective	5	33.3	1.87	.74	.55
		2. fairly effective	7	46.7			
		3. less effective	3	20.0			
		4. least effective	-	-			
	Private	1. mostly effective	54	38.6	1.94	.93	.86
		2. fairly effective	50	35.7			
		3. less effective	26	18.6			
		4. least effective	10	7.1			
Effectiveness of GATS on movement of natural persons in Korean tourism industry.	Public	1. mostly effective	1	6.7	2.87	.92	.84
		2. fairly effective	4	26.7			
		3. less effective	6	40.0			
		4. least effective	4	26.7			
	Private	1. mostly effective	25	17.9	2.54	1.00	1.00
		2. fairly effective	42	30.0			
		3. less effective	46	32.9			
		4. least effective	27	19.3			
19d. Effectiveness of GATS on cross-border in Korean tourism industry.	Public	1. mostly effective	5	33.3	2.53	1.30	1.70
		2. fairly effective	2	13.3			
		3. less effective	3	20.0			
		4. least effective	5	33.3			
	Private	1. mostly effective	10	7.1	3.28	.96	.92
		2. fairly effective	20	14.3			
		3. less effective	31	22.1			
		4. least effective	79	56.4			

As the public sector respondents are familiar with the government's rules and policies for foreign investment, they were reluctant to say that the GATS will help to reduce trade restrictions particularly on 'movement of natural persons' and 'consumption abroad'. The majority of the public sector respondents were aware of the government's direct and indirect restrictions applied to foreign companies and investors in Korea.

- Consumption abroad: In tourism, consumption abroad is one of the most common methods of supply as consumers move abroad to purchase services. It is essential to remove any restrictions on the ability of the individual tourist to leave home and be permitted to return, and be able to pay or make financial arrangements for the

services purchased abroad, but the Korean government introduced the rules to limit foreign exchange, for example, Korean tourists cannot exchange foreign currencies over US\$10,000 to carry out of the country, which will be an obstacle to the liberalisation in Korean tourism industry. Therefore, 60 % of the respondents said that GATS will not be effective on consumption abroad in Korea whereas 40 % of the respondents were expecting more positive effects on the market. In addition, as discussed earlier, the GATS agreement will have a limited effect on liberalisation in this area as restrictions relating to visa and customs requirement are not covered by the agreement.

- **Commercial presence:** as shown in table 8.19, the respondents showed positive expectations for the effectiveness of GATS in 'commercial presence' in the Korean tourism industry. 80 % of the respondents believed that the GATS will be either mostly or fairly effective on Korean tourism industry. In Korean tourism, many foreign companies and brands are already exist, especially in the hotel industry. The government removed heavy restrictions on setting up foreign companies and branches over the past 10 years as one of the campaigns to encourage foreign investment in the country. Therefore, the majority of respondents expected larger numbers of foreign companies and branches to grow as a result of the GATS.
- **Movement of natural persons:** more than 60 % of the respondents were less optimistic about the effectiveness of GATS on 'movement of natural persons'. As the GATS does not cover visa and custom related issues, it will be difficult to remove the restrictions on movement of human resources in the industry. However, the Korean government specified certain rules and restrictions in the agreement about giving permission to foreigners to work in Korea (see Appendix E).
- **Cross-border:** 46.6 % of the respondents suggested that the GATS will be effective whereas 53.3 % of the respondents expected that the agreement will be less or least effective in the Korean tourism industry. Since cross-border trade is mostly related to travel agents and tour operators to deliver their services from abroad into Korea and vice versa. These 46.6 % of respondents in the public sector believed that foreign companies will be more interested in either investment as a share

owner or expanding branches in the Korean market by applying the GATS. However, 53.3 % of the respondents were more concerned about the investment environment in the Korean tourism industry than an international agreement to increase the volume of foreign investment. A couple of foreign tour operators including Thomas Cook have completed market research in Korea in order to establish their branches, but have pulled out because it would not be profitable to invest there. As discussed earlier, the land and building costs in Korea are higher than in other Asian countries and at the same time, the demand for the destination is not as high as for other destinations in Asia. As a result, many well-known foreign companies tend to set up business in Thailand, China, and Japan rather than Korea. Therefore, these 53.3 % of respondents believed that despite the government's efforts in trade liberalisation of services, it will have no major effect on the Korean tourism industry.

A similar question was designed to understand the general perceptions of the private sector in relation with modes of supply. Overall, consumption abroad (36.4 %) and commercial presence (38.6 %) are the most important and cross-border is the least important to the private sector in Korea. This is an unexpected result, to some extent, since many tourism-related activities are largely associated with cross-border activities.

The private sector respondents have different perceptions of those four modes of supply:

- Consumption abroad: consumption abroad was recognised as the most effective mode to the restaurant (35.3 %) and travel agent (39.2 %) sectors whereas it appeared less important to the hotel sector (25.5 %). Since consumption abroad refers to situations where a tourist moves into another member's territory to obtain a service, all of tourism sectors are associated to some extent. As the literature suggests, consumption abroad activities are more likely important to the hotel industry since international tourists visit a tourism destination in another country to consume a service in locally provided facilities e.g. hotels and restaurants. Therefore, it can be assumed that the findings relating to the hotel industry show a lack of understanding of the definition of modes of supply under the GATS.

More importantly, the result from the correlation matrix shows that the importance of trade liberalisation and the effectiveness of consumption abroad are strongly correlated ($= .657$). It is important to know that market opening is significant to increase tourism activities that is in the form of consumption abroad, especially for the travel and tourism-related services.

- Commercial presence: the mode of commercial presence was evenly recognised in importance by restaurants (29.6 %), hotels (44.4 %), and travel agents (25.9 %). As expected and discussed in the literature, commercial presence is the most effective and important mode to the hotel industry since it implies that a service supplier of one member establishes a territorial presence, including through ownership or lease of premises, in another member's territory to provide a service. However, advanced technology has played an important role in the tourism industry. For instance, larger numbers of private enterprises in the tourism industry are able to provide their services through the Internet and the demand of purchasing a service through the Internet has increased over the last decade. The importance of commercial presence activities was less recognised by respondents from the travel agent sector.
- Movement of natural persons: the findings show that the movement of natural persons is regarded as least important to respondents (37.5 %) from the restaurant sector compared with other sectors in tourism. In contrast, 62 % of respondents in the hotel sector accepted that movement of natural persons is a moderately important mode. Considering the fact that more than 80 % of luxury hotels in Korea are franchised with foreign companies, the mode of movement of natural persons is more likely to be familiar to the hotel sector. Furthermore, given the nature of the hotel industry, the need for managers and other skilled personnel from developed countries is inevitable. Many foreign brand hotels in Korea are managed by foreign managers dispatched from their headquarters. However, it is surprising to discover that more than 50 % of the travel agent respondents identified that movement of natural persons is less important than other modes of supply although travel agents offer a variety of services that require personnel to stay in foreign tourism destinations to serve customers, such as tour guides and managers. Managers and owners in the travel agent sector were reluctant to

employ foreigners in Korea due to restrictions on work permits and they were unwilling to dispatch employees to other countries due to high costs.

- Cross-border: cross-border trade in services accounts for more than 22 % of world trade, or about \$1.3 trillion annually and it also plays an important role in tourism (WTO, 2000^a). However, overall, cross-border supply has been recognised as the least important mode by private enterprises (55 % in restaurants, 66 % in hotels, and 48 % in travel agents) in Korea. Given the nature of restaurants' and hotels' operating systems, this result is not surprising. Restaurants and hotels do not provide services by crossing borders. Many different types of services related to the travel agent industry are provided through the Internet, hence the importance of cross-border activities to the private sector has decreased. The vast majority of managers and directors of private enterprises in tourism insisted that cross-border trade in services is already liberalised compared with other modes of supply.

In summary, an important proportion of the respondents in the public sector considered *commercial presence* (80 %) and *cross-border* (46.9 %) to be effective modes of supply in Korean tourism whereas the private sector respondents recognised *consumption abroad* (56.4 %) and *commercial presence* (74.3 %) as effective modes. This is because the government believes that the volume of foreign investment will be increased by an elimination of trade restrictions on commercial presence. In the tourism industry, to invite foreign investors and suppliers to establish either franchised or owned branches has been known as the most common form to increase foreign investment in the host country. Since the private enterprises, especially in the hotel and restaurant industry, provide essential services only through commercial presence, it is important for them to negotiate clear rules and regulations on commercial presence mode of supply for future development under the GATS. The agreement will be more effective if member countries assist one another by providing information on services where their presence is desired. Joint ventures with local partners are strongly encouraged and should comply with local infrastructural requirements. Foreign commercial presence must not undermine social objectives, compromise local ethical and professional standards and impinges on cultural sensitivities. However, respondents in the travel agent industry offered the opinion that electronic commerce may reduce their commercial presence in developing countries in future. While travel

agents use it as a main business tool, other tourism sectors such as hotels or restaurants use it but it is less relevant for their presence in foreign countries. In any case, E-commerce in the tourism sector is not so much used for the delivery of services. In that context, its main value lies in being able to attract tourists from other countries without the same need for a physical marketing presence in those countries. Since E-commerce is relatively unrestricted at present, the impact of the GATS on this aspect would probably be limited to eradicating barriers to the ability of the consumers to take up the offers (free movement, exchange controls, etc) rather than facilitating the supply of the marketing itself.

Respondents in the private sector (47.9 %) recognised the effectiveness of movement of natural persons more than the public sector (33.4 %) because the government does not want to liberalise the tourism industry on foreign employment. Foreign employment has been an important and sensitive to discuss for the public sector since the unemployment rate has increased dramatically since the financial crisis in Korea. On the other hand, governments are invited to ensure that immigration regulations facilitate the movement of tourists and natural persons involved in the supply of tourism services under the GATS, which will help to achieve trade liberalisation further on movement of natural persons and consumption abroad in the future. However, from a political point of view, there can be little doubt that meaningful negotiations on the movements of individuals would enhance the engagement of developing countries under the GATS. Some political difficulties could also be overcome by clarifying that liberalisation only concerns the temporary movement of service suppliers, and does not imply migration. A clear distinction along these lines should help alleviate some of the social and political fears associated with permanent movements of persons. Therefore, it is explicable for the majority of respondents in the public sector to less recognise the importance of movement of natural persons.

It is important to note that answers to the questions related to consumption abroad and movement of natural persons modes of supply from respondents, who were not aware of GATS, were evenly distributed from most effective (scale 1) to least effective (scale 4). Therefore, it is evident that the majority of respondents did not fully understand the notions of consumption abroad and movement of natural persons. Nonetheless, the majority of respondents, who were not familiar with GATS, identified the

effectiveness of commercial presence because tourism experts in the tourism industry seem to understand more commercial presence despite not understanding GATS. In fact, cross border supply is often linked to collaboration with domestic suppliers, while commercial presence involves, in most cases, the presence of foreign natural persons. However, all the forms of supply are more or less relevant to the tourism sector depending on the kind of services provided.

On the other hand, it seemed more important to concentrate on the issues relating to consumption abroad, commercial presence, and movement of natural persons which need to be liberalised. According to World Tourism Organisation (2000), whereas there are few obstacles related to foreign commercial presence in tourism, improvements in conditions governing the international movement of people are needed in tourism. Moreover, problems such as the shortage of skilled labours, the entry restrictions and heavy restrictions on foreign ownership in the tourism industry are need to be tackled instantly for future development. In other words, there are many recognised weaknesses and trade obstacles to Korean tourism, many of which are largely associated with consumption abroad, commercial presence and movement of natural persons, therefore it was inevitable for the respondents to see those three modes of supply as more important to the industry in order to develop the tourism industry even further. Therefore, considering the fact that the essence of tourism is based on 'consumption abroad' and 'commercial presence' activities, it can be considered that tourism represents the driving force for liberalisation and globalisation.

In this section, the third and fourth hypotheses were addressed.

8.7 EXPECTED IMPACTS OF THE GATS ON KOREAN TOURISM

From the literature, it was evident that international trade plays a significant role in the travel and tourism-related industry, thus GATS will affect the infrastructure of the tourism industry in many countries, especially developing countries. However, common arguments have been raised about the problems of both regional integration and globalisation in international trade. In this respect, it is important to evaluate the

benefits and problems of the GATS agreement is essential to prepare for the forthcoming changes in member countries and a case study of Korea can be a good example of how the GATS is expected to work in many developing countries although each country has different economic, political and social background. The final part of the interview concentrated on questions that related to future expectations of the GATS in the Korean tourism industry.

A question was asked to the public and private sector to represent their perceptions and expectations for the impacts of the GATS on four different areas such as competitiveness, trade restrictions, foreign employment and foreign investment. More than 90 % of participants were positive towards competitiveness between domestic and foreign companies after applying GATS in Korea. In many developing countries, open competition, especially competition involving foreigners, requires not less but greater enforcement of real law that can be vital. Real law means impartial law, transparent law, law applicable to everyone, law with consequences which can be achieved by the GATS. In some sectors, financial services for example, it is dangerous to allow foreign competition without adequate regulatory and supervisory control. To some extent, tourism-related businesses in developing countries are less developed than in developed countries, thus many developing countries try to protect domestic companies from competition by foreign multinational companies (see chapter 5). However, the slow liberalisation of the services industry in developing countries will be beneficial in the long run. Advanced skills and technologies will be delivered to those developing and least-developed countries to enhance the quality of services from developed countries, which will increase competitiveness.

The public sector respondents were expecting either fairly positive implications (40 %) or no effect (40 %) on trade restrictions from the GATS as seen in table 8.20. A large proportion of all respondents (the public and private sector) agreed that different forms of trade restrictions still remain on foreign firms and investors. As the most direct and most visible protectionist measures, tariffs have been the main target of consecutive rounds of GATT negotiations (see chapter 4). The extent to which trade is affected by tariffs is, as with all trade measures, very country-, product- and even company-specific. As discussed in the literature, tariff barriers have reached relatively low levels in most of the main import markets for manufacturing goods by GATT. Therefore,

some of the respondents believed that applying GATS will help to reduce trade restrictions further in services.

40 % of the public sector respondents expected there to be no changes to trade restrictions from applying the GATS in Korea. Trade restrictions include not only direct tariff measures but also non-tariff measures such as quantitative restrictions on imports. Non-tariff barriers are much more complex and difficult to recognise and therefore assess than tariffs, especially in quantitative terms. Their existence, the manner in which they operate, and whether or not they are in fact barriers is often very difficult to determine. Therefore, the respondents believed that the government can protect some sectors or industries by imposing those non-tariff measures if they want without increasing tariff rates.

In fact, while developed country exporters may face the Most Favoured Nation (MFN) rates in the developed countries, many developing countries manage to avoid the main impacts. This is due to the fact that various preference schemes reduce tariff rates for developing countries, and sometimes provide preferential access to markets. Individual developed importing countries offer lower tariffs to selected developing countries without requiring any reciprocal benefits. Although most import tariff rates are low in the main developed countries, those in the developing countries are generally much higher. Developing countries have tariffs that range from 10-60 %, and few offer preference schemes. For example, Brazil's rate on many products and services is one of the lower at 10 %, while many other countries have rates that are more typically 20-40 %. In addition, in many cases the tariff is only part of the restriction, with additional taxes and duties lifting the level. Korea has a tariff of 15 % but additional elements are estimated to raise this to around 40 %; additional elements are estimated to raise the tariff to 20 % in Mexico; and Egypt to 30-40 %.

Consequently, trade restrictions will decline further or be completely eliminated in the future as countries continue to implement their Uruguay Round commitments. As a result many will be reduced over a period of years. The extent and the speed of the reductions will vary considerably between countries and also services; in some cases the phased reductions may take up to 15 years to be fully achieved.

Surprisingly, all of the public sector respondents expected positive impacts on foreign employment from the trade liberalisation associated with the GATS in Korea. Although 60 % of the public sector respondents were less optimistic about the effectiveness of GATS on 'movement of natural persons' since the agreement does not cover visa and custom related issues as discussed earlier in this chapter, the respondents expected the number of foreigners who enter the country to work will increase in the long run as a result of trade liberalisation. They also mentioned that the number of foreign employees who tend to work in managerial position will not be changed even after implementing the GATS but the number of casual workers who need to be working as a waitress/waiter, cleaner, chief and receptionist will increase in the future. In fact, as one of the main principles of the GATS is progressive liberalisation, particularly in developing countries, it will certainly help those developing and less-developed countries to open their markets to foreign companies and suppliers, which may lead to an increase in the number of foreign employees and investors. Krueger (1998) contends that trade liberalisation was a major factor in enabling the rapid growth of Korea, Taiwan and other Asian economies over the past few decades.

Interestingly, 40 % of the public sector respondents answered that there will be no effect on trade restrictions in the Korean services industry whereas 100 % of the respondents expect positive impacts of GATS on foreign employment in the long run. Respondents brought up the fact that the country will open the services market to foreign countries and suppliers, but trade restrictions, in general, will still remain. The type of trade restrictions that are applied may change from tariff to non-tariff measures but may not be eliminated.

As seen from table 8.20, more than 90 % of the public sector participants expect to attract more foreign investment after applying the GATS in Korea. Foreign direct investment (FDI) inflows into Korea began to rise steadily in the 1990s and increased sharply after the foreign exchange crisis of 1997. The sharp increase in FDIs since 1997 was due to the favourable investment environment, depreciation in the local currency and asset values, the Korean government's promotion of investment through deregulation, the increased number of company offerings as a result of corporate restructuring and privatisation of government owned companies.

Table 8.20 Expected impacts of GATS on different areas (the public and private sectors)

Variables	Sectors	Categories	N		Mean	Std. deviation	Variance
			Count	%			
Expectations of GATS towards competitiveness	Public	1. positive	7	46.7	1.67	.82	.667
		2. fairly positive	7	46.7			
		3. no effect	-	-			
		4. fairly negative	1	6.7			
		5. negative	-	-			
	Private	1. positive	71	50.7	1.90	1.04	1.08
		2. no effect	22	15.7			
		3. negative	35	25.0			
		4. no effect in short term but positive in long term	11	7.9			
		No-response	1	.7			
Expectations of GATS towards trade restrictions	Public	1. positive	-	-	2.93	1.03	1.067
		2. fairly positive	6	40.0			
		3. no effect	6	40.0			
		4. fairly negative	1	6.7			
		5. negative	2	13.3			
	Private	1. positive	66	47.1	1.68	.77	.60
		2. no effect	57	40.7			
		3. negative	11	7.9			
		4. no effect in short term but positive in long term	5	3.6			
		No-response	1	.7			
Expectations of GATS towards foreign employment	Public	1. positive	2	13.3	1.87	.35	.124
		2. fairly positive	13	86.7			
		3. no effect	-	-			
		4. fairly negative	-	-			
		5. negative	-	-			
	Private	1. positive	91	65.0	1.35	.49	.24
		2. no effect	46	32.9			
		3. negative	1	.7			
		4. no effect in short term but positive in long term	-	-			
		No-response	2	1.4			
Expectations of GATS towards foreign investment	Public	1. positive	6	40.0	1.67	.62	.381
		2. fairly positive	8	53.3			
		3. no effect	1	6.7			
		4. fairly negative	-	-			
		5. negative	-	-			
	Private	1. positive	88	62.9	1.50	.81	.66
		2. no effect	41	29.3			
		3. negative	1	.7			
		4. no effect in short term but positive in long term	9	6.4			
		No-response	1	.7			

With regard to investment trends by industry, directly after the financial crisis in 1998, investment in the service industry slowed down as a result of a downturn in domestic consumption. However, with the recovery of the Korean economy and opening of the service industry to overseas competitors, investment in the service industry increased

from 33 % (US \$2.94 billion) in 1998 to 53.8 % (US \$8.36 billion) in 1999 and 54.6 % (US \$8.57 billion) in 2000. Therefore, the participants in the public sector believed that further trade liberalisation in the services industry will show a continuous increase in the volume of foreign investment in Korea.

On the other hand, the researcher also asked the private sector respondents to evaluate expected changes in areas such as foreign employment, competitiveness, foreign investment, and trade restrictions after enforcing GATS in the Korean tourism industry. As seen in table 8.20, in general, the private sector respondents showed very positive attitudes towards future changes. However, 40.7 % of the private sector respondents suggested that trade restrictions such as restrictions on entry, foreign ownership, and higher or added taxes on foreign suppliers will remain even after the implementation of GATS.

Overall, respondents in the private sector demonstrated strongly positive perceptions of future changes in foreign employment (65 %), competitiveness (50.7 %), foreign investment (62.9 %), and trade restrictions (47.1 %) after the implementation of GATS. Furthermore, more than 90 % of respondents in the public sector were expected to have positive impacts from joining the GATS in the long run, especially for the areas of foreign employment and competitiveness. In particular, member countries' governments are invited to develop and effectively apply a competition policy in the tourism and related sectors, by prohibiting anti-competitive clauses such as exclusive dealing, import requirements in franchising contracts and the abuse of dominance in air travel under the GATS. Furthermore, 13.3 % of respondents in the public sector were strongly positive and the remaining 86.7 % were optimistic about future changes in foreign employment as a result of trade liberalisation in the long run but they expected that GATS would not have an effect on the industry in the short-run. On the other hand, many respondents in the public sector were concerned about the problems with foreign employees in Korea. Since the impact on the real economy of the financial crisis and economic restructuring led to a recession in 1998, unemployment rate has dramatically increased in Korea. Unemployment exceeded 7 percent in 1998, with over 1.4 million people unemployed, and compensation levels dropped significantly for many people who remained employed, thus the government is expected to restrict regulations on foreign employment at least for the next two

years (U.S. Department of State, 1999). At the same time, almost 70 % of the foreigners who work in the country come from Indonesia, China and Pakistan on an illegal basis. As a result, they are poorly paid and treated differently from the residents. Therefore, the government believes that reducing heavy restrictions on foreign investment and entry would have a positive effect on foreign employment to enhance the conditions and quality of the labour market in the long run. In fact, the importance of tourism can be measured by its share in employment, foreign exchange earnings, investment and fiscal revenues, and by its overall contribution to development. In contrast, 32.9 % of respondents in the private sector expected to have no effect from the GATS when 65 % of them were very positive towards impacts of GATS on foreign employment. Private enterprises in Korea predict that the government will reduce trade restrictions on foreign employment, which will be a first step for the Korean tourism industry to move into the internationalisation and globalisation.

With respect to foreign investment, 62.9 % of respondents in the private sector and 40 % in the public sector agreed that GATS would have a positive effect on foreign investment in the tourism industry. Beginning in late 1997, the government has begun implementing broad-based reforms of its financial system in cooperation with the IMF, the World Bank and the Asian Development Bank. These reforms include substantial liberalisation of the capital markets, including the abolition of restrictions on foreign ownership of domestic shares and bonds, and restrictions on the use of deferred payments to finance imports. Likewise, restrictions on foreign investment have been largely dismantled, including restrictions affecting mergers and acquisitions and land ownership by foreigners. Foreign banks can now establish subsidiaries in Korea and foreign financial firms can participate in mergers and acquisitions of domestic Korean financial institutions. Despite these reforms and improvements, foreign banks operating in Korea continue to face barriers. Korea requires foreign branches to be separately capitalised and other regulations such as prudential lending limits are based on local branch capital as opposed to its total capital, while domestic banks capital base would be assessed as the entire bank's capital. Foreign banks are also disadvantaged in access to local currency funding. However, Foreign Exchange Transaction Law that has implemented in 1999 along with the GATS should significantly liberalise formerly heavily regulated capital transactions in Korea.

In general, since the Korean government decided to join the agreement to liberalise various sectors in services industry including the travel and tourism-related sector, it is understandable for respondents from the public sector to concentrate on presenting positive factors of becoming a member of GATS.

However, GATS will have positive and negative impacts simultaneously but the degree of its impacts will be varied from one country to another (see chapter 5). In particular, the developing countries, which were particularly concerned that the negotiations should not turn into political conflict, requested that the framework agreement should include a set of regulations that would be sufficiently flexible to take into account their different stages of development. In theory, liberalisation and an open market certainly benefit a country but it is not always the case, especially for developing countries. The benefit of GATS to tourism is mainly classified into the production of tourism services, the movement of people linked to these services and the global development of tourism although there are several problems that need to be solved in order to achieve trade liberalisation, especially in developing countries. According to WTO (1996^a), many developing countries reacted negatively to GATS at the early stages of negotiations, concerning about "foreign invasion" but GATS will help strengthen the ability of developing countries to compete by attaching conditions to their market opening commitments and requesting the transfer of technology and expertise. In this respect, the majority of both the public and private sector respondents expected positive effects of the GATS on the Korean tourism industry, especially towards foreign employment and investment.

8.7.1 EXPECTED BENEFITS AND PROBLEMS OF THE GATS

In order to identify the expected benefits and problems of GATS, it is important to understand respondents' perceptions of GATT, which is more familiar to people in both the public and private sector in Korea. Therefore, four questions designed to ask respondents to present the three most important benefits and three most important problems for GATT and GATS to the world economy as seen from table 8.21 and 8.22. However, from the pilot study, the research acknowledged that all the respondents in the private sector refused to answer the questions about the GATT due to the lack of knowledge, therefore the questions about the GATT were asked only to

the public respondents.

According to the participants in the public sector, the most important benefits of GATT and GATS, in keeping with its aims, are reducing trade barriers, achieving trade liberalisation, reducing tariffs, and boosting international trade. But it is interesting to know that only a small number of respondents suggested globalisation as a benefit of GATT. This may represent two different views. First, respondents are not familiar with the notion of globalisation since multilateral trade agreements have been often discussed with the issues of reducing tariff rates and trade liberalisation. Second, respondents believed that multilateral agreements such as GATT and GATS are creating even bigger gaps between developed and developing countries, rather than reducing the gaps (see chapter 3). Therefore, globalisation was not recognised as a benefit of GATT and GATS. One of the important benefits of GATS is recognising the importance of the services industry. It might be fair to say that the GATS was introduced to the world because the importance of the services industry has grown in recent years, but this is not to say that the importance of the services industry has grown as a result of introducing the GATS.

Table 8.21 Frequency analysis on benefits and problems of the GATT (public sector)

Variables	Categories	N		Mean	Std. Deviation	Variance
		Count	%			
The most important benefit of GATT	1. boosting international trade	3	20.0	2.29	.99	.989
	2. reducing trade barriers	6	40.0			
	3. achieving liberalisation	3	20.0			
	4. reducing tariffs	2	13.3			
	5. globalisation	-	-			
	6. others	-	-			
	Non-response	1	6.7			
The second important benefit of GATT	1. boosting international trade	2	13.3	3.08	1.38	1.902
	2. reducing trade barriers	2	13.3			
	3. achieving liberalisation	3	20.0			
	4. reducing tariffs	3	20.0			
	5. globalisation	2	13.3			
	6. others	-	-			
	Non-response	3	20.0			
The third important benefit of GATT	1. boosting international trade	3	20.0	2.71	1.70	2.905
	2. reducing trade barriers	-	-			
	3. achieving liberalisation	1	6.7			
	4. reducing tariffs	2	13.3			
	5. globalisation	1	6.7			
	6. others	-	-			
	Non-response	8	53.3			
The most important problem of GATT	1. dominated by developed countries	8	53.3	2.50	1.83	3.346
	2. increase economic dependence	-	-			
	3. conflicts between global. and regional.	-	-			
	4. not effective enough	3	20.0			
	5. others	3	20.0			
	Non-response	1	6.7			
The second important problem of GATT	1. dominated by developed countries	-	-	2.80	1.14	1.289
	2. increase economic dependence	6	40.0			
	3. conflicts between global. and regional.	1	6.7			
	4. not effective enough	2	13.3			
	5. others	1	6.7			
	Non-response	5	33.3			
The third important problem of GATT	1. dominated by developed countries	1	6.7	3.25	2.06	4.250
	2. increase economic dependence	1	6.7			
	3. conflicts between global. and regional.	-	-			
	4. not effective enough	-	-			
	5. others	2	13.3			
	Non-response	11	73.3			

The most important problems of GATT and GATS identified by the public sector respondents are as follows:

- Developed countries have dominated international trade (see chapter 4): The GATT itself was conceived only as an arena for the US and Europe to discuss and negotiate their trade policies. As new competition emerged, first in Japan, and then in developing countries, both joined to erect new barriers against competitors by bending the rules or derogating from them. With the GATT, many developing and LDCs had to open their markets to those developed member countries, which

created problems for many developing countries, where domestic companies were not able to compete with foreign multinational companies. At the same time, those developed countries were able to provide special treatment for some of their favourable countries. Therefore, respondents expect to have a similar problem with the GATS.

- Developing countries' economic dependence on developed countries has increased: Globalisation is inevitable under GATT and GATS, but it has a danger of increasing the gap between developing and developed countries. Firstly, worldwide inequality and injustice is worsening. Globalisation is, to some extent, worldwide marketisation. Its ultimate objective is to have all countries compete in the same market. However, as major owners of capital and advanced technology, developed countries have an advantage in competition, and developing countries are at a disadvantage. Globalisation is like having two players at different levels compete with each other, so one can imagine the result. World Bank statistics state that the ratio of per-capita GDP between developed countries and developing countries was 43:1 in 1983, and this has risen to 62:1 in 1994. Secondly, globalisation means that an unstable global economy will become the norm. In the globalisation process, various economies depend upon and influence one another. The dependence of many countries on foreign trade has exceeded 30 %, with that of some countries reaching 50 to 60 %. Under these circumstances, internal economic fluctuations of a country often influence others, or even lead to world economic fluctuations. In recent years in East Asia, Eastern Europe, the Middle East and Latin America, financial crises and consequent economic decline have emerged one after another. Globalisation currently lacks effective governing and management, which, under many circumstances, brings about new tension in capital-labour and capital-nation relations. If unrestricted capital is allowed to freely lead the globalisation process, inequality and injustice between countries, individuals and regions will further worsen.
- There is a conflict between globalisation and regionalisation (as illustrated in chapter 3): GATT's success in reducing tariffs to a low level, combined with a series of economic recessions in the 1970s and early 1980s, drove governments to devise other forms of protection for sectors facing increased foreign competition.

High rates of unemployment and constant factory closures led governments in Western Europe and North America to seek bilateral market-sharing arrangements with competitors and to embark on a subsidies race to maintain their hold on agricultural trade. Both these changes undermined GATT's credibility and effectiveness. Different regions tend to seek trading partners to form a regional trade agreement for both manufacturing and service industry in order to build their confidence in competing with other regions although they are members of multilateral trade agreements.

- Multilateral trade agreements are not effective or powerful enough to change the trade environment in the world, especially in developing and least-developed countries: It is necessary to develop the rules and regulations even further under the GATT and GATS. Some member countries still apply different rules and regulations between foreign and domestic companies, especially in many developing countries, which is against the principles (MFN and national treatment) of the GATT and GATS. Although the GATT was successful in reducing trade tariffs, it failed to liberalise world trade to any significant degree which was one of the major goals of the Uruguay Round. In addition, it has experienced partial success in regulating trade practices adopted by member countries. For example, in 1971 the US imposed a 10 % surcharge on its imports, thereby doubling its average duties. Therefore, the respondents expected that GATS will have similar impacts on international trade in services. It is expected to improve the trade environment in services by achieving liberalisation and globalisation in the world by enforcing the GATS, but the determination and devotion of trade liberalisation from each member country is significant as well as monitoring the conditions and the progress of the agreement carefully throughout.

Table 8.22 Frequency analysis on expected benefits of the GATS (public and private sectors)

Variables	Sectors	Categories	N	
			Count	%
The most important benefit of GATS	Public	1. boosting international trade	3	20.0
		2. reducing trade barriers	6	40.0
		3. achieving liberalisation	3	20.0
		4. reducing tariffs	2	13.3
		5. others	1	6.7
	Private	1. boost exports of developing countries	5	3.6
		2. achieve globalisation and liberalisation	6	4.3
		3. increase the opportunity to work abroad	2	1.4
		4. low prices and better quality to customers	4	2.9
		5. others	-	-
		No-response	123	87.9
The second important benefit of GATS	Public	1. boosting international trade	2	13.3
		2. reducing trade barriers	2	13.3
		3. achieving liberalisation	3	20.0
		4. reducing tariffs	3	20.0
		5. raising importance of services industry	2	13.3
		No-response	3	20.0
	Private	1. boost exports of developing countries	1	.7
		2. achieve globalisation and liberalisation	3	2.1
		3. increase the opportunity to work abroad	1	.7
		4. low prices and better quality to customers	4	2.9
		5. others	5	3.6
No-response	126	90.0		
The third important benefit of GATS	Public	1. boosting international trade	3	20.0
		2. reducing trade barriers	-	-
		3. achieving liberalisation	1	6.7
		4. reducing tariffs	2	13.3
		5. raising importance of services industry	1	6.7
		6. others	2	13.3
		Non-response	6	66.7
	Private	1. boost exports of developing countries	-	-
		2. achieve globalisation and liberalisation	-	-
		3. increase the opportunity to work abroad	-	-
		4. low prices and better quality to customers	-	-
5. others	1	.7		
No-response	139	99.3		

Although only a small number of respondents in the private sector were able to identify the rules and principles of the GATS, they were asked to indicate the expected benefits and problems of the GATS that will mostly affect the Korean tourism industry. These questions were addressed to only those individuals who were aware of the GATS because the questions were designed for people who have some knowledge about the GATS. Table 8.23 shows that the private sector respondents suggested four expected benefits of GATS to be: *it will boost exports of developing countries* (35.3 %), *achieve globalisation and liberalisation* (52.9 %), *increase the opportunity to work abroad* (17.6 %), and *consumers will benefit from the*

introduction of better quality products at lower prices (47.1 %). Whilst the private sector respondents represented the answers in business point of view such as GATS will increase the opportunity to work or expand their businesses abroad and benefit customers by offering better quality services at lower prices as a result of strong competition in the industry, the public sector respondents were concentrated on issues such as reducing tariffs and trade barriers as a whole in order to increase trade activities in services. This is because the majority of the public sector respondents are working on government policies and regulations related to tourism. However, both the public and private sector respondents agreed that joining the GATS agreement will help the country to achieve globalisation and liberalisation.

Table 8.23 Responses to the expected benefits of GATS (private sector)

Categories	No of Responses	% of Cases
Developing countries will boost exports	6	35.3
Achieving globalisation and liberalisation	9	52.9
Increasing employment in abroad	3	17.6
Low prices and better quality to customers	8	47.1
Others	6	35.3
Total Responses (N=17)	32	188.2

Note: responses do not add up to 100% due to multiple answers

Table 8.25 identifies four major expected problems of the GATS: *it will create bigger financial and technology gaps* (52.9 %), *small domestic companies will close down* (35.3 %), *it will create different levels of competitiveness between foreign multinational companies and domestic SMEs* (29.4 %) and *discrimination between member countries still remained* (23.5 %). Amongst these benefits of GATS, the closure of small domestic companies and creation of different levels of competitiveness between foreign multinational companies and domestic SMEs can be regarded as one answer. The private sector respondents suggested that GATS will create strong competition between foreign and domestic companies by opening the market to foreign suppliers and investors, which may result in the closure of small domestic companies since SMEs are financially and managerially weak compared to foreign multinational companies (see chapter 5).

Table 8.24 Frequency analysis on expected problems of the GATS (public and private sectors)

Variables	Sectors	Categories	N	
			Count	%
The most important problem of GATS	Public	1. dominated by developed countries	10	66.7
		2. developing economies will depend on developed economies further	2	13.3
		3. conflicts between global. and regional.	1	6.7
		4. not effective enough	1	6.7
		5. others	1	6.7
	Private	1. discrimination between member countries	1	.7
		2. creation of bigger gaps	8	5.7
		3. closure of small domestic companies	4	2.9
		4. differences in competitiveness	4	2.9
		5. others	-	-
		No-response	123	87.9
The second important problem of GATS	Public	1. dominated by developed countries	2	13.3
		2. increase economic dependence	5	33.3
		3. conflicts between global. and regional.	1	6.7
		4. not effective enough	-	-
		5. others	-	-
		No-response	7	46.7
	Private	1. discrimination between member countries	3	2.1
		2. creation of bigger gaps	1	.7
		3. closure of small domestic companies	2	1.4
		4. differences in competitiveness	-	-
		5. others	2	1.4
		No-response	132	94.3
The third important problem of GATS	Public	1. dominated by developed countries	-	-
		2. increase economic dependence	-	-
		3. conflicts between global. and regional.	-	-
		4. not effective enough	-	-
		5. others	2	13.3
		Non-response	13	86.7
	Private	1. discrimination between member countries	-	-
		2. creation of bigger gaps	-	-
		3. closure of small domestic companies	-	-
		4. differences in competitiveness	1	.7
		5. others	1	.7
No-response		138	98.6	

Table 8.25 Responses to the expected problems of GATS (private sector)

Categories	No of Responses	% of Cases
Discrimination between member countries	4	23.5
Creation of bigger gaps	9	52.9
Closure of small domestic companies	6	35.3
Differences in competitiveness	5	29.4
Others	3	17.6
Total Responses (N=17)	27	158.8

Note: responses do not add up to 100% due to multiple answers

Both the public and private respondents were mostly concerned with the problem of

an ever-widening gap between developing and developed countries in international trade, which was one of the main problems of GATT. As discussed in the literature, GATT helped to reduce tariffs to trade in the manufacturing industry, but it seemed the agreement was working more favourably for developed countries (see chapter 4). Moreover, many developing member countries (Taiwan, Korea, China, and etc) are still involved in various dispute settlements in connection with the act of dumping. (There are two basic definitions of dumping. The more traditional view, as first described by Viner, is selling in a foreign market at a price lower than that set in the home market, or basic price discrimination. The second definition of dumping is the act of selling a product in the foreign market as well as the home market at below-average cost. U.S. trade policy administrators claim that dumping is the result of unfair trade; high foreign market tariffs or non-tariff barriers prevent the reselling of low-priced merchandise in the foreign market and thus allow the producer to maintain a high foreign market price while lowering its prices in the U.S. market.) Many SMEs in developing countries have been able to compete with multinational companies in developed countries by offering lower prices for their products. Similar outcomes were expected for GATS among respondents in the private sector. For example, there is a problem of the high dependence of developing countries on developed country's large tour operators. The asymmetry of bargaining power between such tour operators and their counterparts in developing countries has created distortion in the tourism sector. This has resulted in fierce competition, a sharp decrease in prices and lower quality services, which negatively affect local services providers in developing countries.

A recently published document by the UN Conference on Trade and Development (UNCTAD) states that Asia-Pacific countries urgently need to bolster their bargaining positions in the field of tourism services and negotiate better terms in exchange for opening their markets but 'dumping' is not the answer. However, governments have barely had time to examine the potential impacts of globalisation, and many local tourism-related companies, particularly local SMEs are already in financial trouble due to the economic crisis. So it is very unlikely that they can strengthen their negotiating power. Therefore, it seems fair to say that the multilateral agreements facilitating globalisation have shown little effectiveness so far.

The core business of the GATT and GATS, and its successor the WTO, was reducing barriers at the border to trade in goods and services (see chapter 4). The aim of the GATT was to improve economic welfare of members. The method was to reduce the gap between domestic prices and world prices. The logic was to capture the benefits of comparative advantage. A subsidy, which is a measure applied domestically, can as effectively support a local producer against a foreign producer as a tariff. The GATT always recognised this, although initial controls on subsidies were weak. The GATT also ruled that domestic measures which countermanded the rights of access of importers secured under the GATT's tariff rules were not permitted. However, when the idea of GATS was first proposed in the early 1980's most developing countries were opposed to the idea given the incipient stage of their services industries, which is also concern for tourism experts in Korea. Similar to other services, trade in tourism is also characterised by huge imbalances in the share of business and distribution channels between tourist sending and receiving countries, with the bulk of the economic and political power held by developed countries. Tourism's continuous geographical spread and diversification of destinations has implied that the share of Europe and the US - the major tourism players has decreased and is expected to fall further. In 1995, Europe's share of tourist arrivals was 60 % of the World total. By 2000 it had fallen to 57.7 %. The World Tourism Organisation (WTO/OMT) forecasts that it will fall further to 45.9 % by 2020. With Nature and culture as today's catchwords more and more travellers set out in search of exotic cultural experiences the developing world has to offer. The signs are clear - destinations will shift south. It is thus necessary for the big tourism players to intervene in the burgeoning tourism sector of these countries. The destination maybe half way across the world but the design of the GATS ensures that they can be controlled by Multinationals from the north.

There is no questioning the fact that tourism is an immensely lucrative activity and is a source of employment, both direct and indirect, for millions worldwide. While much research has gone into the multiplier effect of tourism in an economy, lesser talked about but crucial to countries that rely excessively on international tourism is the question of leakages. Leakages are inherent in any industry that has a substantial level of foreign participation but when it exceeds specific levels it can virtually negate the positive impacts of international tourism. Leakages can take the form of

repatriated profits to the country of origin of the hotel chain, repayment of foreign loans, imports of equipment, materials and consumer goods to cater to the needs of the international tourist.

A substantial chunk of the mass tourism market is controlled by TNC's (in Europe more than 60 % of the tour packages are sold by integrated suppliers). Without the clauses of the GATS the tourism industry has used various anti competitive techniques like de-racking, exclusive use of the Global Distribution Systems (GDS) and Computer Reservation Systems (CRS) as barriers to market entry to secure higher commissions from the smaller tour operators and hotel chains in the receiving countries. For example, in India, the Swiss Multinational Kuoni, by taking over the major domestic player, controls a majority of both the inbound and outbound tourists. With the GATS clauses coming into effect it is clear that the domestic economy gets only a nominal amount of the profits generated. Article XVII on national treatment implies that there can be no discriminatory treatment of foreign players. Selective promotion of SMEs (Small and Medium Scale Enterprises) and restrictions regarding cross border payments will have to go if a country has committed to National treatment and market access.

Overall, although the GATS will bring some benefits to Korean tourism (as identified earlier in this chapter), the respondents were concerned with problems about international competition with multinational companies. For example, there are a few major domestic hotel chains in Korea but the huge chunk of the tourism industry consists of SMEs. They have borne the burden of the anti competitive practices of the big tour operators and most of them are likely to fail if there is unrestricted foreign entry. They do not have access to cutting edge technologies to get direct bookings and the possibility of imposition of labour and environmental standards will ensure their exit from the market. Most of the SMEs are locally based and thus backward linkages to the economy - like local employment and purchase of local commodities - are strong. These are important factors to note while developing countries commit their tourism sectors.

In spite of only 60 cents of each dollar brought in by tourism being retained in the economy, tourism is a huge source of foreign exchange and employment for the

Korean economies. There is concern, however that the proposed deregulation of the sector under the GATS will bring in more multinationals and hence increase the level of leakages. The Director General of the Korea National Tourism Organisation believes that a lot of what the Korea offers will be under pressure from the liberalisation of their tourism sectors.

8.7.2 THE FINANCIAL CRISIS AND GATS

The Korean government attempted to reform trade policies and regulations to change the structure of economy during the financial crisis (see chapter 6). Three questions were asked to investigate general perceptions of the public sector of the GATS as related to the financial crisis in Korea. All participants from the public sector suggested that it is necessary to join the GATS after the financial crisis in Korea. In addition, 73.3 % of the public sector participants agreed that GATS will help the Korean economy to overcome its current financial difficulties. In addition, a question of how the GATS will help to overcome the crisis in Korea was asked and answers varied, as seen in table 8.26. 40 % of the public sector respondents responded that the GATS will help to attract foreign investment followed by improving international competitiveness (20 %) and importing advanced techniques and skills (13.3 %).

An other 26.7 % was convinced that it is necessary to join the GATS after the financial crisis in the long-run but it will be extremely difficult to overcome Korea's economic recession by only applying or joining the GATS. The important point for these respondents was that the main reasons for the financial crisis in Korea was the lack of foreign direct investment and of competitiveness between foreign and domestic companies. The Korean government attempted to protect domestic companies from foreign multinational companies, which led to the monopoly. A couple of Korean multinational companies dominated both manufacturing and service industries and other SMEs have been solely dependent upon these few large companies for the past three decades. More than 70 % of capital resources and labour overall were concentrated in those multinational companies, which resulted in an instable economic system. Therefore, in the long-run, trade liberalisation (GATS) is necessary to encourage foreign investment by providing fair and balanced conditions for both domestic and foreign companies, but it cannot instantly solve the problems

that the Korean economy has. Additionally, 13.3 % of the public sector respondents suggested that the government needs to change the structure of the Korean economy along with policies and regulations that tend to support larger companies over SMEs.

Krueger (1998) stated that despite the financial crisis in 1998, Korea's economic growth rates will continue to increase over the next 30 years. She also contends that trade liberalisation was a major factor in enabling the rapid growth of Korea over the past few decades, but the country was also occupied with strong protectionism. An open economy enables higher living standards, as the 'best' entrepreneurs can use their talents to reach a broader market, and markets can focus resources on the goods and firms with a comparative advantage, often using the relatively large amounts of unskilled labour in the early stage of growth. The high costs of protectionism in Korea have become starkly clear with an experience of the crisis:

- Protectionism enabled high-cost producers to stay in business and become even higher-cost, without the spur of competition.
- The small size domestic market resulted in uneconomic factories and unprofitable production runs and little competition.
- The control given to bureaucrats to issue licenses for imports, investments and for virtually any change in economic activity, resulted in the wasteful erection of costly rent-seeking practices, which ate up much of the increases in output that did occur.

Table 8.26 Frequency analysis on the expected outcomes of the GATS (public)

Variables	Categories	N		Mean	Std. Deviation	Variance
		Count	%			
The financial crisis makes GATS more necessary to Korea.	1. mostly necessary	-	-	2.53	.52	.27
	2. fairly necessary	7	46.7			
	3. necessary	8	53.3			
	4. less necessary	-	-			
	5. least necessary	-	-			
The gov. will introduce indicators to monitor the tourism industry after 2000.	1. yes	13	86.7	1.07	.27	7.14E-02
	2. no	1	6.7			
	Non-response	1	6.7			
If yes, what types of indicators that the government should use?	1. TSA	6	40.0	2.31	1.49	2.23
	2. human resource supervision	2	13.3			
	3. market changes	1	6.7			
	4. policy assessment	3	20.0			
	5. others	1	6.7			
	Non-response	2	13.3			
GATS will help Korea to overcome the recession.	1. yes	11	73.3	1.27	.46	.21
	2. no	4	26.7			
If yes, how the GATS will help?	1. attract foreign investment	6	40.0	1.64	.81	.65
	2. improve competitiveness	3	20.0			
	3. import advanced techniques	2	13.3			
	4. others	-	-			
	Non-response	4	26.7			
If no, why the GATS will not help?	1. manufacturing sectors are more effective	1	6.7	2.25	.96	.92
	2. the agreement is instable	1	6.7			
	3. liberalisation cannot boost domestic economics	2	13.3			
	4. others	-	-			
	Non-response	11	73.3			

However, the private sector respondents were asked to identify whether the GATS will help to overcome the financial crisis in Korea. Surprisingly, 69.3 % of the private sector respondents suggested that the GATS agreement may help to improve the business environment in Korea by *attracting more foreign investment* (25 %), *enhancing the quality of services as a result of high competition* (19.3 %), and *inflow of foreign currency* (16.4 %) while only 28.6 % of them disagreed with the majority of the respondents by identifying several factors such as *GATS seems not powerful or efficient enough to affect the economy* (5 %), it may affect on *capital leakage by paying for royalties and copy rights* (7.1 %), *many domestic companies will be bankrupted* as a result of high competition with foreign companies (5.7 %) and it may also *lead to a higher rate of unemployment in Korea* by employing more foreigners (2.1 %).

As discussed in the literature, tourism is the only major sector in international trade in

services in which Korea has consistently had surpluses except during the crisis. The President of Korea suggested that, in the light of structural and technological changes in the world economy, tourism could replace the role of textiles or other manufacturing goods as a starting point for economic take-off in Korea. The country could exploit the potential of tourism to integrate into the international economy, rather than following the traditional path of industrialisation. Therefore, keeping to the minimum the limitations developing countries apply to their tourism-related GATS commitment can maximise the overall benefits to economic growth.

The majority of the private sector respondents mentioned that the GATS negotiation seems important to boosting international trade in services through progressively higher levels of liberalisation and globalisation and it will help to improve trade conditions for developing and least developed countries in the long-run, but it may take a long time to have an effect on the local economy, particularly in the tourism industry. In particular, since the tourism industry is recognised as one of the most liberalised industries and the positive economic impact of tourism is already experienced in terms of foreign exchange earnings, tax revenues, investment and job creation, the impacts of GATS may not appear too great.

Furthermore, the researcher asked respondents in the private sector whether they consider the GATS as a benefit or an obstacle to their industry. As seen in table 8.27, unlike the responses from the public sector, 44.3 % of the private sector respondents considered GATS as neither a benefit nor an obstacle whereas 40.8 % of them, particularly in the hotel industry, recognised GATS as beneficial to improved future business performance. As explained earlier, many private enterprises are not convinced that the GATS will lead to further change, whether positive or negative, in the Korean tourism industry since the industry is already liberalised and the market conditions have not changed since the government's announcement of the Foreign Investment Act in 1995. By legalising various factors related to tourism development, such as foreign investment and ownership, and by opening up other services linked to tourism, the GATS might benefit large corporations and domestic investors. However, it leaves little room for strengthening the capacity of smaller domestic investors and the informal sector because of the terms of the agreement. It also raises questions as to how the rights of local and indigenous residents in tourism destinations will be

respected when their homes and their land are taken over by foreign developers, and foreign personnel are doing the jobs that they have not been trained to do.

Table 8.27 Private enterprises' perceptions towards GATS in Korea

		Hotels		Restaurants		Travel agents		Total	
		Count	%	Count	%	Count	%	Count	%
GATS as a benefit or an obstacle to the tourism industry	1. Largely beneficial	3	6.0	2	5.0	6	12.0	11	7.9
	2. Beneficial	22	44.0	10	25.0	14	28.0	46	32.9
	3. Does not affect	19	38.0	21	52.5	22	44.0	62	44.3
	4. Small obstacle	6	12.0	6	15.0	5	10.0	17	12.1
	5. Large obstacle	-	-	1	2.5	3	6.0	4	2.9

Overall, GATS is recognised as a benefit to the tourism industry by 73.3 % of the public sector and 40.8 % of the private sector whereas 15% of the private sector regarded GATS as an obstacle to tourism development in Korea. It is interesting to know that the majority of those 87.9 % of respondents in the private sector, who were not aware of GATS, either regarded GATS as a benefit (43.9 %) or expected to have no effect (41.5 %) and only 14.6 % regarded GATS as an obstacle to tourism development. Many respondents in the private sector mentioned that globally recognised trade agreements such as GATS would expect to bring some benefits to the industry in the long run because since the tourism industry is already highly liberalised, it would not bring major problems that hinder further tourism development in Korea, even though they were not aware of the rules and principles of GATS. However, the majority of managers and owners in the private sector were concerned about its negative impacts in the short-term due to competitiveness. Because many restaurants and travel agents in Korean tourism are small, many tourism experts worried about an invasion of large foreign companies. In contrast, more than 40 % of respondents in the private sector expected local small and medium sized private enterprises to improve their competitiveness slowly after developing its know-how from the strong competition with foreign companies. On the other hand, 26.7 % of respondents from the public and 44.3 % from the private sector responded that GATS would not have any effect on the Korean tourism industry.

In theory (see chapter 5), the basic idea of the GATS as a way of regulating international trade, creating a transparent, 'fair' and non-discriminatory, level-paying field for all the partners involved, paying particular attention to the needs of

developing countries to strengthen their capacity, and by gaining market access to industrialised countries, is regarded as positive and welcomed by tourism experts, but many professionals are critical of the following factors:

- As demonstrated in the literature, the GATS does not address the specific environmental, social, economic and cultural impacts of tourism in a destination. As such, it does not allow for the harmonisation of the conflict between implementation of environmental standards in a particular country, and protectionism. The application of internationally agreed environmental standards by a government can thus be constructed by foreign investors as a non-tariff trade barriers and as such can be legally challenged (Kalisch, 2000).
- The GATS does not legislate for the rights of local people in a destination to be able to compete fairly with foreign investors. In many developing countries such as Korea, tourism is a new industry. Foreign investment is dominated by private businesses from industrialised countries in control of both supply and demand. They are thus powerful enough to buy out and take over domestic investors without safeguards on the domestic industry. Generous investment incentives and free trade zones are available to encourage this trend. This undermines the effort of a Fair Trade in tourism movement to strengthen small-scale providers and community based tourism initiatives to endure that benefits from tourism flow to them, rather than primarily to the government or to local elites with foreign links.
- Structural adjustment programmes imposed by IMF on Korea as a result of debt payment arrears, present a heavy financial burden on the country. Korea has to direct their economy towards exporting goods and services, devaluing their currency, cutting down public expenditure in health and education, and privatising government owned enterprises. This does not represent a favourable climate in which domestic tourism businesses in Korea can compete on a 'level playing field' with foreign tourism businesses.

Therefore, it is understandable for many tourism experts and professionals to doubt the effectiveness of GATS, especially for developing and least-developed member countries whereas the majority of the government officials were optimistic about the

impacts of the system. The positive and negative impacts of GATS can only be guessed at and the continuous study on impacts of GATS on developing countries is essential to measure its success.

8.7.3 PERCEPTIONS OF GATS AND ITS IMPACTS IN DIFFERENT TOURISM INDUSTRIES

As discussed in the literature, impacts of the GATS on tourism can be different from one sector to another because the nature of tourism sectors are different each other (see chapter 6). Given the nature of the hotel industry, it has been recognised as the mostly liberalised industry in tourism since many well-known hotels such as Hilton, Hyatt, Marriott, etc. are franchised in different countries worldwide. Therefore, multilateral trade agreements such as GATS may have less effect on the hotel industry than other tourism industries such as restaurants and travel agents.

8.7.3.1 Expected Outcomes of Market Opening on Korean Tourism

A question was asked to discover whether opening the tourism industry to competition from foreign companies would affect the prospects of private enterprises in Korea. As seen in table 8.28, the majority of respondents (72.9 %) expected that the private sector in the Korean tourism industry would be either positively (30 %) or negatively (42.9 %) affected, to some extent, by opening the market to foreign companies.

Table 8.28 Effectiveness of market opening on the private sector

	Mostly effective		Fairly effective		Effective		Less effective		Not effective	
	Count	%	Count	%	Count	%	Count	%	Count	%
Hotels	8	16.0	20	40.0	9	18.0	4	8.0	9	18.0
Restaurants	12	30.0	11	27.5	3	7.5	5	12.5	9	22.5
Travel Agents	14	28.0	16	32.0	9	18.0	4	8.0	7	14.0
Total Responses	34	24.3	47	33.6	21	15.0	13	9.3	25	17.9

Cross-tabulation analysis shows a weak association between effectiveness of market opening and different tourism sectors. More than 80 % of respondents in all three tourism sectors (hotels, restaurants and travel agents) suggested that opening the Korean tourism market to foreign companies would affect their business performance in one way or another (Cramer's $V = .333$). 42.9 % of all respondents implied that

opening the market would negatively affect because *domestic tourism-related companies are far less competitive than foreign multinational companies* whereas 30 % of the respondents suggested that it would bring positive effects on Korean tourism. Of those 30 % of the respondents, 15 % of the respondents responded that the strong competition with foreign companies as a result of opening the market, will allow them *to provide better services at low prices to their customers*, which will make tourism market more active, 11.4 % of them suggested that competing with foreign multinational companies will allow them *to adopt advanced technology and skills* (including marketing and managing skills) and finally 3.6 % of the respondents mentioned that *competitive markets always appeal more to foreign investors* than less competitive ones.

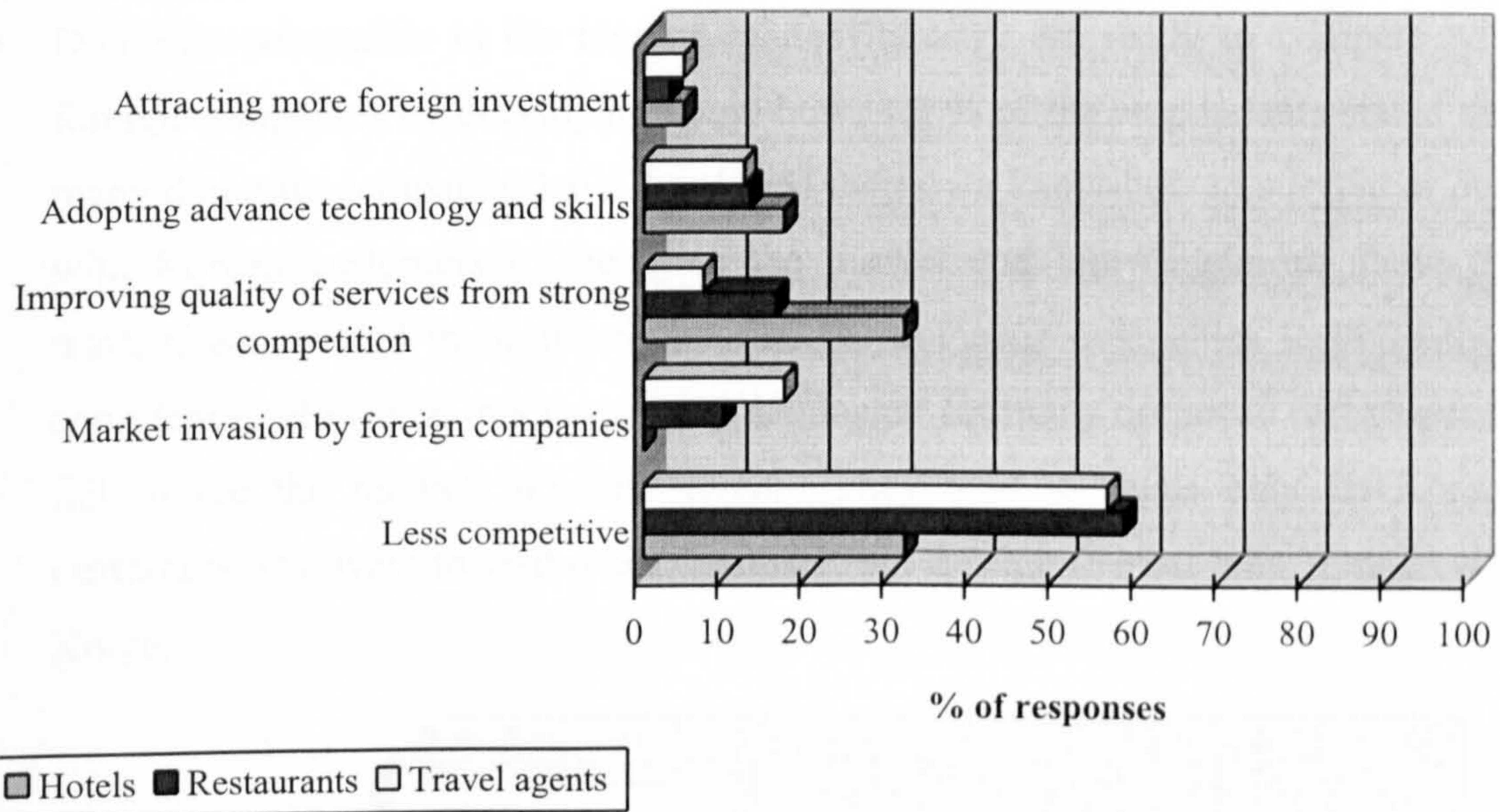


Figure 8.10 How market opening would affect Korean tourism industry?

However, 27.2 % of total respondents suggested that opening the tourism market to foreign suppliers will have a little affect or would not affect their business in any way. The reasons are as follows (see figure 8.11):

- Korean people are reluctant to change: 15 % of the private sector respondents argued that most Korean people have a travel agent or hotel that they regularly use therefore, they were convinced that their customers would not easily go someplace

else for the services even if foreign companies enter the market and offer better services. In theory, it is true that customers are often looking for better services at lower prices but the relationship between customers and suppliers that has been built through personal contact over the years seems more important, which can be seen as a part of Korean cultural.

- The tourism industry is already familiar to work with foreign branches and managers (7.9 %), especially in the hotel and restaurant industry: as discussed in the literature (see chapter 6), many restaurants and hotels in Korea are franchised with foreign companies. Therefore, the respondents believed that opening the market and having more foreign companies in the industry would not affect Korean tourism.
- Domestic companies in the tourism-related industry are ready to compete with foreign companies by developing know-how: 4.3 % of the respondents stated that many domestic companies have developed their own know-how to survive or deal with Korean customers by being in the market and knowing more about the market, which tend to be the foundation for domestic companies to build their confidence. However, this has a potential danger for many domestic companies to fail to see the markets outside Korea. They tend to focus only on Korean customers who want to visit other countries, not foreign tourists who want to visit Korea.

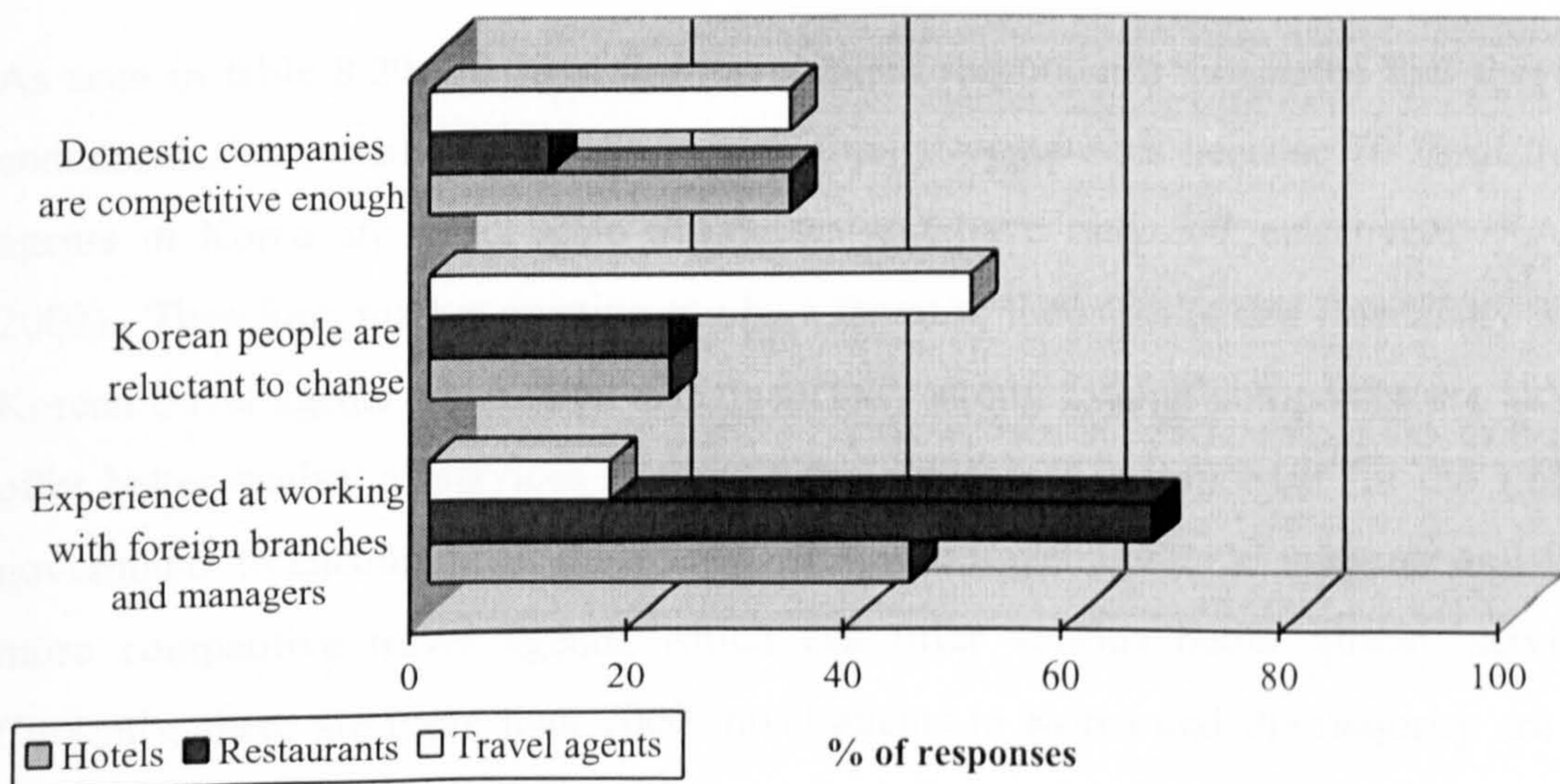


Figure 8.11 Why market opening would not affect the Korean tourism industry?

Furthermore, respondents were asked to answer whether or not they were well prepared for forthcoming competition with foreign multinational suppliers in the near future, and only 5 % of the respondents were confident that they are very well prepared to compete with foreign companies. Overall, 52.9 % of managers and owners in the private sector had no doubt about their ability to compete with foreign companies, particularly in the hotel industry by *developing their own know-how* (15 %), *improving the quality of services* (15 %), *developing new products* (7.9 %) and *adopting western management skills* (7.1 %). As the literature suggests, the hotel sector is the most liberalised in the tourism-related industry, thus many developing countries have already developed management and operation skills to the standard of luxury hotels in developed countries. The general manager of Hyatt hotel in Seoul said, “*although the history of service industry is very short in Korea, there are plenty of experienced experts and researchers in the tourism industry who have educated in developed countries to lead the industry. In addition, the occupancy rate in Seoul is one of the highest in the world, which proves the success of management*”.

Table 8.29 The level of preparedness of sectors to compete with foreign companies

	Very well prepared		Quite well prepared		Fairly prepared		Less prepared		Not prepared	
	Count	%	Count	%	Count	%	Count	%	Count	%
Hotels	-	-	19	38.0	14	28.0	12	24.0	5	10.0
Restaurants	6	15.0	7	17.5	10	25.0	10	25.0	7	17.5
Travel Agents	1	2.0	7	14.0	10	20.0	13	26.0	19	38.0
Total Responses	7	5.0	33	23.6	34	24.3	35	25.0	31	22.1

As seen in table 8.29, 38 % of the travel agent respondents suggested that they are concerned about market competition with foreign companies because 70 % of travel agents in Korea are small-scale businesses and have only 3-7 employees (KATA, 2002). Therefore, market opening can be a threat to those small and financially weak Korean travel agents when large and financially strong foreign companies are able to offer better quality of services at competitive prices. It is important for the Korean government to encourage all those small domestic travel agents to integrate and form more competitive travel agents, which can offer various better quality services. Currently, there are more than 7000 travel agents in Korea and the majority are not competitive enough to survive after opening the market to foreign companies, as Korea has become one of the largest tourist generating countries in the world.

Therefore, it is fair to say that competitiveness with foreign multinational companies is regarded as the most concerned factor for tourism practitioners in Korea after opening the market to foreigners. In this respect, the Korean government need to concentrate to encourage domestic SMEs in the tourism industry to build up their competitiveness by offering financial supports such as subsidies and low interest rate loans with regular monitoring before opening the market.

8.7.3.2 Expected Impacts of the GATS on Korean Tourism

In general, the private sector respondents in different tourism sectors were equally positive about impacts of GATS in the areas of foreign employment, competitiveness, foreign investment and trade restrictions, but the findings from the cross-tabulation analysis present a couple of important factors:

- **Foreign employment:** respondents from the hotel (68 %), restaurant (57.5 %) and travel agent (69.4 %) industry were very positive about foreign employment after the enforcement of GATS. Currently, it is difficult to employ foreigners due to restrictions on entry and complicated administration. Foreign industrial trainees, at present, are allowed to work for one year in the country following two years of training. Candidates for industrial trainee systems will be tested on their Korean language skills, a move that is expected to improve the chances of selection for overseas Koreans, including Korean Chinese. This is part of a set of measures announced by the Office for Government Policy Coordination, which tend to improve the industrial trainee system but allowing foreigners to work in the country on a condition like above will be a hidden block on the movement of natural persons because member countries can control the entry of foreigners rather easily using different hidden strategies. However, the government had an intention mainly to help small and medium-sized companies in Korea cope with a labour shortage by introducing industrial trainee scheme in 1994.

The government has decided to increase the annual quota for industrial trainees only slightly, from 83,800 to 85,500. As a means of preventing industrial trainees from deserting their designated workplaces, they will be required to take out retirement insurance policies and pay fixed amounts of money monthly. They will

be reimbursed only when they return to their country (Korean Confederation of Trade Unions, 1996). Additionally, as a sign of rapid globalisation in Korea, a growing number of local enterprises are inviting foreign professionals to join their payroll, to increase their competitiveness with multinationals. Some multinational companies in the manufacturing industry have adopted a scheme to employ foreign managers who are holders of a master's degree or doctorate in the related areas and capable of speaking three or four foreign languages including English (it does not necessarily include Korean because the company usually has many highly educated Korean employees who can speak English), but this has not been exercised in the services industry (Korea Herald, 2001^b). However, managers and owners in the tourism industry expect to change these complex rules and regulations regarding foreign employment after the implementation of GATS as they were willing to employ foreigners because more than 50 % of their customers come from Japan, China, and English speaking countries.

- **Competitiveness:** a significant proportion of respondents from the hotel (64 %) and restaurant (45 %) industry were positive about future changes in competitiveness. As discussed earlier, restaurants and hotels in Korea are already familiar with foreign brands and chains, thus competing with foreign companies is not a new threat. Many managers admitted that the overall quality of services in the hotel and restaurant industry has improved since 1994, which was when foreign chains entered the Korean market. 42.8 % of managers and owners in the travel agent industry were positive towards competitiveness, whereas 40.8 % of them perceived negative impacts of GATS on competitiveness in trade. As explained earlier, travel agents in Korea are mostly too small and financially weak to survive strong competition from foreign companies, thus they expect to have a difficult time after the implementation of GATS. According to Small and Medium Business Administration in Korea (1999), SMEs in the tourism industry face numerous constraints - internal (management skills, technology, etc.) as well as external (marketing, finance, taxation, corruption, street crimes, etc.). The main constraint to SME growth is the availability of adequate finance, which cannot be resolved easily. Therefore, the solution for those small travel agents is e-services, which enables cheaper, faster and wider availability of an array of travel services for customers in Korea. However, the overall perceptions of GATS towards

competitiveness are positive in the private sector.

- **Foreign investment:** the responses to has GATS will impact on foreign investment were generally positive (40 % from restaurants, 60 % from hotels and 85.7 % from restaurants). According to the Ministry of Finance and Economy in Korea (2001^a), Foreign direct investment (FDI) rose for a third consecutive month in January 2001, totalling \$634 million, 52.8 % higher than the same month in 2000. The upward trend shows that the Korean economy is slowly recovering from the slump and that the country is still very competitive in FDI (see chapter 6). Major investments included Japan's YKK, which launched a factory expansion project for its Korean branch, a French company's investments in Samhwa EOCR, U.S. company AIT's investment in Incheon International Airport's infrastructure and Moody's investment in Korea Information Service Co. in 2000. Accordingly, investment in the manufacturing sector reached \$452 million, up 927 % from the year 2000, and making up 71.3 % of total FDI, with a particular focus on electronic and metal businesses. By contrast, the service sector received 28.7 % of investments, or \$182 million in 2001, a reduction of 50.9 % compared to the previous year even though Korea's market is now fully open to foreign investors. Therefore, an important proportion of respondents (45 % from restaurants and 32 % from hotels) expected no effect on the volume of foreign investment after applying GATS in the tourism industry. It is important to note that trade liberalisation and a multilateral trade agreement can help to attract more foreign investors by reforming infrastructures and regulations in the economy, but it cannot guarantee an inflow of foreign investment.
- **Trade restrictions:** 52.5 % and 42 % of respondents in the restaurant and hotel industry respectively identified that there will be no effect on trade restrictions by joining the GATS agreement, as discussed earlier. The respondents were expecting to experience even more indirect trade restrictions in the future. Trade restrictions control and influence international trade in most products and services that cross international borders (see chapters 2 and 3). They range from tariffs to the less obvious, but often more complex, non-tariff restrictions in service industry. Trade restrictions can influence the level and pattern of trade, and the relative competitive situation of different countries. Furthermore, the GATS

Uruguay Round of multilateral trade negotiations which was concluded in 1994 will result in a number of changes, some substantial, to tariff levels, the type and level of non-tariff barriers and to the trading 'rules' under which international trade takes place (WTO, 1999^a), but some managers and owners in the Korean tourism industry were not convinced about the benefits of GATS. This may be a result of a lack of understanding of GATS in the Korean tourism industry as whole.

Table 8.30 Sectoral differences for the impacts of GATS in Korean tourism (private sector)

		Hotels		Restaurants		Travel agents	
		Count	%	Count	%	Count	%
Foreign employment	Positive	34	68.0	23	57.5	34	69.4
	No effect	15	30.0	17	42.5	15	30.6
	Negative	1	.7	-	-	-	-
	No effect in short term but positive in long term.	-	-	-	-	-	-
Competitiveness	Positive	32	64.0	16	45.0	21	42.9
	No effect	8	16.0	11	27.5	3	6.1
	Negative	8	16.0	7	17.5	20	40.8
	No effect in short term but positive in long term.	2	4.0	4	10.0	5	10.2
Foreign investment	Positive	30	60.0	16	40.0	42	85.7
	No effect	16	32.0	18	45.0	7	14.3
	Negative	-	-	1	2.5	-	-
	No effect in short-run but positive in long-run.	4	8.0	5	12.5	-	-
Trade restrictions	Positive	25	50.0	16	40.0	25	51.0
	No effect	21	42.0	21	52.5	15	30.6
	Negative	1	2.0	1	2.5	9	18.4
	No effect in short term but positive in long term.	3	6.0	2	5.0	-	-

Furthermore, although the majority of public sector respondents identified GATS as a benefit to the Korean tourism industry, 44.3 % of the private sector respondents expected that GATS would not have any effect on Korean tourism because they do not believe that the government is serious about implementing the agreement in the industry. Many tourism experts in the private sector convinced that the Korean government just signed the agreement for political reasons since it was proposed by America, not for economic reasons. However, 44 % of respondents from the hotel industry regarded GATS as a benefit to Korean tourism whereas 52.5 % of respondents from restaurants and 44 % from travel agents suggested that GATS would not have any effect on Korean tourism. Since managers of hotels were mainly positive about trade liberalisation, they believe that an increase in foreign investment and

strong competition with foreign companies will boost tourism activities in Korea, which may result in providing benefits to both customers and suppliers in the long run.

In the section 8.3, the second and third hypotheses were addressed in details.

8.8 SUMMARY

Over recent years, the tourism industry has increasingly pressured governments around the world to liberalise trade and investment in services and is likely to benefit tremendously from the General Agreement on Trade in Services (GATS) under the World Trade Organisation. As the GATS aim is to abolish restrictions on foreign ownership and other measures which have so far protected the services sector in many countries, the tourism industry in Korea has expected to benefit from the implementation of the GATS, for example, the hotel industry would benefit as GATS facilitates franchising, management contracts and licensing. Moreover, foreign tourism companies will be entitled to the same benefits as local companies in addition to being allowed to move staff across borders as they wish, opening branch offices in foreign countries, and making international payments without restrictive regulations. In addition, foreign investment will be increasingly deregulated under the WTO system. According to the Agreement on Trade-Related Investment Measures (TRIMs), foreign companies will no longer be obliged to use local input.

The findings, however, suggest that both the public and private sector respondents positively identified that trade liberalisation is important to increase trade activities in both manufacturing and services industry including tourism, especially on foreign employment and foreign investment. The majority of respondents agreed that the Korean tourism industry is relatively liberalised compared with other industries and the government is encouraging the industry mainly to attract more foreign investment. It is surprising to know that managers and directors in the public sector identified that foreign investment is the least liberalised area and agriculture has been the least liberalised industry in Korea. The vast majority of the respondents recognised the existence of discrimination between foreign and domestic companies in order to

establish new businesses in tourism, e.g. complicated administration, restrictions on foreign employment etc.

In addition, the majority of the public sector respondents identified no recognised trade obstacles related to labour and government regulations but 40 % of the respondents agreed that there are trade obstacles to tourism development related to transport, especially airlines. In contrast, almost 55 % of the private sector respondents identified different obstacles to tourism development related to labour and 70.5 % of the respondents recognised the lack of government investment (50 %), lack of foreign investment (11.2 %), restricted government policy on foreign investment (3.6 %), discrimination between large and small companies (3.6 %) and slow capital returns (2.1 %) as trade obstacles related to capital investment.

More importantly, general perceptions of the private enterprises in Korea towards GATS are negative in the short-run whereas general perceptions of the public sector towards GATS are moderately positive. The independence of thousands of small and medium size enterprises, including hotels and tour operators, is at risk because most local enterprises will be hardly able to compete with foreign companies. Moreover, respondents in the private sector suggest that as an outcome of globalisation and liberalisation, Korea may face the prospects of huge growth in leakage of foreign exchange earnings and radical restructuring of travel and tourism could strike at the heart of national economies. It is already a well-established fact that in some developing countries, more than two-thirds of the revenue from international tourism never reaches the local economy because of the high foreign exchange leakages. Now, as the new free trade and investment policies are being implemented, their balance sheets may be even worse because the profits and other income repatriated by foreign companies are likely to grow larger than the inflow of capital. This means that the claims that globalisation and liberalisation of tourism will bring wealth, progress, social achievements and improved environmental standards to developing countries need to be seriously questioned. In contrast of the private sector, more than 70 % of the interviewees were believed that the agreement can be a solution to overcome the country's unstable economic situation through trade liberalisation in the future.

The tourism experts who work in the public and private sector in Korea suggested that

regional trade agreements such as Korea-Japan and Korea-China bilateral trade agreements are more effective than multilateral trade agreements such as APEC and GATS because the regional agreements play an important role in boosting the volume of trade in both the manufacturing and service industry and there is no doubt that these regions will continue to be important trading partners for the next few decades.

Furthermore, the respondents identified possible problems and benefits of enforcing the GATS in the Korean tourism industry. Considering the issues raised from the GATT as discussed earlier in the literature (see chapter 4), the respondents were concerned about problems between developing and developed countries. First, a multilateral agreement can provide better trade conditions to developed member countries than developing countries. Tourism-related companies, in general, tend to be too small and financially weak in developing countries to compete with large multinational companies from developed countries, therefore it is possible that foreign multinational companies will invade tourism in developing countries. Second, conflicts between globalisation and regionalisation have been an important issue in international trade. Although regionalisation has been negatively recognised, many developing and less-developed countries can be indirectly forced to join regional trade agreements for both political and economic reasons if the agreement is favourable for developed member countries. Since the agreement has few weaknesses and structural problems, it is explicable for developing and less-developed member countries to doubt about the fairness and effectiveness of the GATS implementation (see chapters 4 and 5).

Nonetheless, despite the possible problems from the enforcement of GATS, an important proportion of respondents in the public sector expected that becoming a member of the GATS would be beneficial to many developing countries in the long run with respect to both the economy and tourism development whereas the respondents in the private sector have a doubt in joining the GATS. It is important to note that the agreement can be a tool to boost international trade, including developing and less-developed countries by achieving liberalisation and reducing trade barriers between member countries. Although tourism sectors and activities are relatively liberalised, tourism can provide a good example to other sectors of how an industry that is already liberalised can make more progress towards sustainable development

and ensuring equitable trading conditions in international tourism.

Meanwhile, the country needs to overcome an unstable economy caused by the financial crisis, which can be achieved by trade liberalisation. The main question of whether the implementation of GATS will help Korea and other developing countries to overcome unstable economy as well as improve tourism development is uncertain. The clear points are as follow:

- Tourism experts and professionals in the Korean tourism industry are not familiar with the GATS.
- Managers and directors in private enterprises show positive perceptions of trade liberalisation and GATS as being able to attract foreign investment, increase foreign employment and release other restrictions on entering the country, but the respondents, in general, indicated a negative perception of competitiveness.
- Finally, both the public and private sectors in Korean tourism expect to detect no major and immediate implications of GATS for Korean tourism but it will be beneficial to the industry in the long-run as trade in services will be gradually liberalised in Korea along with rest of the world.

The findings show that there are different perceptions towards GATS between the public and private sector in the Korean tourism industry, therefore the next chapter investigates the differences and similarities among the two groups through in-depth analysis.

CHAPTER NINE:

IMPLICATIONS OF GATS FOR THE KOREAN TOURISM INDUSTRY

9.1 INTRODUCTION

This chapter discusses the results obtained from the analysis of the data, including ANOVA, regression and factor analysis to satisfy the research questions. Research often shows that groups are not necessarily homogeneous, but respondents' perceptions and attitudes towards GATS in the Korean tourism industry seem to differ mainly between the private and public sector. This is perhaps not surprising if one considers the profile and roles of the two different groups of respondents. Therefore, one-way ANOVA and t-tests were used to identify significant differences between these two main groups (private and public sector) and the sub-sets of the private sector (hotels, restaurants, travel agents). Factor analysis was used to identify the main factors that have an effect on the Korean tourism industry from the point of view of the GATS.

The increasing importance of public and private sector collaboration in ensuring the efficient development of tourism has been recognised in many countries and has already been discussed in chapter 5. Recognising the growing emphasis on private sector participation in tourism development, members and associate members of international organisations (such as World Tourism Organisation and World Trade Organisation) urged countries to strengthen the partnership between the public and private sector and to promote the active involvement of the private sector, in particular for infrastructure development, financing, management, operation and risk-sharing. It is true that the public sector of the tourism industry is often a leader of tourism development, providing relevant policies and infrastructure that the private sector cannot provide. However, successful tourism development cannot be accomplished by the public sector alone. The involvement of the private sector is essential to direct tourism development in a way that both customers' and suppliers' needs are satisfied. In other words, successful tourism development cannot be accomplished without co-operation between the public and private sectors. Therefore, it is important to

investigate any differences and similarities of the two sectors to address future tourism challenges and opportunities with respect to the GATS. In fact, developing country governments were invited by the WTO to foster cooperation and collaboration efforts with the private sector and local communities in the development and management of the tourism sector in order to study, identify and, where necessary, remove obstacles to its development, and in order to better take advantage of the opportunities arising from the high level of growth foreseen for the tourism sector globally under the GATS.

9.2 ONE-WAY ANOVA ANALYSIS AND T-TESTS

One of the research hypotheses underpinning this thesis is that, '*there are different perceptions and awareness of GATS between the public and private sector in the Korean tourism industry*'. Therefore, it is important to determine whether differences between the perceptions of the two groups are statistically significant. The comparison-group variable to distinguish it from one to another is referred to as the criterion variable. The comparison variable is sometimes known as the independent variable, and the criterion variable as the dependent one (Bryman and Cramer, 1999). Comparison-group variables can be identified as different points in time and the categorisation of participants into various levels on some variables. There are a relatively large number of statistical tests to determine whether a difference between two or more groups is significant, but t-tests and one-way ANOVA are the most commonly used statistics for research in the social sciences. It is achieved by comparing the means of two or more unrelated samples as explained in chapter 7. In order to investigate whether there are different perceptions of GATS between the private and public sector, the t-test was used. In addition, the one-way ANOVA was performed to identify the different attitudes towards GATS between the restaurants, hotels, travel agents and public sector in the Korean tourism industry (to address the fourth hypothesis).

Tables 9.1 and 9.2, show that there are many important statistical differences evident, as participants displayed diverse attitudes towards the implications of GATS between the public and private sector in Korean tourism. Furthermore, an independent-samples t-test and one-way ANOVA were conducted to compare the perceptions of

GATS between different tourism sectors and the results show that the two main groups (private and public sector) and sub-groups (restaurants, hotels, travel agents and public sector) presented some significant differences.

9.2.1 DIFFERENT PERCEPTIONS OF GATS BETWEEN THE PUBLIC AND PRIVATE SECTOR

In order to undertake the analyses, (ANOVA, t-tests, and factor analysis) the relevant questions were transformed into the statements. There were 4 statements scaled from 1 to 5 as shown in table 9.1. An examination of the data in table 9.1 revealed generally positive perceptions towards GATS. Table 9.2 presents the responses to an additional seventeen statements that were scaled from 1 to 4 in order to investigate whether there are different perceptions and expectations between the public and private sector about the impacts of GATS on the Korean tourism industry. Figure 9.1, shows the results of tables 9.1 and 9.2, and illustrates the mean scores for each statement.

9.2.1.1 Tourism Policy and Its Implementation in Korea

There were significant differences in the statements relating to the importance of the tourism industry and trade liberalisation between the public ($M = 1.67$, $SD = .62$) and private sector ($M = 2.51$, $SD = 1.07$; $t(24.203) = 4.626$, $p = .000$) as seen in table 9.1. As discussed earlier (see chapter 8, section 8.4.1), it is not surprising to know that tourism experts and professionals in governmental organisations more readily recognised the overall importance of the tourism sector to Korea. The magnitude of the differences in the means was relatively large ($\eta^2 = 0.123$). Therefore, 12% of the variance in the importance of tourism industry is explained by the sector of the respondent.

Moreover, all respondents in the public sector (86.7% for fairly important and 13.3% for important) recognised the importance of trade liberalisation for the future development in Korean tourism compared with a smaller percentages was represented by respondents in the private sector. It is evident that tourism experts in the both public and private sector acknowledged the importance of trade liberalisation in the tourism industry, but managers and owners in the private sector might not be

convinced of the fact that the government is going to implement tourism policies and regulations that will change market conditions in the near future despite the recent announcement of reductions in trade restrictions and increases in government investment.

Table 9.1 Responses to trade liberalisation and GATS

	1*		2*		3*		4*		5*		Mean	Std. Deviation
	(%)		(%)		(%)		(%)		(%)			
	PU**	PR**	PU	PR	PU	PR	PU	PR	PU	PR		
1. Tourism industry is very important in Korea	40.0	18.6	53.3	33.6	6.7	29.3	-	15.0	-	3.6	2.43	1.06
2. Trade liberalisation is important	-	21.4	86.7	41.4	13.3	22.9	-	10.0	-	4.3	2.32	1.01
3. Awareness of GATS	13.3	-	6.7	-	40.0	-	40.0	12.1	-	87.9	4.56	.87
4. GATS is beneficial to the tourism industry	-	7.9	73.3	32.9	26.7	44.3	-	12.1	-	2.9	2.68	.86

* For statements 1 and 2 scale ranged from 1 (the most important) to 5 (least important), for 3 scale ranged from 1 (very familiar) to 5 (not known) and for 4 scale ranged from 1 (largely beneficial) to 5 (large obstacle).

** PU: Public sector, PR: Private sector.

Furthermore, both the public and private sectors identified the importance of Korea-China and Korea-Japan regional trade agreements rather than multilateral trade agreements such as GATS for future tourism development in Korea. Surprisingly, 53.3 % of the public and 50 % of the private sectors' respondents recognised GATS as the least important trade agreement in Korean tourism, as seen in table 8.14 (see chapter 8, p. 448). Therefore, it is fair to say that the majority of respondents from the public and private sector recognised the importance of regional trade agreements more than multilateral trade agreements, but they suggested that multilateral agreements such as GATS would, to some extent, bring benefits.

There was also significant differences in awareness of GATS among the private sector ($M = 4.72$, $SD = .68$), and the public sector ($M = 3.07$, $SD = 1.03$; $t(15.324) = 6.066$, $p = .000$). 100% of participants in the public sector stated that they were familiar with GATS to some extent but respondents in the private sector were less familiar with the agreement (83.6% of respondents in the private sector were not aware of GATS). The magnitude of the differences in the means was large (eta squared = 0.319). Therefore,

32% of the variance in the awareness of GATS can be explained by the sector of the respondent.

Respondents were asked to identify whether they thought that GATS is beneficial to the Korean tourism industry. The results show that it is recognised as a benefit to the tourism industry by 73.3 % of the public sector and 40.8 % of the private sector. Some 15 % of the private sector regarded GATS as an obstacle to tourism development in Korea but there were no respondents from the public sector that agreed with this view. On the other hand, 26.7 % of respondents from the public and 44.3 % from the private sector responded that GATS would not have any effect on the Korean tourism industry.

9.2.1.2 Trade Obstacles to Tourism Development in Korea

Supporting the view expressed earlier, there appears to be different patterns of responses between the public and private sector to the existence of trade obstacles in Korea. Overall, respondents in the private sector are more concerned about trade obstacles related to labour, trade restrictions, capital investment and current government regulations. More than 50 % of respondents in the private sector agreed with the statements concerning trade obstacles in labour, capital investment, transport and government regulations-related. 54 % of private sector respondents strongly agreed with the statement of “there are trade obstacles related to capital investment in Korea”. In contrast, more than 60 % of respondents in the public sector, responded by suggesting that there are no major trade obstacles in labour, trade restrictions and government regulations-related areas (table 9.2).

Table 9.2 Responses to GATS related statements from the private and public sector

	1*		2*		3*		4*		Mean	Std. Deviation
	(%)		(%)		(%)		(%)			
	PU**	PR**	PU	PR	PU	PR	PU	PR		
5. There are trade obstacles relate to labour	-	16.4	-	38.6	15.5	43.6	66.7	1.4	2.39	.79
6. There are trade obstacles relate to capital investment	-	54.0	20.0	17.1	80.0	28.6	-	.7	1.86	.92
7. There are obstacles relate to trade restrictions	-	21.4	-	2.9	73.3	72.9	26.7	2.8	2.63	.85
8. There are obstacles relate to transport	-	30.0	40.0	24.3	60.0	45.7	-	-	2.19	.84
9. There are obstacles relate to current gov. regulations	-	26.4	-	25.7	66.7	47.1	33.3	.7	2.32	.88
10. GATS is important to Korean tourism	26.7	29.3	-	6.4	20.0	14.3	53.3	50.0	2.86	1.31
11. APEC is important to Korean tourism	13.3	13.6	40.0	30.0	46.7	39.3	-	17.1	2.57	.91
12. Korea-China trade agreement is important	26.7	13.6	26.7	43.6	26.7	29.3	20.0	13.6	2.43	.91
13. Korea-Japan trade agreement is important	33.3	43.6	33.3	20.0	6.7	17.1	26.7	19.3	2.14	1.17
14. Foreign employment will positively change after applying GATS	13.3	65.0	86.7	-	-	32.9	-	.7	1.70	.92
15. Competitiveness will positively change after GATS	53.3	50.7	40.0	7.9	-	15.7	6.7	25.0	2.12	1.27
16. Foreign investment will positively change after GATS	40.0	62.9	53.3	6.4	6.7	29.3	-	.7	1.68	.90
17. Trade restrictions will positively change after GATS	-	47.1	40.0	3.6	40.0	40.7	20.0	7.9	2.16	1.09
18. Commercial presence is effective in Korean tourism	26.7	36.4	13.3	20.0	20.0	26.4	40.0	17.1	1.94	.91
19. Movement of natural persons is effective	33.3	38.6	46.7	35.7	20.0	18.6	-	7.1	2.57	.99
20. Consumption abroad is effective	6.7	17.9	26.7	30.0	40.0	32.9	26.7	19.3	2.29	1.15
21. Cross-border is effective	33.3	7.1	13.3	14.3	20.0	22.1	33.3	56.4	3.21	1.02

* For statements 5-17 scale ranged from 1 (strongly agreed) to 4 (strongly disagreed) and for 18-21 scale ranged from 1 (strongly effective) to 4 (least effective).

** PU: Public sector, PR: Private sector.

Obstacles concerning labour

There were significant differences between the public and private sector respondents when it came to the question of identifying trade obstacles in labour ($M = 2.29$, $SD = .79$ for the private and $M = 3.27$, $SD = .46$ for the public sector, $t(-7.226) = 23.255$, $p = .000$). 55 % of the respondents in the private sector agreed that there are obstacles to tourism development concerning labour whereas nobody in the public sector agreed with this statement. Tourism professionals in the private sector identified a lack of government support in training, lower wages compared with other industries and a

shortage of skilled experts in managerial positions as the most pressing problems in the labour market. According to the Ministry of Culture and Tourism in Korea (2000), private enterprises in Korean tourism tend to employ students rather than graduate workers, which may affect the quality of services provided in the tourism industry due to a lack of experience. The reason why so many students are employed in the tourist industry may be that the skills required for new employees are not particularly specific. The tasks to be performed are quickly learned. Students can also fill a gap when it is difficult to find other workers because of irregular working hours, seasonal or part-time employment etc. In other words, students may be more flexible than other groups on lower wages. It is true that the numbers of tourism-related courses offered in Korean universities are very small, but large numbers of universities were more focused on providing hotel-related courses due to their popularity, therefore the industry, especially the catering and travel agent industry, suffers from a shortage of skilled labour. The vast majority of managers and owners in the private enterprises stated that a reduction of trade restrictions on foreign employment would help to solve those problems. However, the government disagreed with the problems that the private sector identified in the labour market. This is may be because either the government does not fully understand the needs and problems in the labour market or they are reluctant to liberalise labour market at least in the near future.

Obstacles concerning trade restrictions

There were significant differences between the public and private sector respondents when it came to exploring whether there were obstacles to tourism development from trade restrictions ($M = 2.56$, $SD = .85$ for the private and $M = 3.27$, $SD = .46$ for the public, $t(-5.092) = 26.063$, $p = .000$). Although the majority of respondents both in the public (73.3 %) and private sector (72.9 %) did not agree that there were major obstacles to tourism development relating to trade restrictions, restrictions encountered by providers of tourism services are on the movement of persons and market access difficulties caused by the dominance of local monopolies. Other trade restrictions were also mentioned such as licensing discrimination (e.g. tourist guides), the dominance of national monopolies, an unfair competitive environment, restrictions on ownership, nationality and residency requirements, limitations on the type of legal form and adverse taxation rules. More importantly, it is essential to note that the administrative burdens experienced by the tourism sector, are considered as the source of the most common trade barriers faced by tourism providers (as opposed to legal or

regulatory measures). These problems were identified as major obstacles to tourism development in Korea by 24.1 % of respondents in the private sector. In contrast, 2.8 % in the private sector and 26.7 % in the public sector did not recognise any problems in relation to trade restrictions. Respondents expected that GATS would help to reduce those restrictions from the progress of liberalisation.

Although 47.1 % of respondents in the private sector expected the government to reduce trade restrictions under the GATS in the short-run, 40.7% expected that GATS will have no effect on trade restrictions in Korea. Similarly, 40 % of respondents in the public sector expected to see no effect on trade restrictions and other 40 % were positive about the impacts of GATS on trade restrictions in the long run (see chapter 8). Respondents from the public sector were reluctant to comment on trade restrictions. In fact, they were not very optimistic about immediate changes in reducing trade restrictions, which is surprising because one of the objectives of introducing GATS is to achieve trade liberalisation particularly in the service industry by reducing trade restrictions and protectionism at least in member countries. This can mean that either tourism experts in the governmental organisations did not fully understand the rules and principles of GATS or the government joined GATS for political reasons rather than with any expectations of economic benefits.

Obstacles concerning capital investment

Obstacles relating to capital investment were recognised by 70.1 % of respondents in the private sector and 20% in the public sector ($M = 1.76$, $SD = .90$ for the private and $M = 2.80$, $SD = .41$ for the public, $t(-7.905) = 30.990$, $p = .000$). The majority of managers and owners in private enterprises suggested that the government currently applies restrictive regulations to foreign investors, as discussed in chapter 8. A significant proportion of respondents (70.1 %) in the private sector were concerned about the complicated administration and restrictive regulations on foreign investment as well as a lack of government involvement to promote the industry, which can be a barrier to further development in different tourism sectors. Therefore, multilateral trade agreements in services such as GATS should help the Korean tourism industry reduce those concerns about trade restrictions and obstacles, to some extent, in the long run.

Obstacles concerning transport

Both the public and private sector respondents in the statement recognised that there were major obstacles concerning transport. In other words, 40 % of respondents in the public sector and 54.3 % in the private sector recognised problems that needed attention immediately in order to achieve further development in tourism. The most immediate problems were identified in relation to transport, especially air transport by tourism experts in the public sector whereas the private enterprises were more concerned about traffic congestion and a lack of traffic signs. The air transport industry is undergoing structural changes due to the processes of liberalisation, privatisation, internationalisation, consolidation and concentration of air carriers. In fact, many developing country airlines, such as Korean Air, are striving to adapt to this trend. Liberalisation of the two Korean airlines (Korean Air and Asiana) is taking place at bilateral and regional level including through “open skies” agreements. It is true that liberalisation initiatives have taken place in the context of multilateral and regional agreements. This implies that it is restricted to certain areas and that a country may offer completely different conditions to other countries depending on the kind of agreement it has with each of them. The possibility of a multilateral liberalisation has been discussed on many different occasions in Korea as well as in many other developing countries, but no initiative has been taken to carry it through. Therefore, it is difficult to predict whether the GATS will help to achieve liberalisation of air transport in the near future.

Obstacles concerning current government regulations

Not surprisingly, there were significant differences in the responses to the statement, “there are obstacles to tourism development concerning current government regulations” between the two sectors ($M = 2.22$, $SD = .85$ for the private and $M = 3.33$, $SD = .49$ for the public, $t(-7.700) = 24.384$, $p = .000$). 66.7 % of the respondents in the public sector disagreed with the statement and 33.3 % of them strongly disagreed, as expected. Since they are working in the governmental organisations, it is understandable for them to be against finding major problems relating to government regulations. However, 52.1 % of managers and owners in the private sector mostly identified strong government intervention, the lack of government support to SMEs, high tax rates and restricted regulations on the movement of persons as major obstacles. For the provision of tourism services, the movement of persons is of major relevance both for providers and consumers. In

addition, the government classified tourism-related services as luxury services that only people, who have extra time and money to spend, can afford, therefore the VAT rate is higher in the hotel industry than in other services. In addition, government regulations on foreign employment and foreign investment are too restricted, as discussed earlier.

9.2.1.3 Impacts of GATS

There were significant differences between the two sets of respondents in relation to the statements concerning future changes in trade restrictions ($M = 2.09$, $SD = 1.10$ for the private and $M = 2.80$, $SD = .77$ for the public, $t(20.606) = -3.203$, $p = .004$) and competitiveness ($M = 2.18$, $SD = 1.30$ for the private and $M = 1.60$, $SD = .83$ for the public, $t(22.327) = 2.409$) after the implementation of GATS between the private sector and public sector. Respondents in the private sector represented strongly positive perceptions of future changes in foreign employment (65 %), competitiveness (50.7 %), foreign investment (62.9 %), and trade restrictions (47.1 %) after the implementation of GATS whereas more than 90 % of respondents in the public sector were expected to have positive impacts from joining the GATS in the long run, especially for the areas of foreign employment and competitiveness. In addition, 13.3 % of respondents in the public sector were strongly positive and the remaining 86.7 % were optimistic about future changes in foreign employment as a result of trade liberalisation in the long run but they expected that GATS would not have an effect on the industry in the short-run. However, 32.9 % of respondents in the private sector expected there to be no effect from the GATS when 65 % of them were very positive towards impacts of GATS on foreign employment. With respect to foreign investment, 62.9 % of respondents in the private sector and 40 % in the public sector agreed that GATS would have a positive effect on foreign investment in the tourism industry.

9.2.1.4 Modes of Supply

From the result of t-test, there was a significant difference in the views about the effectiveness of cross-border mode of supply for the private sector ($M = 3.28$, $SD = .96$), and the public sector ($M = 2.53$, $SD = 1.30$; $t(15.674) = 2.155$, $p = .047$). 46 % of respondents from the public sector agreed with the effectiveness of cross-border in

the tourism industry whereas more than 50 % of respondents from the private sector regarded “cross-border” to be the least effective mode of supply in tourism. The result is unexpected since cross-border has been recognised as the most relevant mode of supply in tourism. However, in the context of many services for which cross-border delivery is not feasible, the movement of factors is needed to make trade possible. And there can be little doubt that significant welfare gains could be realized by allowing greater movement of capital and labor (Handchouz, Kanasabe and Diaz, 1994). Even in the case of goods, trade alone leads to the equalization of factor rewards only under restrictive assumptions, so there usually remains scope for further welfare gains by allowing factors to move across borders.

The different responses to the effectiveness of modes of supply between the public sector and private sectors might imply that the government would try to secure, or argue for, different aspects of GATS to those desired by the private sector. In other words, the results revealed that the identified areas that need to be liberalised by the private sector are different from those identified by the public sector in the Korean tourism industry. For example, an important proportion of respondents in the private sector recognised the effectiveness of consumption abroad and they desire consumption abroad to be liberalised since this relates to services consumed by nationals of a member, in the territory of another member where the service is supplied. Essentially, the service is supplied to the consumer outside the territory of the member where the consumer resides. This is typical of tourism but it was not a point recognised by the public sector. This might suggest that the government does not want to liberalise consumption abroad since Korean tourism suffers from the deficit (Direct purchases in the domestic market by non-resident households are exports of goods and services and resident households direct expenditures abroad are imports of goods and services, thus Korean tourists spend more abroad than foreign tourists spend in Korea) despite the restrictions on residents exchanging foreign currency when they travel abroad.

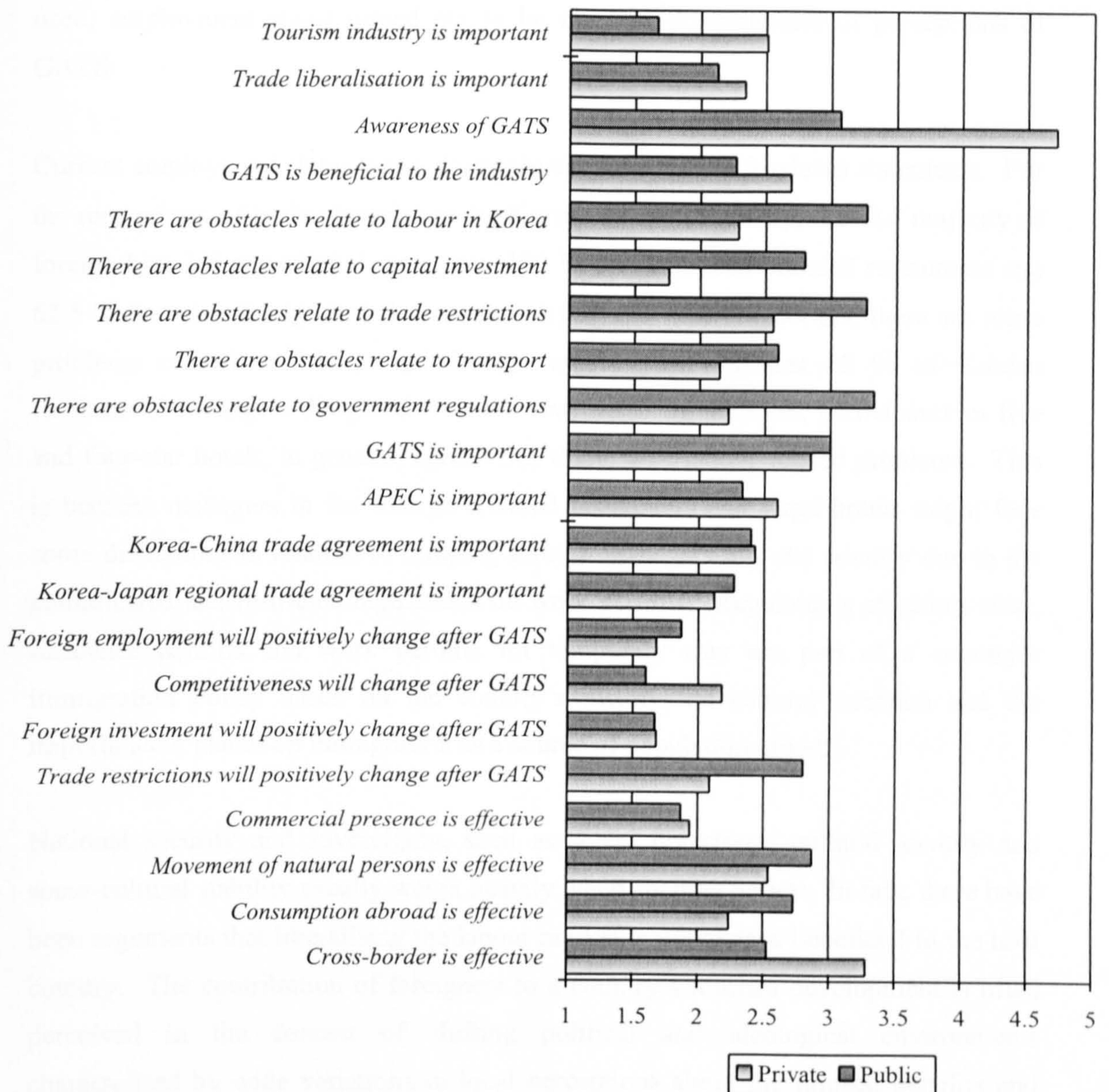


Figure 9.1 Mean scores of the responses to GATS-related statements

9.2.2 SINGLE EXPLANATORY FACTORS OF PERCEPTIONS TOWARDS GATS (ANOVA)

The one-way ANOVA analysis was performed to see whether different factors affected the responses to the questions relating to the impacts of GATS on the Korean tourism industry. In the result of the ANOVA analysis, several significant statistical differences were evident, using demographic variables (age, gender, current employment, current position, and education). Among the five demographic variables

used, employment status turned out to be the best discriminator of perceptions of GATS.

Current employment status was a discriminator for ten GATS-related statements. For the recognition of trade obstacles in the Korean tourism industry, the vast majority of foreign-branded restaurants' managers (100 % for American-branded restaurants and 62.5 % for other foreign-branded restaurants) agreed with the fact that there are some problems related to labour and foreign employment whereas 60 % of Korean restaurants' managers disagreed with the statement. In addition, participants in five and four-star hotels, in general, agreed that there were labour-related problems. This is because managers in the foreign-branded restaurants and large hotels might face some difficulties in relation to bringing foreign managers into the country due to the complicated and restricted regulations on work permits. Regulations affecting visas, residence permits and work permits for temporary stay are part of a country's immigration policy based on the country's history, its cultural tradition and the importance it places on immigration as a source of population growth.

National security and sovereignty, such as social objectives, cultural identity and socio-cultural stability usually weigh heavily when shaping policy. In fact, there have been arguments that liberalising the labour market is not always beneficial to the host country. The contribution of foreigners to a country's tourism development is often perceived in the context of shifting political and ideological environments characterised by wide variations in local perceptions about the impact, benefits and costs of foreign labour with respect to the national culture and the domestic labour market. For many of these reasons, foreign labour is often barred from some areas for both economic and non-economic reasons. According to UNCTAD (1994), from the economic point of view, liberalising market access for foreign services-providing personnel should permit the host country to alleviate labour shortages wherever they exist, to increase domestic labour competition whenever necessary and to increase access to technology embodied in trained foreign personnel. However, on the cost side, increased market access may have a number of both economic and non-economic effects. For example, increased labour competition may result in short-term labour market disruptions that increase the financial costs of the welfare safety net in place in that country as well as increasing political volatility and social-cultural stability in the

host country. At the same time, countries must consider the costs of a highly restrictive entry system.

A large proportion of managers in foreign-branded restaurants (100 % for American-brands and 87.5 % for other foreign-brands), hotels (56.5 %), and inbound-specialised travel agents (84.6 %) were particularly apprehensive about government policy towards capital investment, especially with respect to the restrictive regulations on cash transfers between countries. However, the majority of private enterprises were less concerned about tariff barriers on travel and tourism-related businesses. Meanwhile, a large number of interviewees in the public sector showed positive perceptions of overall Korean tourism market conditions. They were convinced that the Korean tourism industry will not have any particular difficulty in improving trade performance in the future.

On the other hand, overall, 24.5 % of the respondents in the Korean tourism industry (both the public and private sectors) were aware of GATS. 16.4 % of the private sector respondents aware of GATS, although the proportion for the governmental tourism organisations was 100 % (see chapter 8). In particular, none of the managers in the fast food restaurants and foreign-branded restaurants except the American and Korean-brand five star hotels were aware of GATS. It was surprising to know that the majority of managers in five star hotels whether foreign or Korean brands were not familiar with GATS or other trade agreements even though the hotel industry is known as the most sensitive industry to trade issues such as liberalisation, foreign investment and foreign employment in tourism. Only 10 % of the travel agent (8 % for outbound travel and 2 % for inbound travel specialists) participants were familiar with the agreement. These results tend to support the research hypothesis that tourism experts and professionals in the Korean tourism industry have a lack of knowledge and understanding of GATS, especially in the private sector.

There were significant differences in the perceived importance of the Korea-China regional trade agreements and the results show that there was a similar pattern of responses to the importance of other trade agreements (GATS, APEC and Korea-Japan bilateral trade agreement) between the respondents. On average, more than 60 % of foreign-branded restaurants and fast food restaurants perceived Korea-China trade agreement as either less important or least important whereas 68 % of Korean-

branded restaurants perceived the agreement as either most important or fairly important for the restaurant industry. Moreover, all Korean-branded five-star hotels regarded the agreement as important, although the proportion of foreign-brand five-star hotels and four-star hotels that perceived the agreement as important was lower (43.4 % and 65.2 % respectively). On the other hand, the percentage of respondents from inbound specialist travel agents (61.6 %) who perceived the agreement as being important was higher compared to those from outbound specialist travel agents (43.8 %). Finally, more than 66 % of respondents, on average, from the public sector (Ministry of Culture and Tourism, KNTTO and local governments) perceived the Korea-China bilateral trade agreement as being important to the tourism industry except the respondents from the Korean Tourism Research Institution (KTRI). None of the respondents from the KTRI recognised the importance of the Korea-China trade agreement while all of them agreed that APEC is important for the future development of Korean tourism. Because the KTRI is mainly involved in tourism projects related to trade agreements and regulations in the Asia region such as APEC, AFTA and ASEM, the respondents in the organisation were more familiar with APEC than bilateral trade agreements (such as Korea-Japan and Korea-China bilateral trade agreements).

Respondents from the hotel industry were more positive about future changes in competitiveness following the implementation of GATS at 75 % of Korean-branded five-star, 73 % of foreign-branded five-star and 52.2 % of four-star and three-star hotels, compared to the average of 50 % from the restaurant and 43 % from the travel agent industry. In addition, 100 % of respondents from the Ministry of Culture and Tourism, KTRI and local governments were positive whereas only 50 % of the KNTTO were positive and another 50 % were negative about future changes in competitiveness for domestic companies. This means that either the participants from the KNTTO did not fully understand GATS and its impacts on the tourism industry or those 50 % of the respondents, who were negative about changes in competitiveness after the implementation of GATS, had advanced knowledge about trade agreements, in order to deliver the answer.

In general, respondents from the hotels (100 % from the Korean-branded five-star, 65.2 % from foreign-branded five-star and 47.8 % from four-star and three-star hotels) and travel agents (69.2 % from the inbound specialist, 93.8 % from outbound

specialist and 90 % from inbound and outbound specialist travel agents) were more positive about changes in foreign investment after the implementation of GATS, although the percentage of respondents from the restaurant industry was less (50 % of American-branded, 25 % of other foreign-branded, 44 % of Korean-branded and 33.3 % of fast food restaurants). On the other hand, respondents in the public sector were strongly positive about attracting more foreign investment into the country under the GATS, but 27.3 % of respondents in the private sector predicted that there would be no changes in the volume of foreign investment from becoming a member of GATS.

For the effectiveness of the movement of natural persons mode of supply in the Korean tourism industry, only 25 % of foreign-branded restaurants agreed with the statement "*movement of natural persons is effective in the Korean tourism industry*", whereas the proportion of respondents from the Korean-branded restaurants was higher (44 %). 75 % of Korean-branded five-star hotels disagreed with the statement and 65 % of foreign-branded five-star hotels' perceived movement of natural persons as important and GATS would have an effect on the industry. Although responses from the travel agents, overall, were widely spread from scale 1 (strongly effective) to 4 (least effective), a higher proportion of respondents disagreed with statement ten. Moreover, almost 80 % of respondents from the KTRI and local governments perceived movement of natural persons as not effective whereas 100 % of respondents from the KNTO provided contrasting views.

Responses to the effectiveness of cross-border were very differently distributed between the groups. Overall, respondents in the restaurant and hotel industry were more favourable about commercial presence than cross-border. Only 32 % of Korean-branded restaurants were agreed that cross-border is important and effective in Korean tourism whereas 100 % of foreign-branded and fast food restaurants disagreed with the statement. Almost 80 % of respondents from the inbound specialist and 43.8 % from the outbound specialist travel agents identified cross-border as the least effective mode of supply in the industry. In contrast, 25 % of outbound specialist, and 47.6 % of inbound and outbound specialist travel agents recognised the effectiveness of cross-border activities in tourism. More importantly, none of the interviewees from the KNTO and Ministry of Culture and Tourism recognised the effectiveness of cross-border, although the percentages were 60 % for the KTRI and 66.7 % for the local governments.

The current position status of respondents was a discriminator for one statement. For the statement "competitiveness will positively change after the implementation of GATS", 61.7 % of department managers agreed. The percentage was lower for assistant managers (41.9 %), general managers (46.4 %), and directors and presidents (47.1 %). An important proportion (35.7 %) of general managers answered that GATS would not have an effect on competitiveness and 23.3 % of department managers expected to have negative effects on competitiveness as a result of further trade liberalisation.

Age was not found to be a significant discriminator, with the exception of two statements. The greatest contrast of views found was that between the age groups 24-39 and 40 or over. Specifically, those who were aged 40 or over agreed that the Korea-Japan bilateral trade agreement is very important to the industry, more so than the multilateral trade agreements (51.3 %), but the age group between 24 and 39 recognised the importance of GATS (34.2 %) as well as the Korea-Japan bilateral trade agreement (32.9 %). With the statement suggesting that foreign investment will change positively after the implementation of GATS, 73.3 % of respondents, who were aged between 25 and 39, agreed, whereas 48.7 % of respondents, who were aged 40 or over, were positive about future changes in foreign investment. 37.2 % of the age group of 40 or over predicted that GATS would not effect changes in the volume of foreign investment.

Gender was found to be significant as an explanatory variable for the impacts of GATS in only four statements. Male respondents (52.6 %) were more concerned about the problems related to employment in the industry and other male respondents (47.4 %) disagreed, whereas only 33.4 % of female respondents agreed with the statement "there are obstacles to tourism development concerning labour" and the majority of female respondents (66.6 %) did not recognise any serious problems in the labour market. Male respondents identified a lack of skilled labour as one of the most worrying problems whereas female respondents were more critical about the level of discrimination between male and female employees in Korean tourism. Of course, those 66.6 % of female respondents, who did not recognise any serious problems in relation to labour, also agreed that there is discrimination between male and female employees in the tourism industry, but the situation has gradually improved over last 10 years, thus it is not worth regarding as an obstacle to tourism development in

Korea. Additionally, 66.7 % of female respondents agreed that GATS is important for further tourism development in the future. In contrast, only 29.9 % of the male respondents recognised the importance of GATS, and the Korea-Japan and Korea-China bilateral agreements were perceived to be more important by male respondents (67.9 % and 61.2 %) and they appeared to be less important to women (38.1 % and 28.5 %). However, it is important to note that the distribution of male and female respondents was very different. Only 21 (13.5 %) were female respondents and the other 134 were male respondents (86.5 %) because the interviews were targeted at only managers and owners both in the public and private sector, as mentioned in chapter 7, which shows a disproportional distribution in favour of males in the tourism industry for managerial positions in Korea.

Finally, education was not found to be a significant discriminator except for two variables. A higher percentage (90 %) of post-graduate respondents disagreed with the statement, "there are trade obstacles relating to the current government regulations and policies" compared to the other groups (33.3 % of school, 45.7 % of college and 51.9 % of university educated respondents). They pointed out that the Korean government has shown efforts to eliminate trade restrictions to liberalise the service industry by reforming trade policies in 1994, especially on foreign investment. On the other hand, the vast majority of school (66.7 %), college (83.3 %) and university (75.5 %) educated respondents were not familiar with GATS, but 50 % of respondents who had a masters or PhD degree were familiar with GATS (with different levels of knowledge). 20 % of respondents, who were very familiar with GATS, were working in the public sector. On the other hand, it is fair to say that since the majority of respondents in the public sector were highly educated (33.3 % post-graduate and 66.7 % undergraduate), whereas only 3.6 % of respondents in the private sector were post-graduate and 67.6 % were under-graduate, thus education as a discriminator reflects sectoral differences (public and private sector). In other words, perception of GATS classified by education level indicates more the perceptions of the public sector than the private sector.

Overall, the most important discriminator of general perceptions of GATS was current employment status with ten significant associations. For the remaining single factors (gender, age, education and current position), not many significant associations were found.

9.3 MULTIPLE REGRESSION ANALYSIS

Stepwise multiple regression models were performed between each of the sixteen statements as dependent variables and current employment status, previous employment status, current position, age, gender and education, as independent. The aim was to identify which of the independent variables are more strongly related to the statements and to estimate the percentage of variance in the statements explained by the independent variables. Table 9.3 shows the results of the regression analysis.

Column one shows the variables deemed to have some significance in each statement. According to the F ratios, ten out of the sixteen regression models show significance. Six models (trade liberalisation is important, APEC is important, competitiveness and trade restrictions will positively change after applying GATS, movement of natural persons is effective in the tourism industry and GATS is beneficial to the industry) did not make any significant prediction and are not presented in the table. Column two presents the Beta (β) coefficients that show the relative effect of each independent variable on each statement. Column three shows the coefficient of determination (R^2) that measures the percentage of total variation of each statement explained by the independent variables. The model explaining the statement of "foreign investment will positively change after applying GATS" performed better than all others, explaining 13 % of the variance. The next model that explained a relatively high amount of variance (11.8 %) was the statement for the awareness of GATS. The remaining models had a lower prediction ranging from 8.1 % for the statement of "GATS is important" to 2.7 % for the statement of "tourism industry is important". The last two columns show the significance of the correlation between the statements and the independent variables by using t-test statistics.

Table 9.3 Influence of independence variables on each statement.

	Beta (β)	R ²	T-value	Sig.
Tourism industry is important F = 4.295, Sig. = .040				
Previous employment	-.166	.027	-2.072	.040
There are obstacles relate to labour in Korean tourism F = 7.364, sig. = .007				
Previous employment	.216	.047	2.714	.007
There are obstacles relate to capital investment F = 5.426, sig. = .021				
Current employment	.186	.035	2.329	.021
There are obstacles relate to trade restrictions F = 9.886, sig. = .002				
Current employment	.248	.061	3.144	.002
There are obstacles relate to government regulations F = 5.774, sig. = .017				
Education	.192	.037	2.403	.017
Are you familiar with GATS? F = 6.708, Sig. = .000				
Current employment	-.249	.062	-3.173	.002
Previous employment	-.182	.093	-2.258	.025
Education	-.162	.118	-2.084	.039
GATS is important F = 13.326, Sig. = .000				
Gender	-.284	.081	-3.655	.000
Korea-China bilateral trade agreement is important F = 5.446, Sig. = .021				
Gender	.186	.035	2.334	.021
Korea-Japan bilateral trade agreement is important F = 6.465, Sig. = .012				
Gender	.202	.041	2.543	.012
Foreign employment will positively change after applying GATS F = 5.130, Sig. = .025				
Previous employment	.181	.033	2.265	.025
Foreign investment will positively change after applying GATS F = 11.243, Sig. = .000				
Current employment	-.271	.073	-3.454	.001
Age group	.239	.130	3.140	.002
Consumption abroad is effective F = 4.434, Sig. = .037				
Current employment	.168	.028	2.106	.037
Commercial presence is effective F = 5.034, Sig. = .008				
Previous employment	.178	.032	2.234	.027
Current position	.176	.063	2.224	.028
Cross-border is effective F = 12.280, Sig. = .001				
Current employment	-.273	.075	-3.504	.001

Current and previous employment statuses were found to be the best contributors, making a prediction for six and five out of the fourteen statements. Concerning previous employment as a contributor, respondents who have been working in the public sector and in the other companies that are not related to travel-tourism

activities, highly emphasised the importance of tourism than others ($\beta = -.166$) and they were more familiar with GATS than respondents who used to work in the private sector ($\beta = -.182$). In contrast, respondents who have previously worked in the private sector suggested that there are several problems that need to be solved related to labour ($\beta = .216$), but they have shown positive perceptions towards future changes in foreign employment after the implementation of GATS ($\beta = .181$). In other words, respondents in the private enterprises expected that GATS would help tackle the existing problems concerning labour market, especially for foreign employment in the Korean tourism industry. What is more, they agreed that commercial presence is an effective mode of supply in the Korean tourism industry ($\beta = .178$).

With current employment status, not surprisingly, respondents from the public sector were more familiar with GATS than the private sector ($\beta = -.249$) and they were more positive about future changes in foreign investment after applying GATS than others ($\beta = -.271$). In addition, respondents from the public sector agreed with the statement that cross-border is effective ($\beta = -.273$) whereas respondents from the hotel, restaurant and travel agent industry agreed with the effectiveness of consumption-abroad ($\beta = .168$). Respondents in the private enterprises also pointed out that the Korean tourism industry needs to mature by identifying problems in connection with trade restrictions (.186) and capital investment (.248) for future development.

Gender was the best predictor in the model dealing with the importance of different trade agreements, including GATS, APEC, Korea-China and Korea-Japan trade agreement. The importance of the APEC model did not make any significant prediction, but the remaining three models have made significant predictions by gender as seen in table 9.3. The negative beta weight ($\beta = -.284$) shows that female respondents were more favourable to the importance of GATS than other two regional trade agreements. However, the positive beta weights on the importance of Korea-China ($\beta = .186$) and Korea-Japan ($\beta = .202$) bilateral trade agreements indicate that male respondents recognised more on the importance of the two bilateral trade agreements than the GATS.

Age was a predictor for the statement “foreign investment will positively change after the implementation of GATS”. The positive beta weight ($\beta = .239$) indicates that younger respondents were more positive about forthcoming changes in foreign

investment by becoming a member of GATS. This might indicate that people become less optimistic with age and experience. Education was a predictor for the two statements of “awareness of GATS” and “there are obstacles to tourism development concerning current government regulations”. The positive beta weight ($\beta = .192$) shows that highly educated respondents (mainly those who had a masters or PhD degree) did not recognise major problems in government regulations. Meanwhile, the negative weight ($\beta = -.162$) shows that less educated respondents, especially in the private sector, were less familiar with GATS and vice versa.

9.4 IMPORTANT FACTORS FOR RESPONDENTS' PERCEPTIONS TOWARD GATS

In order to identify interrelationships among the 21 variables and discover underlying patterns without sacrificing the data's original integrity, further analysis of respondents' general perceptions of GATS was undertaken using factor analysis. Factor analysis aims at trying to make sense of the bewildering complexity of responses by reducing them to a more limited number of factors. Some of the original questions were transformed into statements without distorting the original concept and purpose of questions for the factor analysis. The results are shown in table 9.4. The first column reports the allocation of the 21 variables. The next eight columns report the eight factors and the loading for each variable. The eight factors accounted for 65 % of the variance in the data (see table 9.4). The eight factors are as follows:

Factor 1: Multilateralism verses regionalism

Factor 2: GATS and trade obstacles in Korea

Factor 3: GATS and Trade liberalisation

Factor 4: Modes of supply dimension

Factor 5: Commercial presence

Factor 6: Competitiveness dimension

Factor 7: Impacts of GATS

Factor 8: Employment and investment dimension

The factor solution used has extracted the factors in the order of their importance, with the largest and best combinations first, and then proceeding to smaller. Factor 1

accounts for the most of the variance (12.6 %), whereas factor 2 and 3 accounts for 12.3 % and 8.7 %. The remaining five factors account in total for 31.5 % of the variance, ranging from 7.6 % to 4.9 %. It is important to note that these eight factors are not related to or explained by one factor to another. The last column presents the communalities (H^2) as it explains the variance of a test. The variables dealing with the effectiveness of consumption abroad and cross-border had the highest communalities ($H^2 = .963$ and $.848$) followed by the variable of the effectiveness of movement of natural persons ($H^2 = .817$), which indicate that these variables explain a higher proportion of the variance than is accounted for, by all the factor were taken together. In contrast, the statement of “the government recognise the importance of tourism industry” ($H^2 = .410$) had the lowest communality followed by the statement of “trade restrictions will positively change after the implementation of GATS” ($H^2 = .471$), showing that they had weaker relation to the factors than other variables. Overall, all the variables show relatively high communalities, which present strong relation to the factors.

Table 9.4 The results from factor analysis

	1	2	3	4	5	6	7	8	H ²
The government recognises the importance of tourism industry.			.459						.410
Trade liberalisation is important.			.475						.528
Are you familiar with GATS?		-.484							.517
GATS is important for future development in Korean tourism.	-.688								.794
APEC is important for future development in Korean tourism.	-.545								.649
Korea-China bilateral trade agreement is important for future development in Korean tourism.	.634								.608
Korea-Japan bilateral trade agreement is important for tourism development in Korea.	.699								.720
Foreign employment will positively change after the implementation of GATS.								.448	.615
Competitiveness will positively change after the implementation of GATS.						-.475			.704
Foreign investment will positively change after the implementation of GATS.			.533						.588
Trade restrictions will positively change after the implementation of GATS.			.476						.471
Consumption abroad is effective mode of supply in Korean tourism.				.740					.963
Commercial presence is effective mode of supply in Korean tourism.					.743				.792
Movement of natural persons is effective mode of supply in Korean tourism.				-.796					.817
Cross-border is effective mode of supply.						.674			.848
There are obstacles to tourism development concerning labour.		.489							.593
There are obstacles to tourism development concerning capital investment.								.539	.664
There are obstacles to tourism development concerning trade restrictions		.472							.558
There are obstacles to tourism development concerning transport.	.392								.539
There are obstacles to tourism development concerning current government regulations.		.451							.631
GATS is beneficial to your industry.							.465		.637
Eigenvalues	2.642	2.588	1.823	1.591	1.557	1.317	1.089	1.036	
Percentage of variance explained	12.6	12.3	8.7	7.6	7.4	6.3	5.2	4.9	

Notes: 1. Extraction Method: Principal Component Analysis.

Rotating Method: Oblimin with Kaiser Normalisation.

2. H² = Communalities

3. Only loading greater than $\pm .30$ are reported.

4. Total percentage of explained variance: 54.9%

Factor 1: Multilateralism verses regionalism

- GATS is important for future development in Korean tourism.
- APEC is important for future development in Korean tourism.
- Korea-China bilateral trade agreement is important.
- Korea-Japan bilateral trade agreement is important.
- There are obstacles to tourism development concerning transport.

The five items allocated in factor 1 have relatively high loadings compared to all other factors, ranging from .699 to .392, which indicates a high interrelationship of the variables, especially between the four trade agreements. For the reason that the factor reflects the importance of different trade agreements including bilateral and multilateral agreements for the Korean tourism industry, it was labelled *multilateralism verses regionalism*. Under this factor, three variables are positively related while the remaining two variables are negatively related to each other, which suggests that there are different patterns of responses to these five items as seen in table 9.4. Not surprisingly, respondents who recognised the importance of GATS and APEC have identified Korea-China and Korea-Japan bilateral trade agreement as less important and vice versa. As discussed in chapter 8, the vast majority of respondents from both the public and private sector suggested that the Korea-China and Korea-Japan bilateral trade agreements are more important for the Korean tourism industry than the GATS and APEC. As explained in the literature, the world is starting to accept regional trade agreements as a necessary accompaniment to world trade but it does not necessarily bring benefits to world trade. The main concern for the world economy is that the movement of globalisation tends to go against the idea of regionalism, particularly in economic aspects. Many developing countries are moving towards globalisation but it is not certain whether this movement is the right policy for them because many firms and businesses in developing countries are not financially and politically competitive enough to compete with foreign multinational firms. In this sense, an important proportion of respondents in Korea might identify the two bilateral trade agreements as more important than multilateral agreements. In other words, tourism experts and professionals suggested that bilateral trade agreements are more effective than multilateral agreements in the Korean tourism industry.

Although the statement “there are obstacles to tourism development concerning transport in Korea” was presented with the lowest loading (.392), it is positively

related to the other two variables as seen in table 9.4. As a result, respondents who identified the importance of the two bilateral trade agreements, suggested that there are recognised problems in connection with transport, especially air transport in Korean tourism. This was not unexpected since the Korean air transport industry is in the process of liberalisation at the bilateral level as mentioned earlier. For instance, Korea and China signed an "Open Skies agreement" in the middle of the 1990s, which allowed Korean airlines to fly over Chinese territory, which had not been possible before. However, it is extremely difficult to achieve liberalisation on a global level by joining bilateral agreements.

With regard to the eventual liberalisation of international air traffic, there is a divergent trend to restrict market access in domestic services, which creates an unfair competitive advantage for carriers from countries with large domestic markets. These carriers have often pursued international liberalisation through the bilateral or regional route. Having increased their market access to international routes, while benefiting from protection in the domestic market, these countries, large carriers cross-subsidise their international operations through high airfares in the domestic market. Such practices further increase their monopoly power and reduce the chances of competitive development of internal tourism. In Korea, the monopoly power of Korean Air has increased and the airfares for Korean Air are more expensive than other foreign airlines' even though they are suffering large deficits, especially since the financial crisis in 1997, because the government keeps subsidising the airline and is involved in its management, which cannot be solved by liberalisation through bilateral agreements. Therefore, liberalisation of international air transport through multilateral level seems the best solution to control and manage complicated regional alliances as well as monitoring the prices and quality of services. Consequently, it seems understandable that respondents, who recognised the importance of Korea-China and Korea-Japan bilateral agreement, acknowledge problems with air transport in the Korean tourism. Another issue to note is the lowest significance variable found in this factor dealing with trade obstacles in the transport industry and showing that various trade agreements are related to the transport industry.

Factor 2: GATS and trade obstacles in Korea

- Are you familiar with GATS?
- There are obstacles to tourism development concerning labour.
- There are obstacles to tourism development concerning trade restrictions.
- There are obstacles to tourism development concerning government regulations.

The four items were allocated in factor 2 with relatively low loadings, ranging from .489 to .451. Since this factor incorporates statements mostly dealing with awareness of GATS and trade obstacles to tourism development in Korea, it was labelled *GATS and trade obstacles in Korea*. In this factor, three variables are positively related to each other and negatively to the statement of awareness of GATS. Thus, it can be interpreted that respondents having supported the three positively related statements had disagreed with the negative one. As a result, respondents who were not familiar with GATS, agreed with the statements, “there are obstacles to tourism development concerning labour, trade restrictions and government regulations”. As explained in chapter 8, more than 50 % of respondents in the public sector were aware of GATS whereas more than 80 % in the private sector were not familiar with GATS. Hence, it is fair to say that respondents in the private sector identified problems in relation to labour, trade restrictions and government regulations while the vast majority of respondents in the public sector disagreed with the statements in connection with the trade obstacles to tourism development. In general, there are strong interrelationship between employment, trade restrictions and government regulations.

If inadequate tourism development policies and regulations are to be designed and implemented, the speed of tourism development will fall behind the rest of the world. When designing tourism development policies, developing countries should identify and take into account all the barriers that can potentially limit the expansion of their tourism sector. As the literature suggests, the most important barriers are:

- 1) restrictions on the movement of tourists;
- 2) restrictions on the work of professionals in the tourism sector;
- 3) limitations to real-estate property rights;
- 4) restrictions on the right to manage tourism companies;
- 5) sectoral regulatory restrictions;
- 6) anti-competitive practices stemming from the abuse of dominance by tour operators;

7) difficulties associated with the delivery of visas.

Therefore, all these barriers might expect to be eliminated in the Korean tourism industry under the GATS.

Factor 3: GATS and Trade liberalisation

- The government recognises the importance of tourism industry.
- Trade liberalisation is important for the future tourism development in Korea.
- Foreign investment will positively change after the implementation of GATS.
- Trade restrictions will positively change after the implementation of GATS

The four items were allocated in factor 3 with loadings ranging from .533 to .459. Since this factor incorporates statements dealing with the issues in relation to trade liberalisation, it was labelled *GATS and trade liberalisation*. In this factor, respondents recognised the importance of tourism industry and trade liberalisation. Therefore, it is fair to say that achieving trade liberalisation is relatively important in the tourism industry. In other words, the strong relationship between the tourism industry and trade liberalisation has been identified by the respondents in both the public and private sector. As the literature suggests, trade liberalisation is important on the basis of the theory of comparative advantage. Korea has traditionally shown a revealed comparative advantage in service exports, especially in construction services as a result of trade liberalisation.

Since the literature shows increases in foreign investment and reducing restrictions as the benefits of the trade liberalisation, this positive relationship between trade liberalisation and foreign investment can be expected. In general, respondents predicted that becoming a member of GATS would help to attract more foreign investment as a result of further trade liberalisation in Korean tourism.

Factor 4: Modes of supply dimension

- Consumption abroad is an effective mode of supply in Korean tourism.
- The movement of natural persons is an effective mode of supply in Korean tourism.

Although *multilateralism verse regionalism*, and *GATS and tourism in Korea* dimensions account for the largest amount of variance, it does not mean that the other

factors are unimportant, since this factor has the items with relatively high loadings, ranging .740 and -.796. For the reason that the factor reflects the two different modes of supply, it was labelled *modes of supply dimension*. Consumption abroad was regarded as an important and effective mode of supply in the tourism industry by a larger proportion of managers in the restaurant (72.5 %) and travel agent (54 %) industry, but they did not want to liberalise the labour market to increase the participation of foreign personnel in the tourism industry. In contrast, it is fair to say that respondents in the hotel and public sector perceived movement of natural persons as an important mode of supply in tourism and they also indicated that labour market needs to be liberalised for future tourism development. The importance of human resource development has been addressed by many respondents in the public sector. Given the importance of the quality aspect of the tourism product and its labour intensity, the pool of human resources available for tourism in Korea is a fundamental factor in the successful development of the tourism industry. It requires managerial, technical and language skills. Therefore, the mobility and development of human resources is important in order to expand its exports and competitiveness of tourism services. In order to develop human resources for the tourism sectors, the country should receive technical assistance from the relevant international organisations or establishments as well as managerial assistance in training from the advanced countries where tourism industry is mature and highly developed. It is noteworthy that statements dealing with another modes of supply are not found in this factor but appear in another factors, which might resulted from the fact that the majority of respondents did not fully understand the meaning of modes of supply.

Factor 5: Commercial presence

- Commercial presence is effective mode of supply in Korean tourism.

Factor 5 was labelled *commercial presence* since only one item found in this factor is reflecting the statement “commercial presence is an effective mode of supply in Korea” with loading of .743. Commercial presence was recognised as the most effective mode of supply in the tourism industry mostly by managers in the hotel (48%) and restaurant (40%) industry. As discussed in the literature, commercial presence is more applicable to the hotel and restaurant industry than other tourism sectors since the services can only provided through commercial presence of their establishments (branches) in the host destinations. Therefore, participants from the

hotel and restaurant industry in the private sector seemed more familiar with the term of commercial presence than other modes of supply.

Factor 6: Competitiveness dimension

- Competitiveness will positively change after the implementation of GATS.
- Cross-border is effective mode of supply in Korean tourism.

Factor 6 was labelled *competitiveness dimension* since the two items found in this factor are concerned with “the positive changes in competitiveness after the implementation of GATS” and “the effectiveness of cross-border mode of supply” with relatively high loadings, ranging $-.475$ and $.674$ which reflects that the two statements were negatively related to each other. Respondents, who suggested that GATS would have a positive impact on competitiveness, have identified that cross-border is not effective in the Korean tourism industry and vice versa. In addition, the vast majority of respondents, especially in the private sector mentioned that they were against the idea of the liberalisation of tourism services that are provided through cross-border because many restaurants and travel agents are small and medium sized in Korea, thus they were not convinced that opening up the market to large foreign companies can benefit their industry. In other words, tourism experts and professionals in the Korean tourism industry believe that competitiveness will gradually improve when the government protects domestic small and medium firms from large foreign firms at least in the short-run.

Since cross-border is recognised as being the most important mode of supply in the tourism industry, any future changes in regulations and policies on trade in services might lead a large effect on tourism, especially on competitiveness of Korean tourism. However, the cross-border mode of supply is not usually appropriate for hotels because accommodation services are mainly supplied in the recipient country through locally established facilities and nor is it generally applicable to restaurant services as its services can only be provided to consumers on the site, a point which was confirmed by the respondents from the private sector, as explained in chapter 8. At the same time, 68 % and 55 % of respondents in the hotel and restaurant industry were positive about future changes in competitiveness when they did not recognise the effectiveness of cross-border mode of supply, which might explain the negative association between the two statements in this factor. It is noteworthy that poor

services and facilities provided through cross-border could affect the industry's competitiveness to some extent.

Factor 7: Impacts of GATS

- GATS is beneficial to the tourism industry in Korea.

Factor 7 was labelled *impacts of GATS* since only one item found in this factor is reflecting the statement that "GATS is beneficial to the tourism industry in Korea" with a loading of .465. The majority of respondents in the public and private sector accepted GATS as a benefit to the tourism industry in the long run. In fact, 40.8 % of respondents in the private sector and 46.7 % in the public sector agreed that GATS would bring benefits to the industry in the long run although some negative impacts of GATS were identified. However, 44.3 % in the private and 53.3 % in the public sector suggested that GATS would not have an effect on tourism.

Factor 8: Employment and investment dimension

- Foreign employment will positively change after the implementation of GATS.
- There are obstacles to tourism development concerning capital investment.

Factor 8 was labelled employment and investment dimension since the two items found in this factor are concerned with "the positive changes in foreign employment after the implementation of GATS" and "trade obstacles to tourism development in connection with capital investment with relatively high loadings, ranging .448 and .539 which reflect that the two statements are positively related to each other. Respondents, who positively perceived capital investment in the tourism industry, suggested that there are recognised trade obstacles related to capital investment to further tourism development in Korea. Since the vast majority of respondents (more than 90 %) in the public sector strongly identified positive impacts of GATS on foreign employment, it can be interpreted that participants in the public sector also recognised major trade obstacles related to capital investment in Korea. Many interviewees from the public sector emphasised a lack of capital investment particularly in developing human resources, adopting advanced managerial skills from the developed countries such as America and Europe. They also agreed that restricted regulations on foreign employment still remain in Korea, but it is expected to be slowly reduced or eliminated under the GATS.

In short, the factor analysis shows that the four most important issues to the Korean tourism industry in relation to the GATS are the recognition of trade obstacles and the importance of multilateralism to achieve trade liberalisation through different modes of supply under the GATS in order to develop tourism even further. Nonetheless, it is essential to note that the addition of other variables may have changed the outcome of the factors.

Stepwise multiple regression models were performed between each of the eight factors as dependent variables and age, gender, current employment status, current position, previous employment status, education and tourism sector (converted into the private and public sector) as independent variables. The aim is to identify which of the independent variables are strongly related to each factor and to estimate the percentage of variance in the factors explained by the independent variables. Table 9.5 shows the results of the regression analysis. Column one shows the factors and the variables having shown significance in each factor. By using the F ratio, five out of six regression models have been shown to have statistical significance. Since two (factor 5 and 7) factors contain only one statement each, the regression analysis for the factors was not necessary and the analysis for each statement has been performed earlier in this chapter. However, one model (factor 4) did not make any significant prediction and is not presented in the table. Column two presents the beta (β) coefficients that show the relative effect of each independent variable on each factor. Column three presents the coefficient of determination (R^2) that measures the percentage of total variance of each factor explained by the independent variables. The last two columns show the significance of the correlation between the factors and the independent variables by using t-test analysis.

Table 9.5 An effect of independent variables on factors

	Beta (β)	R ²	T-value	Sig.
Factor 1: Multilateralism verses regionalism F = 9.230, sig. = .003				
Gender	.240	.058	3.038	.003
Factor 2: GATS and trade obstacles in Korea F = 66.062, sig. = .000				
Tourism sector ^a	.552	.304	8.28	.000
Factor 3: GATS and trade liberalisation F = 4.810, sig. = .030				
Age group	.176	.031	2.193	.030
Factor 6: Competitiveness dimension F = 5.022, sig. = .026				
Current employment	.179	.032	2.241	.026
Factor 8: Employment and investment dimension F = 11.582, sig. = .001				
Tourism sector	.267	.071	3.403	.001

^a Tourism sector was coded as 1 = private sector, 2 = public sector

The model explaining the *GATS and trade obstacles in Korea* performed better than all other factors, explaining 30.4 % of the variance. The next model explaining a high amount of variance was the *employment and investment dimension* (7.1 %). The other three models had a lower prediction, ranging from 5.8 % for the *multilateralism verses regionalism* to 3.1 % for the *GATS and trade liberalisation*. The tourism sector was the best contributor, making a prediction for two out of the five factors. The responses between the public and private sector were distinctively different to the statements under the factor 2 ($\beta = .552$) and factor 8. As discussed earlier, the vast majority of respondents from the public sector did not recognise trade obstacles to tourism development in connection with labour, trade restrictions and government regulations while a large proportion of respondents in the private sector identified problems that need an attention in the areas of labour, trade restrictions and government regulations. In addition, the tourism sector was a contributor for employment and investment dimension ($\beta = .267$). Not surprisingly, a larger proportion of respondents in the public sector were strongly positive towards foreign employment and capital investment than respondents in the private sector. Another predictor was gender. As explained earlier, female respondents perceived more favourably the multilateral trade agreements ($\beta = .240$) whereas male respondents recognised more the importance of the bilateral trade agreements. In the model dealing with the GATS and trade liberalisation, age was the best predictor. The beta weight for age was positive ($\beta = .176$), indicating that younger respondents showed more positive perceptions of trade liberalisation and trade restrictions as well as

foreign investment. Current employment status was a predictor in the competitiveness dimension model. The positive beta weight ($\beta = .179$) indicates that the majority of respondents working in the hotel industry and public sector suggested that GATS will have a positive impact on competitiveness, especially for tourism-related sector that provide their services through cross-border in the Korean tourism industry. Previous employment status, current position and education did not make any significant predictions.

9.5 SUMMARY

From the results of t-test and ANOVA analysis, the perceptions of GATS among the public and private sectors are different. Although both the public and private sector were optimistic about impacts of GATS on the tourism industry, the vast majority of participants in the public sector appeared to be more positive than their counterparts in the private sector. In addition, there were also different patterns of response to GATS-related questions between the different demographic groups including age, gender, employment status and education. Managers in hotels and restaurants suggested that there would be no significant changes even after enforcing the GATS to the industry because the two sectors have already largely been liberalised and managers in the travel agent industry were more negative towards GATS.

Furthermore, eight important factors were identified in relation to the GATS in the Korean tourism industry. The results from the factor analysis show that the GATS is recognised as a legally enforceable agreement governing trade and investment and regarded as the main instrument to facilitate liberalisation by tourism experts in Korea. In other words, trade liberalisation is important in the tourism industry and the elimination of trade restrictions was predicted by becoming a member of GATS although more than 70 % of tourism experts in the private sector were not familiar with GATS. It is clear that GATS will have both positive and negative impacts on the Korean tourism industry, but it is more important for tourism experts and professionals to understand the rules and principles of GATS to prepare forthcoming changes through further liberalisation in the tourism sector. In particular, managers and owners of the private enterprises in tourism have not prepared for opening up the tourism-related services to foreign suppliers and investors. Globalisation and

liberalisation for Korea means that Koreans will have to interact and cooperate with people from other countries and especially with those from individualist societies in the West. It also means that the Korean business community will have to become reliable to foreigners, behave in accordance with international business ethnic standards, and become open-minded about foreigners and other cultures. In other words, globalisation and liberalisation will require that the Korean tourism experts accept globally agreed trade rules and treat foreigners equally regardless of their nationality under the equal trade conditions.

Overall, by legalising foreign investment and foreign employment as a result of trade liberalisation in tourism and by opening up other services linked to tourism in addition, the GATS might benefit large multinational corporations and domestic investors in Korea. However, it has been argued that the GATS need to concentrate more on strengthening the capacity of smaller domestic investors and the informal sector, especially in developing countries in order to achieve balanced development under the same trade conditions. In addition, collaboration between the private and public sector is essential to future development in Korean tourism although the two sectors seem not to be communicating enough to help each other to understand the needs and problems in the tourism industry.

CHAPTER TEN

CONCLUSIONS AND RECOMMENDATIONS

10.1 INTRODUCTION

This study has analysed the implications of GATS for the tourism industry and has examined the perceptions of tourism experts both in the public and private sector towards GATS in Korea. Since the research on multilateral trade agreement in services (GATS) is an emerging field, especially in the tourism industry, all the characteristics of a new area of investigation are present, such as the lack of sufficient implementation results that could consistently support theoretical arguments and both conceptual and practical arguments being surrounded by controversy. A literature review on the international trade and GATS in relation to the tourism industry was undertaken (especially those relating to international trade theories; liberalisation and globalisation; WTO, GATT and GATS; GATS and tourism; tourism in Korea). In order to satisfy the research questions and research propositions, the research required different types of analysis.

In this research, theoretical approaches to the effects of international trade and their relationships with multilateral trade agreements are important to identify the benefits and problems of GATS for the tourism industry, especially in developing countries. Secondary data were collected and presented in Chapters two and three to understand the development of different theories and issues of international trade in services. Chapters Four and Five discuss the rules and principles of multilateral trade agreements, mainly focused on the WTO, GATT and GATS in relation to the tourism industry. A literature review on the tourism development and implementation of GATS in Korea was undertaken in Chapter Six. In order to investigate general perceptions of tourism experts towards GATS in Korea focused on identifying problems and opportunities resulting from the implementation of GATS, primary data were collected during 1999 and 2000 by conducting interviews both with the public and private sector in Korean tourism. Chapter Seven presents a detailed analysis of the techniques and methods used for the primary and secondary data collection.

Finally, Chapters Eight and Nine discuss the general perceptions of the tourism development related to trade liberalisation as well as the implementation of GATS from the public and private sector in Korea. As a result, the researcher identified various problems and potential benefits of the GATS negotiations for the Korean tourism industry.

10.2 CONTRIBUTION TO KNOWLEDGE

The author discussed the results of a survey of tourism experts engaged in tourist businesses in Korea. Korean tourism trends and the implications of GATS in the tourism industry were gathered and assessed. Survey findings were analysed from the perspective of identifying positive and negative impacts of joining the GATS on tourism. Simultaneously, the tourism practitioners' perceptions of developing Korean tourism related to multilateral trade agreements were explored and evaluated.

The first outcome from this research is a clear understanding of the processes and implications of multilateral trade agreements that lead to the liberalisation of trade, particularly in the tourism industry, the characteristics of those trade agreements and their contribution to world economy and tourism development in developing countries. This would be a valuable contribution to policy makers and tourism practitioners in tourism. This better understanding of these processes and implications would allow improvement to the tourism policies and regulation used for developing the tourism industry, especially in developing countries.

As the second outcome, this study can help many governments, organisations and institutions to determine whether joining the GATS is beneficial to the member countries, especially in Korea, and other developing countries which face similar economic and social conditions, can benefit by understanding better some of the key concepts of international trade in tourism and national development planning. Lessons might be learnt which could be incorporated into future planning for the tourism sector, incorporating its interdependent role with other sectors under the GATS.

Finally, the study will provide advanced knowledge to many tourism experts as well as professionals in other service industries about the general perceptions of tourism experts and professionals towards the GATS in developing countries to the WTO and other tourism-related international organisations in order to deliver an appropriate assistance to the member countries. The cross-regional and cross-sectoral framework of international tourism that is involved in multilateral trade agreements requires an interdisciplinary approach. This study will hopefully provide a richer and deeper contribution to the body of knowledge of tourism and encourage more research and discovery within the area.

10.3 THE CONCEPT OF THESIS

In recent years, many countries concentrate on developing services industry, especially tourism. With respect to international trade in services, tourism is one of the biggest and fastest-growing sectors in the global economy and has significant economic, developmental and environmental effects, both positive and negative. Although tourism as a sector is far more liberalised than any other sectors in services, it has not been the centre of discussion in any kind of trade agreements before the GATS. In order to generate much needed foreign exchange revenues, 120 GATS member countries have made commitments to facilitate market access and foreign direct investment in tourism. While GATS provides a framework for tourism services that have already been liberalised in most countries, governments are nonetheless engaged in a process leading to further binding and irreversible commitments with potentially significant implications for tourism development. In this respect, multilateral trade agreements such as GATS are important in the tourism industry. The WTO General Agreement on Trade in Services (GATS) sets a framework for future liberalisation of services trade. It develops rules and disciplines that apply both to specific sectors (e.g. tourism, transport, energy) and the modes of supply of the services rendered (e.g. cross-border, commercial presence in another country). The objective is to open up the services market and prevent WTO member governments from changing their domestic regulations to introduce new barriers to entry into these specific sectors and modes (WTO, 1999⁶). While countries have sovereign authority to regulate their domestic markets, the purpose of trade negotiations in services is to

remove so-called 'unnecessary' regulations, to facilitate domestic and foreign business and thereby increase trade and investment in services (Perrin and Tuerk, 2001), which was expected to be more beneficial to developing countries. Therefore, an important question of whether multilateralism is beneficial to world trade, especially developing countries or regionalism can be a framework of broader international development step into globalisation was raised. Therefore, the author developed a research question of the research question is to examine the implementation of the GATS and its impact upon tourism development, especially in Korea.

Because of its links with other parts of the economy, the tourist industry is affected by many government regulations, few of which are aimed directly at the tourism sector. They include rules on the entry, departure and stay of foreign tourists, currency and tax rules, environmental and consumer protection rules. Also, because it is labour-intensive, the tourist industry is both the subject of labour and welfare legislation, e.g. restrictions on the employment of foreigners, and a focus for initiatives to boost employment. In contrast to most of the other, more regulated services, however, tourism is affected by virtually no significant specific trade barriers. Many countries have reduced restrictions on the entry of foreign tourists or the spending of its residents abroad. All countries are basically interested in the income from international tourism. Bureaucratic entry formalities or excessive costs or charges, e.g. visa or airport charges or government-imposed surcharges on hotel bills for foreign tourists, primarily damage the country's own tourism industry, and scarcely ever represent serious trade barriers for other countries. Almost all WTO countries, industrial and developing countries alike, have therefore made liberalisation commitments for tourism in the Uruguay Round. Some developing countries, including Korea, have restricted the possibility for foreign companies to set up subsidiaries or acquire shareholdings to local companies, and have limited access to computerised reservation systems. In general, however, the conditions for market access in international tourism are very liberal compared with many other sectors. Therefore, it is essential to measure the level of trade liberalisation and analyse the benefits and problems of GATS in member countries in order to understand how trade in tourism changes under multilateral trade agreements. Using Korea as a study area, the positive and negative effects of the GATS in relation to trade liberalisation will be analysed.

The purpose of research is to discover answers to questions through the application of scientific procedures, which start with gathering relevant and reliable information from the secondary data, which can be focused on the research objectives and research process, starting from the questions of how the GATS (General Agreement on Trade in Services) will be implemented on the tourism industry and its impact upon tourism development in Korea.

This study enhances understanding of the role of multilateral trade agreements and their impacts in the context of the tourism industry. It is important to reveal the complexities that underly the fundamental structures and concepts of trade agreements in order to identify to what extent multilateral trade agreements facilitate tourism development in developing countries.

The research was carried out using both secondary and primary data in order to answer the research question as to whether GATS will have positive implications for the Korean tourism industry. For secondary data collection, the first step was to collect the published statistics and any unpublished reports that may be accessible. These data provide a databank from which further analysis can be made, and are combined with the primary data. Secondly, the published and unpublished research that has been undertaken related to international trade and GATS are collected and assimilated in order to establish where these studies may provide information to assist in the construction of a general framework for trade liberalisation. Government or semi-government publications, earlier research that have already been done by others, reports published in newspapers and magazines and Internet were used for the collection of secondary data. In addition, several methods can be used to collect primary data. The choice of a method depends on the purpose of the study, the resources available and the skills of the researcher. In addition, for this study, interviewing and questionnaires were used to collect primary data. In this survey, the semi-structured interviews were used. Semi-structured interviews are a combination of structured and unstructured questions, by using this type of interview, the researcher was able to adapt questions according to each respondent's level of comprehension, and to obtain extra information about the research area that the researcher missed out from the structured interview questions. In general, the free conversation between the researcher and the respondent permitted the researcher to

lead the conversation and probe, which gave the researcher a better chance to answer research questions.

Two different interview questionnaires were designed for the two groups (the public and private sector) assessed in this study. Since the questionnaires were designed for the interview, the use of semi-structured questionnaires consisted of open-ended and closed questions seemed appropriate for the study due to the flexibility of the interview. The two questionnaires contain identical or similar questions, worded appropriately for their respective concerns, to examine differences and similarities in perceptions of GATS between the two groups.

For this research, the use of interviews was the most appropriate method to collect required data because the valid information depends upon the value of contact with key players in the field who can give privileged information. Interviews are often used for gathering more superficial informational from a large number of people or collecting more detailed information from a smaller number of people (Descombe, 1998; Kumar, 1999). The use of interviews normally means that the researcher has reached the decision that, for the purposes of the particular project in mind, the researcher would be better served by getting material which provides more of an in-depth insight into the topic.

The main reasons for using the interviews for this study are as follows:

- To increase response rates;
- To gather accurate information;
- To develop a line of enquiry (Adjustments to the lines of enquiry can be made during the interview itself);
- To ensure that the results are deep, detailed, vivid and nuanced;
- To ensure that the researcher understood what each respondent tried to say.

Although the main disadvantages encountered were the time and cost involved in conducting the interviews, the advantages of conducting interviews for this study are:

- The familiarity of the researcher with the Korean tourism industry;
- Personal contacts within the industry;
- Geographical scatter of the sample;

- Detail probing into the researched issue;
- A closer interaction between the interviewee and interviewer.

The interviews took place from December 1999 to June 2000 in the cities of Seoul, Busan, Kyongju and Jeju, Korea. As the topic of the research revolves around the tourism industry, a wide array of managers and owners from the government organisations and practitioners (in hotels, restaurants and travel agents) involved directly or indirectly with such an issue were selected. Total of 155 interviews were completed (15 of the public sector respondents, 140 of the private sector respondents).

In order to answer the research questions, different statistical techniques were used (such as univariate, bivariate and multivariate techniques). A frequency analysis was done on the data of the first and second questionnaires. The frequency analysis was used to see whether there were any significant patterns in the data so that the researcher could identify, from the data obtained, other relevant statistical methods to apply. Although the frequency analysis revealed an interesting pattern of responses, it was not enough to explain how different the perceptions of GATS between respondents and whether the GATS will have a positive impact on the Korean tourism industry or not, which led to further analysis. In fact, results from the frequency analysis were used to explain the overall characteristics of the sample. Frequencies were mainly used to obtain descriptive statistics for categorical variables. This will tell the researcher how many people gave each response (e.g. how many men and women etc.). It is important to take note of the number of respondents in different subgroups in the sample. For some analysis (e.g. ANOVA) it is easier to have roughly equal group sizes. If group sizes are very unequal particularly if the group sizes are small, it may be inappropriate to run some analysis. After the completion of univariate analysis, the next step was the examination of relationship pattern between two variables through cross-tabulation, correlations, t-tests and ANOVA. In addition, it was the researcher's aim to answer research questions by exploring the data further and identify any relationships among three or more variables simultaneously through more complex analytic techniques called multivariate analysis. Multivariate analysis, such as multiple regression and factor analysis, is used for exploring connections among more than two variables.

10.4 KEY POINTS OF THE FINDINGS

Multilateral trade agreements, such as GATT and GATS, play an important role in international trade in the manufacturing and services industries. Over recent years, the WTO has increasingly pressured governments around the world to liberalise trade and investment in services and they argued that many developing countries are likely to benefit tremendously from the General Agreement on Trade in Services (GATS) under the World Trade Organisation. World trade in commercial services, measured on a balance of payments basis, accounted for around one-fifth of world exports of goods and services, which reached \$6.5 trillion in 1997. Total exports of commercial services in the world were estimated to be \$1.3 trillion in 1997. Although the volume of trade in commercial services increases in the world, services represent a smaller proportion of the economy in developing countries is due to their lesser-developed financial and business services sectors. In both the OECD and the developing countries, the aggregate of construction, distribution, hotels and restaurants, transport and communication amounts to around 30 % of total value added in GDP (European Commission, 2000^a). In this context, travel and tourism has emerged as one of the world's most centralised and competitive industries, and hardly any other economic sector illustrates so clearly the global reach of transnational corporations (Bailey, 2000). Its benefits to society and to the economy were discussed in chapter 3 and 4.

Furthermore, the rapid growth of tourism is the product of liberalisation and globalisation which have been the hallmark of economic policy throughout the world, during the past decade. In this respect, WTO introduced a multilateral trade agreement such as GATS to achieve trade liberalisation in services including tourism, particularly in developing and less-developed countries. As mentioned in chapter 5, the GATS will have positive and negative impacts simultaneously but the degree of its impacts will be varied from developed countries to developing countries. Members of the WTO believe that liberalisation of trade in services has great potential for improving infrastructure and general economic efficiency of developing countries. It also encourages foreign direct investment for many developing countries by guaranteeing that investment and trading conditions will not be changed against their interests, a commitment in the GATS provides the security which investors need.

In general, service suppliers from developing countries were faced with certain restrictions to market access, such as requirements which limited or prohibited the temporary movement of natural persons, a lack of credibility in foreign markets, the lack of appropriate market information, the lack of access to distribution networks and financial. Therefore, the adoption of specific identifiable categories of professions would be central to future efforts to liberalisation in services and also facilitating the movement of service providers would enhance the service exports of developing countries through the GATS. However, a case study of Korea shows that GATS will have both positive and negative impacts in the tourism industry.

The findings suggest that general perceptions of the implementation of GATS on the Korean tourism industry differ among the public and private sector. Private enterprises in Korea, in general, showed negative perceptions towards GATS in the short-term but tourism experts both in the public and private sector in Korean tourism expected to benefit from the GATS and trade liberalisation in the long term.

10.4.1 TRADE LIBERALISATION UNDER THE GATS

The investigation of the impacts of GATS and trade liberalisation has contributed to a better understanding of the government rules and regulations on the tourism industry in Korea. It is evident that tourism experts and professionals in the Korean tourism industry, at present, are not familiar with multilateral trade agreements such as GATS, although they recognised the importance of trade liberalisation in the industry. In theoretical terms, tourism can provide a good example to other sectors of how an industry that is already liberalised can make more progress towards sustainable development under the GATS. In other words, the WTO is committed to full, but controlled liberalisation of the tourism sector to eliminate all remaining barriers to trade but it is uncertain whether the agreement would bring benefits to developing countries in practice.

As discussed in chapter 6, Asia has long been the home of many world-class manufacturers as well as a major manufacturing centre in the world. Its service industries, however, are still largely shielded from world competition. This is changing as the so-called "Services 2000" Round of multilateral trade negotiations

under the General Agreement of Trade in Services (GATS) proceeds in the new millennium. Two major recent events have had pronounced effects on service liberalisation in Asia: the 1997 Asian financial crisis and China's accession to the World Trade Organisation (WTO). The former has led to realisation on the part of policy makers that service liberalisation will increase the competitiveness of the service sector, which in turn will strengthen the overall economy. As a result, significant additional liberalisation has been achieved since the crisis started (Business Asia, 1999). Commitments to the WTO have in fact been used by some governments as an instrument to lend credibility to domestic liberalisation reforms, as failure to honour these commitments would require that compensation be made to countries adversely affected (Mattoo, 1998; Low and Mattoo, 1998). China's accession to the WTO would create significant opportunities for foreign participation in its service industries and provide the catalyst for domestic liberalisation both in China and in other neighbouring Asian countries such as Korea and Japan. Against this backdrop, multilateral liberalisation of services has had a significant impact on the Korean service sector especially in the tourism industry.

Although the public sector has recognised the importance of trade liberalisation in the Korean tourism industry by signing tourism and travel-related services under the GATS, the implementation of the agreement in the process of liberalisation has been doubted by the private sector. Before a detailed discussion of the research results, there are two important factors that need to be explored related to the perceptions of WTO in the private sector. First, there was a general feeling of apathy among business people, especially those from small and medium enterprises, towards the WTO. This can be attributed to a lack of understanding of what the WTO is about or a lack of confidence in what it can do for them. The common perception is that the WTO is too remote to be relevant to everyday business. Second, since market liberalisation brings about more intense competition, it is inevitable that some service providers take a cautious attitude and are not keen to see the Korean government open its domestic markets. This tends to discourage companies from participating in and welcoming trade liberalisation for Korean tourism.

In addition, the research revealed that different types of trade restrictions exist in trade in services in Korea, especially in areas such as foreign investment, ownership and

employment. However, the Korean government attempted to increase the level of foreign investment since President Kim reformed the relevant regulations in 1994. At the same time, the Korean government, in general, protects agriculture and the service industry from developed countries because they are infant industries. It has been argued by many different economists (Grimwade, 1989; Dicken, 1992; Stiglize, 1993) that protectionism hinders the movement of internationalisation and globalisation in world trade, but it seems necessary for developing and less-developed countries to protect domestic markets and prevent foreign companies from taking over the market. For example, travel agents in Korean are small sized and suffer from a lack of funds, hence they often provide poor quality tourism products at very low prices to attract more customers. Many tourism packages (with budget hotels and poor quality transport) are developed to attract students and low and middle class customers. Therefore, opening the industry to foreign competitors will be a threat since those foreign competitors tend to be large multinational companies with a stable financial status. If those foreign companies offer customers better quality tourism products at competitive prices, small domestic companies may fail to survive in the market. In this sense, the case for protection for the developing countries is more serious than developed countries. In the tourism industry, free movement between countries can be a form of protectionism by inbound and outbound destinations. Sourcing countries prohibit outbound travel by nationals through passport formalities, taxes and monetary restrictions. Host countries, in turn, can prevent tourist access to their territories by imposing visa requirements, sanitary and customs formalities, special taxes, etc. However, the most common measures refer to migration regulations and the temporal entry of persons pertaining to foreign staff and investments and the establishment of commercial presence in the Korean tourism industry.

Moreover, the public sector did not recognise any obstacles to tourism development in relation to labour, trade restrictions and government regulations whereas the private sector identified problems of government restricted regulations for foreign employment and foreign investment in Korea. Practitioners in Korean tourism identified a lack of government support in training, lower wages compared with other industries and a shortage of skilled experts in managerial positions as the most concerned problems in the labour market. More importantly, the major obstacles encountered by providers of tourism services are restrictions on the movement of

persons and market access difficulties caused by the dominance of local monopolies as well as an unfair competitive environment, restrictions on ownership, nationality and residency requirements, limitations on the type of legal form and adverse taxation rules.

Finally, the existence of discrimination between foreign and domestic companies has been identified by the public sector since it takes more than three months to set up a business for foreign firms whereas it takes less than one month for domestic firms, mainly due to complicated administration work and restrictions on foreign employment. Without seeking to underestimate the inconvenience and expense associated with administrative burdens, such barriers can usually be overcome and are not as fundamental as legal restraints on trade. They may also be easier to eliminate in the context of the GATS. Primary amongst the administrative barriers are those relating to the free movement of persons. Tourism experts and professionals in Korea need to support the Commission in any efforts to push for a specific agreement on the free movement of tourists within the GATS. This should appeal to most countries and could extend to covering the staff of tourism companies as the counterpart to free movement of the tourists themselves.

10.4.2 THE IMPACTS OF TRADE AGREEMENTS IN KOREAN TOURISM

Many WTO members underlined that Korea has been more active to explore bilateral trade agreements with many trading partners such as China, Japan, Canada, etc. and becoming a member of WTO, GATT and GATS have helped the country to strengthen the economy. In other words, Korea's reiteration of its strong attachment to the multilateral trading system reassures their trading partners, which can be a foundation for Korea to develop further trading negotiations, including bilateral and regional trade agreements.

However, in the Korean tourism industry, tourism experts both in the public and private sector recognised the importance of Korea-Japan and Korea-China bilateral trade agreements over GATS and APEC for their business. The respondents argued that joining regional trade agreements such as APEC and ASEAN and multilateral trade agreements such as WTO and GATT did not have large effect on the Korean

tourism industry as issues related to tourism were not discussed in great details. However, although GATS widely covers tourism and travel related services, the tourism experts were not convinced about its positive impacts in Korean tourism. Although the majority of the public sector respondents identified reducing trade barriers, achieving trade liberalisation, reducing tariffs, and boosting international trade as the benefits of GATT, there were concerned about problems. Respondents in the public sector suggested that many developing and LDCs had to open their markets to developed member countries with the GATT, which created problems for many developing countries, where domestic companies were not able to compete with foreign multinational companies. In addition, developing countries' economic dependence on developed countries has increased under the GATT. Even though multilateral trade agreements encourage the process of globalisation and liberalisation, it has a danger to create a bigger gap between developing and developed countries since the agreements, such as GATT, tend to operate in favour of developed countries. As major owners of capital and advanced technology, developed countries have an advantage in competition, and developing countries are at a disadvantage. Therefore, respondents expect to have a similar problem with the GATS.

On the other hand, bilateral trade agreements such as Korea-Japan and Korea-China trade agreements have had a larger effect on the industry. For example, the Korean government reduced restrictions on work permits and visas for Chinese after signing the agreement. They also argued that collaboration between Korea, China and Japan is essential to compete with other regional blocs - standing for the European Union, North America Free Trade Agreement, Mercado Comun del Cono Sur (Southern Cone Common Market) and Association of Southeast Asian Nations, respectively since they are the powers in international business, responsible for 43 percent of total global trade volume. By contrast, Northeastern Asian countries - Korea, China and Japan - have no such relationship, resulting in a lower global and intra-regional trade volume.

According to the Korea Institute for International Economic Policy (2002), for example, the share of intra-regional trade among the three markets was 18.7 % in 1997, far lower than the EU's 59.7 %, NAFTA's 43.5 % and APEC's 71.1 %. But it is time that the three countries consider collaborating strategically to defend themselves against such economic giants. Tourism practitioners in Korea were concerned about

an invasion of foreign multinational companies after opening the industry to foreigners. Therefore, they suggested that it is important for Korea to explore bilateral trade agreements with China and Japan to pursue an industrial collaboration plan where they identify each market's needs and support each other according to each market's special characteristics and strengths as a way of boosting national and regional competitiveness, which can be a first step to prepare for liberalisation and globalisation in the near future. In general, trade agreements play an important role for many developing countries, including Korea to provide a foundation to boost trading activities and increase international competitiveness in international trade.

10.4.3 THE EFFECTS OF GATS UPON TOURISM DEVELOPMENT AND DELIVERY IN KOREA

A case study of Korea shows that tourism experts in Korea have different perceptions towards the implementations of GATS and its impacts upon the Korean tourism industry. The general perceptions of GATS in the Korean tourism differ among the public and private sector, respondents from the public sector expected positive outcomes from joining the GATS in the Korean tourism industry whereas tourism experts from the private sector did not expect to have a large impact (either positive or negative) on tourism from the GATS. This shows that understanding of the trends and conditions of Korean tourism differ from the public to the private sector. In addition, the tourism industry may suffer from the lack of communication and co-operation between the public and private sectors since they represented different opinions and expectations towards future changes in Korean tourism after becoming a member of GATS, which can be an obstacle to further development of Korean tourism because it is important to move the tourism industry in the right direction, with collaboration between the two sectors.

In summary, the private sector has a doubt about the efficient implementation of agreed rules and regulations of GATS in the industry from the government. From past experiences, although the government joined several different regional trade agreements such as APEC and ASEAN, the impacts of those agreements were minimal on tourism. In short, governmental organisations and state enterprises have not paid much attention to planning for and evaluating different types of trade

agreements, especially in tourism (except bilateral trade agreements) to the industry after becoming a member in the past. Therefore, the credibility of the public sector is low among the private sector. Moreover, as far as private enterprises in Korean tourism are concerned, the Asia and Pacific region is the most important, followed by America and Europe. The Middle East and Africa are less important to the Korean tourism industry. However, an important proportion of respondents in the travel agents recognised Europe as one of the most important regions for future development in Korean tourism. In this sense, the GATS will be useful for the private enterprises in Korea to expand their businesses abroad. Surprisingly, the private sector was not convinced that the GATS would bring economic benefits to the industry. In addition, the majority of managers and owners in the private sector, especially in the restaurant and travel agent industry were concerned about its negative impacts in the short-term due to their weak competitiveness. The international competitiveness was main concern for respondents in the private sector, regarding the impacts of GATS on Korean tourism. Only a small number of managers in the private sector stated that they are very well prepared for forthcoming competition with foreign multinational suppliers as a result of trade liberalisation. However, the majority of hotel managers and owners, in general, had no doubt about their ability to compete with foreign companies by developing their own know-how, improving the quality of services, developing new products and adopting advanced management skills from developed countries. In particular, since many four and five-star hotels in Korea are already franchised with foreign companies, the concept of competition with foreign multinational companies is no longer strange to them. The Korean hotel industry is already westernised both in management and services, which have been mainly adopted from America and Europe as a result of liberalisation. The travel agent industry was the least prepared for the market opening in the Korean tourism. In particular, they were concerned about market competition with foreign companies because many travel agents in Korea are small-scaled businesses as mentioned earlier.

Meanwhile, the public sector was more optimistic about the implications of GATS in the long term. Furthermore, the research revealed that the public sector considered commercial presence and cross-border to be effective whereas the respondents in the private sector recognised consumption abroad and commercial presence as effective modes of supply in Korean tourism. Commercial presence is recognised as the

important mode of supply in Korean tourism. This is because, in the tourism industry, to invite foreign investors and suppliers to establish either franchised or owned branches is known as the most common form to increase foreign investment in the host country. Since the private enterprises, especially in the hotel and restaurant industry, provide essential services only through commercial presence, it is important for them to negotiate clear rules and regulations on the commercial presence mode of supply for future development under the GATS.

Overall, although managers and owners in the private sector were concerned about the negative impacts of the GATS in the short term, they showed positive perceptions toward future changes in foreign employment, competitiveness, foreign investment, and trade restrictions in the Korean tourism industry after the implementation of GATS in the long term, along with the public sector. Therefore, the majority of tourism experts in Korean tourism considered the GATS as beneficial to the industry in the long term. Nevertheless, tourism experts in the public sector identified a domination of developed countries in international trade in services, an increase in developing countries' economic dependence on developed countries and a creation of conflicts between globalisation and regionalisation as expected problems of the GATS. In contrast, the private enterprises answered that a creation of bigger financial and technological gap between developed and developing countries was mostly identified problem of GATS followed by an increase in the closure of small domestic companies and a discrimination between member countries. On the other hand, overall, respondents agreed that GATS would help the country to achieve liberalisation and globalisation in international trade, which is regarded as expected benefit of the GATS. Additionally, the majority of tourism experts in the private sector suggested that opening the Korean tourism market to foreign companies would affect their business performance in one way to another. Opening the market would negatively affect them because domestic tourism-related companies are far less competitive than multinational foreign companies. However, it would also bring positive effects such as improving the quality of services through strong competition between domestic and foreign companies, adopting advanced technology and skills and attracting more foreign investment in the Korean tourism industry. Others suggested that opening the tourism market to foreign suppliers would not affect their business in any way because the tourism industry is familiar with working with

foreign branches and managers and domestic companies in the tourism-related industry are ready to compete with foreign companies by offering high quality services. On the other hand, the research suggests that the GATS would be more beneficial to the Korean tourism-related companies that have an intention to expand their businesses abroad.

Moreover, the research revealed that the private sector in the Korean tourism industry does not fully understand the GATS, which leads to confusion in the discussion of GATS-related issues as well as uncertainty over the future outcome of GATS. At the same time, even though tourism experts in the public sector were more familiar with GATS, they also suffered from a lack of understanding of the rules and regulations of the GATS. However, both the private and public sector expected to see positive impacts of the GATS, especially in the areas of foreign employment and foreign investment, since multilateral trade agreements are introduced to achieve trade liberalisation and globalisation by providing equal trade conditions between member countries.

10.5 MAIN ISSUES

the research mainly concentrated on how GATS impacts on tourism development in developing countries, especially Korea. The preamble to the GATS states that the general goal is to establish a multilateral framework of principles and rules for trade in services with a view to expanding such trade under conditions of transparency and progressive liberalisation. This may promote the economic growth of all trading partners and act as a catalyst to enhance the development of developing countries. The agreement expresses the desire to facilitate the increasing participation of developing countries in trade in services and the expansion of their service exports including, *inter alia*, through the strengthening of their domestic services capacity and its efficiency and competitiveness. Since the agreement covers many different sub-sectors for tourism and travel related services, it is expected to have relatively large impacts on the tourism industry in the world. However, the impacts of GATS can be different from one member country to another, depend on a country's political and economic background.

Korea's strong and swift recovery from the 1997 crisis and recognised that this recovery was largely the result of prudent macroeconomic policies and far-reaching structural reforms. In addressing the crisis, Korea had, by and large, eschewed protectionist measures and had instead taken steps to further improve the competitive environment both through domestic reform, particularly in the corporate, financial and labour spheres, and through trade and investment liberalisation. According to the WTO (2000), WTO members recognised that the multilateral trading system had contributed to Korea's recovery, by ensuring that export markets remained open. WTO pointed to the role played by Korea's social protection policies in mitigating the effects of the crisis and in facilitating reforms. It is important to note that the extent of the involvement of the State and the chaebols in the economy as well as their impact on domestic competition have been a main issue regarding trade in Korea. The WTO urged Korea to reduce state involvement and facilitate foreign participation in several sectors, including tourism (WTO, 2000).

The research suggested that although the Korean government is trying to liberalise services industry including tourism, the respondents recognised main obstacles to liberalisation of trade as follows:

Creation of economic and administrative conditions favourable for national enterprises, which are not available to foreign competitors:

- Administrative regulations.
- Financial and fiscal incentives.
- Subsidies to keep prices artificially low.

Creation of economic and trade conditions which are visibly discriminatory against foreign enterprises through:

- Explicit prohibition or restriction on participation in foreign trade operations.
- Explicit limitation on foreign investment.
- Obstacles to hiring foreign personnel.
- Explicit or tacit exclusion of foreign firms from the benefits granted to national firms.

- Presence of trade and quality requirements which are much higher for foreign enterprises than for national enterprises.
- Complicated, expensive administrative procedures and practices.
- Support for the establishment of monopolies by national enterprises.
- Lack of clarity in existing regulations which may encourage or discourage participation in foreign trade operations.
- Lack of information with respect to new and existing regulations whether they favour, hinder or change the situation for foreign companies.
- Lack of regulations and practices suited to the specific needs of foreign companies.

Therefore, the process of tourism development in Korea is expected to be slow as tourism experts in Korea identified different trade obstacles, but all these trade barriers can be slowly eliminated under the GATS in the future.

Consequently, the Korean tourism industry is still suffering from many problems and various types of trade restrictions and an important question is whether the GATS would help to overcome these weaknesses and eliminate restrictions in order to improve the trade environment to attract more foreign investors and tourists into Korea. The research identified different perceptions towards GATS between the public and private sector in Korea. The public sector respondents expected to have positive impacts of GATS on Korean tourism whereas the private sector respondents suggested that the Korean tourism industry will suffer from negative impacts of GATS in the short run but it may be beneficial to the country's economy in the long run. In this respect, it is important for the government to be faithful to the agreed rules and regulations under the GATS. Additionally, the GATS would be more beneficial to Korean tourism-related companies that have the intention to expand their businesses abroad. According to KTRI (2001), the number of Korean establishments that have opened foreign branches abroad is greater than the number of foreign establishments that have moved into Korea, hence the GATS can be used to help Korean companies abroad to compete with domestic companies under equal and fair trading conditions.

Although the results from the case study of Korea can be different from other developing countries, the study provides the potential problems and issues that need to

be addressed in order to implement the GATS successfully in the tourism industry. The main problems of GATS are: 1) it is not easy for tourism experts to understand its rules and regulations, 2) it still needs to solve classification and structural problems in order to work efficiently and effectively and 3) it needs to pay attention to developing and least developed countries in order to increase participants of those countries in trade and monitor carefully about the implications of GATS in different countries.

10.6 IMPLICATIONS OF THE FINDINGS

The need to suggest recommendations in relation to the GATS and tourism policy implications for an on-going development process of tourism in Korea is evident as the industry suffers from many problems that were identified by tourism experts in Korea. The future of tourism development in Korea, as in many other destinations in the world, is dependent on internal factors such as the acceptance of local residents, businesses and the officials as well as external factors such as terrorism and trade agreements (Andriotis, 2000). Although Korea may have the necessary conditions for the expansion of the tourism industry and the industry realises the importance of liberalisation and globalisation, there are trade obstacles to hinder further tourism development (see chapter 8). The WTTC (2000) has recently presented its 'Millennium Vision' for travel and tourism, including the following key areas:

- Move towards open and competitive markets by supporting the implementation of GATS, liberalise air transport and deregulate telecommunications in international markets;
- Get governments to accept travel and tourism as a strategic economic development and employment priority;
- Eliminate barriers to tourism growth, which involves the expansion and improvement of infrastructure.

As multilateral trade agreements in services are aimed at increasing the participation of developing countries and the level of trade liberalisation, the GATS is expected to be beneficial to world tourism, especially developing countries. To achieve globalisation and liberalisation of the tourism industry in Korea, the following recommendations are proposed.

10.6.1 TOURISM POLICY AND REGULATIONS

As discussed throughout the study, government policies and regulations related to tourism in Korea seemed unstable as tourism policies often change over last ten years, and unfair to foreign suppliers and investors as the study identified the existence of discrimination between foreign and domestic companies in setting up new businesses. The GATS is expected to bring economic benefits to member countries, especially developing countries such as Korea because the agreement is designed to eliminate various trade restrictions and unfair treatment to foreign companies. However, cooperation and communication between the council for trade in services (GATS) and member countries' governments is essential in order to implement it effectively. In fact, the road to increased market share begins at policy level. It is from this perspective that the following recommendations for tourism industry change are offered:

1. Articulate a national policy on tourism to establish a national agenda and awareness under the GATS: the executive branch of the government has made great strides in articulating a formal policy on tourism development as reflected in the Ministry of Culture and Tourism's Visit Korea 2001 programme. The establishment of the organising Committee for Visit Korea Year 2001 is a positive step towards building the necessary policy implementation infrastructure. Successful execution of a national tourism agenda, however, goes well beyond a one-time event committee. It requires an ongoing, permanent infrastructure. It requires national endorsement and Presidential facilitation through the multitude of ministries and government agents which have influence over an agenda's deliverables. This movement will be highly encouraged by the WTO and GATS. Therefore, a permanent National Tourism Policy Board with representation from each of the relevant Ministries having an impact on tourism to facilitate the development and implementation of tourism policy and programmes under the GATS need to be established.

2. Establish a Foreign Advisory Committee to advise the Administration on Tourism: Korea has a number of strong industry and trade organisations. The airlines, travel agents and hospitality industries all have associations representing the interests of their members. The government has harnessed much of this expertise through the

Visit Korea 2001 Organising Committee. While native experience is invaluable, the make up of the committee has largely excluded the foreign perspective necessary to craft policy and plans from a foreign traveller's point of view. Korea is competing for tourists in a global market place. Knowledge of Korea's competition, its target markets and the professional execution of a national marketing campaign are critical success factors not only to Visit Korea 2001 and 2002 World Cup, but to the long-term national tourism agenda as well. Therefore, establishing a Foreign Advisory Committee within the proposed National Tourism Policy Board and engaging world class public relations, advertising and marketing promotion professionals to shape and execute promotional plans in overseas markets under the GATS is essential since an increase in foreign investment will result after the implementation of GATS.

3. Develop appropriate world standard infrastructure to service and support tourism: Korea has been keenly focused on such major infrastructure development projects as ports, high-speed rail, highways and airports. While these projects are critical to Korea's economic development, the emergence of Korea as a viable international travel destination requires that the needs of international tourists be more specifically addressed. The following categories are all critical, tourism-related areas which should be embraced as a national development priority:

- Development of world standard hotels, international restaurants and attractions, particularly outside of the large cities.
- Expansion of domestic ground transportation systems, friendly to the foreign users.
- Introduction of multi-lingual signage systems and service personnel.
- Improved access to Korea's public lands, historical sites and natural attractions.
- Development of national park infrastructures and accommodations.

Therefore, the removal of zoning restrictions and the introduction of investment incentives for the creation of an international quality, especially for three and four-star hotel infrastructure, are important. Korea lacks acceptable, moderately priced, international standard accommodation. The country is missing its fair share of this significant middle-income market segment because of its lack of affordable, western standard accommodations. It is important to establish a consistent, user friendly, nationwide tourism support infrastructure throughout all major cities and tourism

destinations and expand domestic ground transportation systems, friendly to foreign users as well as improvement of foreign language capabilities of those engaged in the tourism industry. More importantly, establishing professional management in the private sector is necessary. Korea has a vast treasure of national historic sites and attractions along with western style hotels and restaurants. However they generally lack consistent professional management. Their infrastructure falls short of international tourism standards. Furthermore, it is important that all of Korea's infrastructure projects be funded in such a manner that they do not result in a significant incremental expense burden on the users. This cannot be done with public funds alone. Tax and investment incentives must be devised to attract foreign investors with leading industry knowledge, an approach Korea has successfully employed in the high tech industries.

At present, tourism development in Korea mainly depends on mega-events such as Visit Korea year 2001, 2002 World-Cup and other international symposia, but it is time for the government to concentrate on even larger and fundamental issues to boost the tourism industry in the future. Although Korea has plenty of natural resources and scenery to develop into internationally recognisable tourism destinations, the standards of tourism-related facilities and infrastructure are poor compared with other neighbouring countries such as Japan, Indonesia and Thailand. In this respect, the government should use the GATS agreement to reform trade policies and remove trade obstacles to attract foreign investors and tourists in an attempt to develop Korean tourism as one of the attractive tourism destinations in the world.

4. Cultivation of a healthy and robust air transportation environment: a national tourism agenda cannot succeed without the support of a healthy, viable air transportation sector. Not only must the environment sustain incumbent operators, but it must also be conducive to the stimulation of new capacity. This requisite environment is currently absent. Korea's air tariffs are among the lowest in the world on a comparative stage length basis. Labour, capital and operating costs, on the other hand, are disproportionately high. In spite of the recovering economy, the return of the outbound market and the opening of the new international airport at Incheon, airlines have yet to restore capacity, en masse, from their crisis-era (1997-8) pull downs. The imminent opening of Incheon International Airport and the planned

almost 50% increase in user fees vs. Kimpo, will most certainly undermine the already fragile airline economic base. Without government intervention, it is unlikely that the airport will be able to reduce its fees to a level commensurate with the market's revenue opportunities or financially tolerable to the users. Consequently these substantially higher operating costs will become a disincentive to new capacity growth, placing the airport at financial risk because of insufficient volume. With each 0.1% share of the global tourism market equivalent to US\$455 million per year, it is clearly in Korea's national interest to ensure the establishment of an airline operating environment conducive to capacity growth. Therefore, it is important to introduce a moratorium period of substantially moderated fees at Incheon International Airport for the first three years of operation. Even with a 0% increase in user fees, carriers must still absorb significant capital and operating expense liabilities just to move their operations to the new airport. Other new airports that have recently opened in the region have responded by keeping their user fee increases down relative to the airports they have replaced. Osaka, Hong Kong and Kuala Lumpur limited their increases to 20%, 15% and 0% respectively, in spite of construction costs far in excess of Incheon.

In addition, stimulating air capacity growth by allowing domestic and international airline tariffs to adjust upwards to meet world industry benchmarks and policing predatory pricing activities is a key factor for future development. Korea lacks sufficient air capacity on its key international routes to support its national tourism agenda. But Korea airfares are amongst the lowest in the world. Competition is predatory. In such an environment where airlines cannot recover their costs, new capacity growth will trail demand. A compensatory tariff environment is critical for both the national tourism agenda and the funding of the nation's airport and airways infrastructure projects. Although the GATS negotiation is yet to include clear regulations on air transport, future negotiations will cover these sensitive issues to help to solve discussed problems and monitor trade conditions in air transport on an international basis.

5. Improve access for foreign visitors by reducing barriers of entry: Korea has made tremendous strides in reducing its barriers of entry in recent years. Although most developed nations are now accorded visa free entry, Korea must continue to aggressively pursue reciprocal visa-free policies with its top 25 source markets for

international tourists. Korea must also focus on introducing systems and efficiencies which will further facilitate the processing of inbound and outbound visitors at its ports of entry. One of the advantages such popular international tourism destinations as Singapore, Hong Kong and the EU countries have over other destinations, is their ease of entry and exit processing. Ratios of Immigrations and Customs duty officers to passenger flows keep queues to a minimum. Processing times per passenger is on average less than 60 seconds. These two small but critical factors result in the perception of effortless entry and exit. Such an image is of importance in competing for global travellers. Korea must also focus on removing impediments to tourism in the areas of restrictive customs and currency policies. All of the world's major tourist markets allow their visitors to freely import golf clubs, video cameras and other personal effects when visiting their country. Korea requires burdensome documentation and clearance procedures, discouraging the import of these items. Therefore, it is important to expand visa-free country designation and staff immigrations and customs to meet demand at all ports of entry. Additionally, it is necessary to reduce immigration and customs processing procedures and times. More importantly, a removal of registration requirements and limitations on the import of tourism-related services and products is essential for further development of Korean tourism.

6. Seek full reciprocity with trade partners on the waiver of visas for tourism: in 2000, the United States passed into law a Permanent Visa Waiver Programme, permitting visitors from 29 low risk countries to enter the United States visa-free for up to 90 days. A contingency for qualification is that the participating countries offer U.S. citizen's reciprocal visa-free privileges and that the country's rejection rate for visa applicants fall within legislated parameters for a mandatory qualifying period. Korea has failed to qualify according to the rules established by this law. It is believed that the current law's qualification criteria are flawed. The application process for visas does not articulate a clearly defined and objective set of qualification criteria. Currently, it merely puts the burden of proof on the applicant to demonstrate that they do not intend to immigrate. What constitutes proof is vague and varies from country to country. The true test of a country's qualification for visa waiver, should be based on their number of visitors who overstay or never return. All these complications related to immigration law are not covered under the GATS. Therefore,

it is important to establish appropriate regulations to monitor unfair treatment between member countries (especially unfair treatment to developing countries in developed nations) in the future.

Despite the uncertainty and difficulty of understanding the effects of GATS rules on sustainable development and regional tourism, it is key that governments and their citizens be better informed about the implications of binding GATS commitments and of possible future ones. It is therefore urgent that WTO/OMT members, in cooperation with relevant international organisations and civil society stakeholders, undertake a review of existing commitments, and use the results provided by this assessment to inform their negotiating positions. This requires immediate operationalisation of paragraph 14 of the March 2001 negotiating guidelines, which mandates the Council for Trade in Services 'to carry out an assessment of trade in services in overall terms and on a sectoral basis.' WTO member governments have a responsibility to make GATS provisions compatible with regional tourism and sustainable development at large. This requires negotiating rules and disciplines that do not constrain, but support, legitimate policies and regulations that are required for the achievement of successful tourism development. Multilateral steps to make tourism liberalisation mutually supportive will (i) restrict and limit instances of unilateral green protectionism and (ii) ensure that tourism services trade is sustainable. There are other institutions working on international tourism such as the World Tourism Organisation (WTO/OMT), WTTC, etc. whose work will be affected by the outcome of GATS negotiations. It is necessary to ensure coherence in rule and policy making at both national and international level. GATS negotiations should therefore proceed on the basis of close cooperation and joint work on specific issues with the WTO/OMT, the Commission on Sustainable Development (CSD), the Convention on Biological Diversity (CBD), and the relevant tourism and other intergovernmental agents.

10.6.2 INVOLVEMENT OF THE PRIVATE SECTOR IN TOURISM DEVELOPMENT

In the Korean tourism industry, the involvement of the private sector is very limited, especially in relation to the formulation of tourism policy and trade regulations. As

only small number of tourism professionals in the private sector were aware of the GATS, the communication between the public and private sector has clearly failed. Cooperation between the public and private sector is essential for tourism development in the future, especially identifying the problems and needs of Korean tourism in order to improve market conditions, to compete with foreigners after the implementation of GATS. Therefore, it is important to establish different organising committees to consult with the different tourism sectors (restaurants, hotels, travel agents, etc.) and monitor market conditions on a regular basis.

In fact, standards, which have traditionally been applied to industrial goods, may also cover services in general and tourism. Consultation with the major stakeholders in the tourism sector have revealed strong support for the development of international standards in this sector. Given the growing importance of the quality aspect of tourism, standards will increasingly need to be applied by the industry (UNCTAD, 1998^e). Therefore, it is necessary to introduce a department under the Ministry of Culture and Tourism in Korea to regularly monitor tourism trends and market conditions by creating a panel of experts from the private and public sector and academics.

According to the annual survey by the KNTTO (2001^a), the top three main types of wishes that Korean service providers demanded from other economies were: (i) to relax establishment requirements restrictions, (ii) to be accorded national treatment, and (iii) to improve information transparency. The use of establishment requirements for foreigners as a way of restricting market access presents the biggest obstacle to Korean service providers. The most important obstacles that need to be tackled in the future are identified by the private sector in Korea under the GATS:

- (i) relax restrictions on the scope of business activities;
- (ii) relax restrictions on foreign equity ownership;
- (iii) relax restrictions on the number of operating licenses; and
- (iv) relax restrictions on the composition of local partners, agents, or board of directors.

In particular, relaxing restrictions on the scope of business activities seems more important than others. This underscores the structural changes taking place in the

service industry. Technological innovations and market liberalisation of service sectors have gradually weakened segmentation across service product lines. For example, insurance, accommodation, transport and other tourism products are sold as a package over the Internet. As the product lines blur, the ability of service providers to offer a one-stop, total package of services to customers is absolutely essential. This not only allows service providers to build customer loyalty, but also to benefit from economies of scale and scope. It is also important to improve information flows and transparency, which can be achieved by:

(i) setting up inquiry points for dissemination of trade related laws and regulations;

(ii) improving transparency of court rulings on business disputes. Article III of GATS on transparency stipulates that "Each Member shall publish promptly and, except in emergency situations, at the latest by the time of their entry into force, all relevant measures of general applications which pertain to or affect the operation of this Agreement (i.e. GATS)." It is essential to address the problem that the private sector faces: it is not so much whether the regulatory information is available but how government officials implement it. It was also noted that some countries such as Japan and Korea have not translated all of their regulations into English, which puts foreign firms at a disadvantage. In addition, improving the transparency of court rulings on business disputes underscores another hazard of running a business in a foreign economy. Another major concern is national treatment. This GATS principle is apparently not being followed by the main economies covered in this study. The two main complaints are (i) application of different licensing requirements for local and foreign service providers, and (ii) discriminatory taxes imposed on foreign firms. Demands to remove them are the main concern for many member countries.

As mentioned earlier, the three most urgent needs in Korean tourism, are (i) to relax immigration and visa policy, (ii) to improve market infrastructure to promote competition, and (iii) to improve information transparency. Service providers, especially those from the high technology sector, are critical of the Korean government's immigration policy. Commercial presence and movement of personnel are the two main modes of supplying services to overseas customers. Both modes of supply, however, assume unrestricted flows of personnel across national borders. Industry practitioners stress that the most crucial element of a business friendly immigration policy is to offer "flexibility" for people to move in and out of national

boundaries frequently with minimum administrative hassle. Employees of many multinational corporations and people working in the trade sector often need to travel to foreign countries frequently for brief stays to attend a meeting, a training programme, or to meet with business partners. Therefore, being able to obtain a foreign visa quickly and inexpensively is very important.

The needs and problems that were identified by the private sector in Korean tourism need to be informed to the WTO and GATS to help the Korean government move in the right direction. In addition, identifying different needs and conditions of the tourism market in different countries will help to improve the agreement in future rounds since it appears to have classification and coverage problems in travel and tourism-related services that need to be solved.

10.6.3 THE USE OF GATS FOR FUTURE DEVELOPMENT

The GATS negotiations can be usefully used in the Korean tourism industry. First, there may be a need to deepen the meaning of transparency in Article III of GATS. "Set up inquiry points to disseminate trade information" and "improve the transparency of court rulings on business disputes" are important. The feedback from practitioners drew attention to two dimensions of transparency, namely, the interpretation and implementation of trade regulations. Foreign firms are often put in a disadvantaged position vis-à-vis local firms as the former are less familiar with how and in what context local laws and regulations are implemented or interpreted. Another dimension of transparency is accountability - an element lacking in Article III of GATS. Since GATS members have no obligation to set up a special information agent to assist foreign companies to obtain trade-related information, it is more difficult to ensure their compliance with GATS Article III. The importance of fair, open, and efficient court ruling procedure would help reduce political risks. As many countries are still in the process of adapting their laws and regulations to the requirements of WTO rules, trade disputes are bound to occur. From the service providers' point of view, transparency in court rulings can provide more timely and relevant means to resolve business disputes than the WTO dispute settlement mechanism that only operates at the country level. Perhaps, specifying some minimum level of due process and diligence in trade-related court rulings in GATS

Article III would help. For example, court rulings on business disputes involving foreign companies could be published and the rationale of the rulings explained. Violation of the WTO's national treatment principle is a major concern for many countries. At present, GATS Article XVII governing national treatment does not oblige countries to state the public policy objectives behind exemptions from this principle and does not, as in the case of the MFN principle, impose a phase-out period on such exemptions.

In more general terms, the Korean tourism industry should use the GATS negotiations to promote tourism and to increase an awareness of the country as a tourism destination by attracting more foreign investors and suppliers. Since the country has not fully recovered from the financial crisis, joining the GATS can be an important tool to increase the country's credibility in international basis that will help to increase overall economic growth in near future. However, it is important for SMEs in Korean tourism to increase their competitiveness and confidence before opening the market to foreigners. A major problem identified in this study was the lack of competitiveness of small and medium-sized tourism-related companies. To eliminate this problem, those domestic SMEs need to concentrate on specialised and characterised tourism products and services that can be distinguished from other companies. In this sense, financial support (tax incentives, quotas, etc.) from the government is necessary, to an extent, and regional trade agreements may help those SMEs to expand their businesses without experiencing the instant flows of foreign competitors.

10.7 FURTHER RESEARCH

Considering that the issues related to multilateral trade agreements in the tourism sector are new, the ground for future study is very fertile. However, as mentioned throughout this study, there are still fundamental problems that need to be addressed, such as classification, sectoral coverage and implementation issues. Those problems require immediate attention in order to have a significant effect on the tourism industry. This research, nevertheless, is hoped to make a significant contribution to the tourism industry to develop international trade-related issues further. As trade in services, including tourism-related services, has increased in recent years, the GATS

negotiations play an important role in world trade. Hence, it is important to investigate the impacts of both multilateral and regional trade agreements on the tourism industry to improve trade conditions for both developed and developing countries in the future. At present, tourism has been discussed in economic, social, political and environmental aspects, but it has not been developed on the basis of international trade, especially with trade agreements. Therefore, this research will open the new aspects of tourism for both the academics and practitioners to future development.

Having said that, much research on GATS related to tourism is needed especially for developing countries. Most developing countries, including relatively large ones, suffer from a shortage of financial and human resources in several areas pertinent to meaningful participation in GATS negotiations, and in exploiting export opportunities in the service sector. The major problem is information asymmetries between developed and developing countries regarding trade flows, services rules, regulations and barriers to trade in services. This situation is further compounded by an absence of information and research-based studies on domestic tourism industry sectors. In the absence of information and research-based studies of domestic industry competitiveness, it is difficult to decide what to seek and what to offer. With these handicaps, participation is far from meaningful. Another problem is in the area of regulatory capacity, which is of critical importance to the successful implementation of reform and liberalisation programmes, whether undertaken on a unilateral or a multilateral basis.

Although the GATS provides a political structure hovering between market reality and the objectives of a full long-term liberalisation that is compatible with equitable and sustainable development, its handling is confusing and incomplete in several key areas including hotels and restaurants, travel agents and tour operator services and tour guide services. For example, the GATS places great emphasis on tourist guide services and restaurants, which do not account for a significant amount of tourism product sales. But it overlooks CRS, World Distribution Systems (WDS), car rental, travel assistance and cruise services. Some of these are difficult to place in any of the other 11 sectors described in the agreement. And trough consumption abroad, which affects international visitors, is the most important mode of rendering tourism service,

the GATS concentrates mainly on enterprises.

The GATS has played an incomplete role in 5 areas of vital importance to tourism:

- Sea transport
- Telecommunications
- Financial services
- Movement of natural persons who render services
- Air transport

These areas, with the exception of financial services, are covered in Annexes to the GATS, which negotiation has been extended. Although the GATS seeks to provide a predictable and stable atmosphere for trade and investment by submitting national commitments between member countries, it is important for each country to make a qualitative analysis of its consolidated commitments and to set new goals for the future.

Furthermore, tourism services are one of the most rapidly growing areas of international trade in services. In most regards they are one of the industries to which there are fewer trade barriers, in part because foreigners come to the country exporting the services and in part because most countries want to attract tourist expenditures. However, trade barriers do matter for the growth of international trade in the tourism industry, therefore, it is essential to examine carefully the effects of trade barriers and limitations, especially in developing countries. Since there are many debates for the fact that many developing and less-developed countries still apply heavy restrictions to foreign goods and services, the WTO and GATS need to monitor the overall trade environment in those countries. In other words, it is necessary to pay special attention to developing countries not only for monitoring MFN and market access but also identifying their needs for further economic growth. More importantly, many economists have argued that trade liberalisation is beneficial to developing and less-developed countries, but not much research on the real impact of trade liberalisation on developing countries in service industry has been completed until recently. Therefore, it is difficult to say whether complete market opening to foreign suppliers and investors brings only benefits developing countries. In this sense, continuous studies are vital to evaluate the positive and negative impacts of different trade agreements in order to formulate the right regulations and policies to boost economic

growth in developing countries. Additionally, future research needs to focus on providing an analysis of some of the difficult issues involved in liberalising tourism-related services in developing countries.

Another area that needs more investigation is the implementation of multilateral trade agreements in member countries. It is important to know what is really available specifically for the tourism sector, the level of effectiveness of multilateral trade agreements in the tourism industry, and what should be done to improve the effectiveness of the agreements. It is important to understand that the tourism industry has many particularities that need to be addressed. Since tourism is interdependent with many other industries, policy changes in those other industries have an effect on the tourism industry to some extent. Therefore, comparison studies between different regions, countries and industries will help to analyse the implications and effectiveness of multilateral trade agreements. The discussion in previous chapters has suggested that multilateral trade agreements are less effective than regional trade agreements in Korea. Hence, similar research on other developing countries will help to derive general perceptions and implications of multilateral trade agreements for the tourism industry in developing countries.

10.8 CONCLUDING REMARKS

Korea is a country gifted with many splendid natural attractions. It is geographically positioned at the crossroads of Pacific Rim development. With collective resolve, tourism in Korea has the potential to be one of the most significant drivers for economic prosperity into the new millennium. However, trade restrictions particularly on foreign investment and foreign employment still exist in the Korean tourism industry, which seem to hinder further development. Although the Korean government signed 8 out of total 12 service sectors under the GATS, the impact of the agreement is expected to be very small on tourism. The research revealed that tourism professionals in the private sector were not convinced about its effectiveness. Tourism experts believed that foreign companies would not be attracted to Korea because the market is relatively small but costly compared with other Asian countries,

thus large foreign companies prefer to invest in Japan, Thailand and Hong Kong rather than Korea despite the movement of trade liberalisation in Korea.

However, GATS would bring some economic benefits to developing countries, including Korea in the long-term. Freer trade in services enables countries to better enjoy the benefits of globalisation and improves economic efficiency just as freer trade in goods does. It contributes to job creation, higher incomes, more consumer choices, downward pressure on inflation, and a better quality of life. Imports of services and foreign investment in services production stimulate the competition that improves the efficiency of domestic service industries. They add to the overall availability of services and to the variety from which individual and corporate consumers can choose, and they contribute to technological advancement. In short, freer trade leads to more, better and lower-cost services. Unlike the GATS, the various bilateral and subregional trade agreements do not specifically incorporate tourism services, although they are mentioned in their general considerations and global objectives.

With the advantage of adopting an open and free trade policy regime under the GATS, Korea may evolve to become an important trade services hub in the Asia-Pacific region in the long run. The research shows that further liberalisation of trade in services by other economies has presented challenges as well as opportunities for Korea in general, and for its service providers in particular. There is a need to rethink the role that Korea plays and will continue to play in view of trade liberalisation. The fragmentation of supply chains will accelerate as technology improves and barriers to the flow of goods, information, capital, and even human resources are removed. Ironically, fragmentation of the supply chain can come with an increased demand for a central location to organise and coordinate activities. These are the "hub" services that Korea should provide. This study shows that policies or services that can enhance this role, such as a more flexible immigration policy and a faster customs clearance system, are crucial for Korea to be able to play its role as a service hub in the Asia-Pacific region. A flexible immigration policy is also necessary for Korea to continue to attract multinational corporations to use it as their head office in Asia. This is important for a knowledge-based economy and particularly so for Korea, as its labour market is undergoing changes that might put its future as a service hub in jeopardy.

Over the past decade, about 300,000 well-educated Korean people with key skills have emigrated. At the same time, tens of thousands of poorly educated foreign labourers (from Indonesia, China, India, etc.) with few skills settle in the territory annually. The urgency of the issues of immigration policy is borne out under the GATS negotiations. Further theoretical research is needed here, taking account of multilateral trade liberalisation in the movement of persons and IT-induced structural changes in the production process of goods and services. In this sense, some of the empirical findings arising from this study will be useful in developing such a theory.

The WTO secretariat claims that GATS will foster more competition, lower prices, faster innovation, higher employment, greater transparency and predictability and increased technology transfer. This may be possible in some circumstances, but it is also just as likely that the domestic industry will suffer under the aggressive thrust of TNCs, who are to some extent forming the rules of the Agreement. The National Treatment clause of GATS prohibits governments from giving special support to domestic companies who are competing against foreign investors. A small company from a developing country with limited resources will have to compete against TNCs with almost unlimited resources. This is supposed to be the level playing field of free trade but without access to the same level of resources, or special treatment, this an incredibly unbalanced system and has clear winners and losers.

Overall, GATS rules are still untested and evolving. Services schedules are much more complex than those for goods: they include commitments across sectors and within specific sectors, which apply to services, the providers of services, and the way in which the service is provided. This makes it difficult to assess the economic and sustainability implications of (i) current levels of tourism liberalisation, (ii) the various proposals to significantly expand GATS. It is therefore essential that WTO member governments implement the recently approved guidelines and procedures for the negotiations on trade in services, taking into consideration and using the necessary tools, policy instruments and principles for responsible tourism. Tourism trade should also involve local cultures and people, ensuring that they participate actively in decision-making and have an equitable share in its benefits. In the absence of social and environmental policies, safeguards and measures, the benefits of liberalisation can dissipate and, in some cases, become a cost for the long-term economic development

of key tourism activities and sectors.

Finally, it is important to realise, as discussed throughout this study, that there are both positive and negative effects of liberalising tourism services. The type and scope of impacts will depend primarily on the following factors: (i) the infrastructure, regulations and institutions of destination countries, (ii) the liberalisation of foreign investment and foreign establishment, including foreign investment incentives in place. In general, the GATS is expected to provide more opportunities than threats to member countries. Therefore, it is important to prepare for forthcoming changes in the industry after the implementation of GATS in order to maximise its potential opportunities. However, the effects of trade liberalisation will differ between countries depending on geographical factors, tourism facilities and resources and institutional policies relating to tourism. The type, characteristics and scope of trade agreements will also serve to shape results.

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APPENDIX A

QUESTIONNAIRES IN ENGLISH & KOREAN

Bournemouth University
International Centre for Tourism and Hospitality Research
UK

Questionnaire for PhD Research

**The implementation of the GATS (General Agreement on Trade in Services) and
its impact upon tourism development: a case study of Korea**

The United Nations, through the World Trade Organisation, has continually attempted to foster the growth of world trade. To this effect it implemented the GATT agreement in order to liberalise the trade in goods. In 1994 it extended its sphere of influence by including the world trade in services under the GATS agreement. GATS is intended to liberalise the world trade in services and may be seen as a response to the ever-increasing importance of the service industries as a part of world trade.

GATS negotiations will resume on January 1, 2000. The GATS agreement concerns both trade liberalisation and the reduction of barriers to trade.

However, participation of the developing countries in the trade in services liberalisation process is one of the key objectives of GATS. In this case, Korea as one of growing developing countries among member countries would be significant to analyse the effect that the GATS agreement is likely to have on its economic development and trading position.

The case study in Korea will attempt to provide a GATS "ON" GATS "OFF" analysis of economic structure and trade. In this way it will be possible to not only examine the way in which the GATS has altered the development of industries in Korea but also point to future changes that may be expected.

The results of this questionnaire will be used by the researcher for her PhD thesis.

6. (a) How long does it take for a
tourism related company to set up
business in Korea?
(e.g. legislation and approval)

____ for foreign owned companies
____ for domestic owned companies

(b) If there is a difference between
foreign and domestic owned
companies, why?

The current government is trying to boost tourism industry in Korea. They also have introduced new tourism development policies and provide more benefits in relation to other industries.

7. Which industries does the government
treat more favourably than tourism?

8. Which industries does the government
treat less favourably than tourism?

9. What are major obstacles to
development and growth of your
industry? (please answer according to
categorised factors that provided below)

- a) labour
- b) capital investment
- c) trade restrictions
- d) transport
- e) current government regulations

Part 2. Awareness of the GATS.

10. Are you familiar with the GATS?

<u>Very familiar</u>			<u>Not known</u>	
1	2	3	4	5

11. Which trade agreement is the most important to the Korean tourism industry?

(Please circle the order of importance of each following trade agreements)

(Note: 1 is most important, 4 is least important)

- | | | | | |
|-------------------------------------|---|---|---|---|
| a) GATS | 1 | 2 | 3 | 4 |
| b) APEC | 1 | 2 | 3 | 4 |
| c) Korea - China regional agreement | 1 | 2 | 3 | 4 |
| d) Korea - Japan regional agreement | 1 | 2 | 3 | 4 |

Part 3. General Knowledge and Information about the GATS.

Korea has signed up for 8 specific commitments under GATS agreement which are Business, Financial, Tourism and travel related, Construction and related engineering, Communication, Transport, Distribution, and Environmental services.

12. Why do you think they have chosen these commitments? _____

However, Korea has not signed 4 other specific commitments which are Education, Health related and social services, Recreational, cultural and sporting, and Other services not include elsewhere.

13. Why do you think they haven't signed the other 4 commitments? _____

14. What are your expectations of GATS towards the future development and growth of the Korean tourism industry?

- a) competitiveness
- b) trade restrictions
- c) trade liberalisations
- d) foreign investments

positive	no effect		negative	
1	2	3	4	5

15. Why does the government give exemptions to America under GATS?

The GATT(General Agreement on Tariff and Trade) passed by eight Rounds, the most important one is Uruguay Round (1986-1994). The liberalisation of trade in goods has been attempted to achieve by GATT since 1947. The principles of GATT is reducing trade barriers and promoting free market. Over the last four decades, the principles of GATT have proved very effective. The average tariff on manufactured goods was 40 percent in 1947, it is less than 5 percent today. The volume of world trade had grown twice as quickly as the world economy, making national economies more stable and more interdependent. But the problems of GATT went beyond the particular issues of the Uruguay Round. Although GATT has been very successful at reducing tariffs, it is ill-equipped to address many of the other barriers to free trade.

16. What are the benefits of GATT?

list top 3 benefits

17. What are the problems of GATT?

list top 3 problems

18. What are the expected benefits of GATS?

list top 3 benefits

19. What are the expected problems of GATS?

list top 3 problems

Part 4. Expected Outcomes of the GATS

20. Which modes of supply would be most affected by GATS with respect to the Korean tourism industry? (Please circle the order of importance of each following modes)

(Note: 1 is most affected, 4 is least affected)

- | | | | | |
|--------------------------------|---|---|---|---|
| a) consumption abroad | 1 | 2 | 3 | 4 |
| b) commercial presence | 1 | 2 | 3 | 4 |
| c) movement of natural persons | 1 | 2 | 3 | 4 |
| d) cross-border | 1 | 2 | 3 | 4 |

21. Does the financial crisis make the implementation of GATS more necessary or less necessary in Korea?

<u>more necessary</u>			<u>less necessary</u>
1	2	3	4 5

22. Will the government introduce indicators to monitor the tourism industry after year 2000?

- yes
 no

. If yes, what indicators do you think they should use?

23. Will the GATS help to overcome the financial crisis (IMF) of Korea?

- yes
 no

If yes, how?

If no, why?

24. Do you have any other comments on GATS?

Questionnaire 2

Questions for Private Sector

Part 1. Government Rules and Policies Toward Trade Liberalisation.

1. How do you think the government ranks the importance of the tourism industry?

<u>Important</u>			<u>Not important</u>	
1	2	3	4	5

2. Does the government treat tourism industry more favourably than other industries?

yes
 no

If the answer is yes, in what areas?

low interest loans
 increase investment
 reducing taxes
 others

3. What are major obstacles to development and growth of your industry? (please answer according to categorised factors that provided below)

- a) labour
- b) investment capital
- c) trade restrictions
- d) transport
- e) current government regulations

4. How important is trade liberalisation to your business?

<u>very important</u>			<u>not important</u>	
1	2	3	4	5

Part 2. Awareness of the GATS.

5. Are you aware of the GATS negotiations?

yes

(if the answer is **no**, please go to the **Q9**)

no

6. What are the expected benefits from the GATS?

list top 3 benefits

7. What are the expected problems from the GATS?

list top 3 problems

8. Do you have any intention of making use of GATS to expand your business in the future?

yes

no

If yes, how?

Part 3. General Knowledge and Information about the GATS.

9. Which following areas are most important for your business?

(Please circle the order of each area)

(Note: 1 is most important, 5 is least important)

a) Africa

1 2 3 4 5

b) Europe

1 2 3 4 5

c) America and Canada

1 2 3 4 5

d) Asia and Pacific

1 2 3 4 5

e) Middle East

1 2 3 4 5

10. Which of the above areas offer the greatest future potential for your business? (related to Q6)

11. Which trade agreement is the most important to your industry? (please circle the order of importance of each agreement)

(Note: 1 is most important, 4 is least important)

- | | | | | |
|---|---|---|---|---|
| a) GATS | 1 | 2 | 3 | 4 |
| b) APEC | 1 | 2 | 3 | 4 |
| c) Korea-China regional trade agreement | 1 | 2 | 3 | 4 |
| d) Korea-Japan regional trade agreement | 1 | 2 | 3 | 4 |

12. Which modes of supply would be affected by GATS in your industry? (please circle the order of importance of each mode)

(Note: 1 is most important, 4 is least important)

- | | | | | |
|--------------------------------|---|---|---|---|
| a) consumption abroad | 1 | 2 | 3 | 4 |
| b) commercial presence | 1 | 2 | 3 | 4 |
| c) movement of natural persons | 1 | 2 | 3 | 4 |
| d) cross-border | 1 | 2 | 3 | 4 |

Part 4. Expected Impacts of the GATS on Korean Tourism

13. If the government opens up the market completely to foreign companies, would it affect your business?

<u>have a major effect</u>			<u>have no effect</u>	
1	2	3	4	5

If answer is not 5, how?

If answer is 5, why?

After year 2000, there will be free competition between domestic and foreign companies in tourism industry.

14. (a) Have you prepared for higher competition, especially with well-known multinational foreign companies?

<u>very prepared</u>			<u>not prepare</u>	
1	2	3	4	5

(b) and how have you prepared?

15. How do you think your industry will change after GATS?

- a) foreign employment
- b) competitiveness
- c) foreign investment
- d) trade restrictions

16. Will the GATS help to overcome the financial crisis(IMF) of Korea?

- yes
- no

If yes, how?

If no, why?

17. Would you consider the GATS as a benefit or an obstacle to your industry?

<u>benefit</u>				<u>obstacle</u>
1	2	3	4	5

18. For travel agents,

What is the role of travel agents in the development of the tourism industry in Korea?

What is average annual growth and volume of activities of tour operators?

For hotels,

What is the role of luxury hotels
in Korean tourism industry?

What is average annual growth and
volume of activities of the hotel industry?

For restaurants,

Why are the majority of fast food
restaurants American in Korea? Is it
because of political reasons?

19. Do you have any other comments on
GATS?

Demographic Questions

Information about you

1. What is your age group?

(Please tick in the appropriate box)

less than 24

25 - 39

2. Sex (Please tick in the appropriate box)

40 and over

Male

3. In which industry do you work?

Female

4. What is your current employment position?

5. Where did you work prior to your current employment?

6. Do you have a degree in tourism?

7. What is your education level?

Yes

No

(Please tick in the appropriate box)

School

College (further education)

University (higher education)

Post-graduate (higher education)

Bournemouth University

International Centre for Tourism and Hospitality Research

UK

Questionnaire for PhD Research

The implementation of the GATS (General Agreement on Trade in Services) and its impact upon tourism development : a case study of Korea

세계무역 성장을 촉진시키고자 UN 과 WTO를 비롯한 많은 주요 기관들이 노력을 했으나 오랫동안 서비스업에 관한 공인된 협약은 겨우 1995년에 이르러서야 GATT에서 분리된 GATS가 우루과이 라운드를 통해서 발표가 되었다.

GATS는 처음으로 국제적으로 인증 받은 서비스업을 상세적이고 구체적인 국제협약으로 점차적으로 증가하고 있는 관광업의 중요성을 바탕으로 국가간의 무역을 보다 합리적이고 평등적으로 이루자는 목적에서 발표된 세계적으로 주목 받는 협약이다.

GATS 는 2000년 1월부터 세계적으로 적용이 되며 그 목적은 무역 자유화와 무역 제한 완화를 바탕으로 한다. 선진국, 후진국 그리고 중진국 과의 무역에 있어서 불이익을 당하는 일을 줄이고 한국과 같이 수입에 제한이 많은 나라 등의 개방을 우선적으로 하고 있지만 시기적으로 너무 빠른 무역 개방은 오히려 중진국과 후진국에 해가 될 수도 있다는 문제점이 있기도 하다.

한국은 중진국임에도 불구하고 12가지 사항에 있어서 8가지나 동의를 했으나 실제로 동의한 사항을 제대로 이해할지는 의문이다. 또, 이런 무역 자유화가 한국관광 사업에 도움이 될지 또는 해가 될지는 앞으로의 활동을 잘 지켜보아야 하겠지만 전문가들이나 관광업 종사자들은 그 동안의 상황을 바탕으로 타당성 있는 예측은 할 수 있을 것이다.

끝으로 이 조사결과는 본인의 박사 논문의 중요한 자료로 쓰여 질것이다.

Questionnaires 1

Questions for the Public Sector

Part 1. 자유무역에 관한 정부의 정책

1. 당신은 정부가 관광산업을
얼마나 중요하게 인식하고
있다고 생각하십니까?
(등급을 매겨주세요)

중요함 _____ 중요하지 않음
1 2 3 4 5

2. 전반적으로 정부가 한국시장에
무역 자유화를 허용할 것이라고
생각하십니까?
(%로 답을 해 주십시오)

100% |-----| 50% |-----| 0

3. 무역 자유화가 한국관광에 얼마나
중요하다고 생각하십니까?

중요함 _____ 중요하지 않음
1 2 3 4 5

4. 정부가 시장개방을 꺼려 하는 분야가 있습니까? (있다면, 어떤 분야인지
말씀해 주십시오.)

5. (a) 정부가 외국 회사들로 부터의
투자유치를 장려하고 있다고
생각하십니까?

(b) 만약에 그렇다면, 어떤 분야?

6. (a) 관광과 관련된 사업체들이 한국에
회사설립을 한다면 얼마의
기간이 걸립니까?
(예, 법률과 인가문제 등등)

_____ 내국인 회사
_____ 외국인 회사

(b) 만약에 답이 외국인 회사와
내국인 회사가 차이가 난다
면 그 이유는 무엇입니까?

현재의 한국정부는 다른 정부와는 달리 관광산업에 관심을 많이 기울이고 있으며 관광업을 육성시키는데 많은 노력을 하고 있습니다. 그런 의미에서 한국 정부는 이제는 문서에만 기록되어있는 그런 정책이 아니라 좀더 효과 있고 새로운 관광 진흥 정책 과 관광과 관련된 사업에 특전을 제공하는 그런 노력이 필요하다고 생각합니다.

7. 정부가 관광산업보다도 더 우세적으로
장려하는 산업이 있다고 생각하십니까? yes
 no

있으면, 어떤 산업입니까? _____

8. 정부가 관광산업보다도 더 관심을
가지지 않는 산업이 있다고 생각
하십니까? yes
 no

있으면, 어떤 산업이라고
생각하십니까? _____

9. 한국관광사업을 발전, 개발시키는데
있어서 방해가 된다고 생각하시는
문제점들이 있으십니까? (밑에 나열된
요소들에 의해서 답을 해주십시오)

- a) 노동력
- b) 투자 자본
- c) 무역 제한
- d) 교통
- e) 그 외

Part 2. GATS에 관한 인식정도.

10. GATS(General Agreement on
Trade in Services) 라는 협약에
대해 알고 계십니까?

잘 알고있다 _____ 전혀 모른다
1 2 3 4 5

11. 밑에 나열된 무역 협상 중에서
한국의 관광사업에 있어서 가장
중요한 것부터 차례대로 동그라
미를 그려서 표 해 주십시오.

(Note: 1 가장 중요함, 4 전혀 중요하지 않음)

- | | | | | |
|-------------------------------------|---|---|---|---|
| a) GATS | 1 | 2 | 3 | 4 |
| b) APEC | 1 | 2 | 3 | 4 |
| c) Korea - China regional agreement | 1 | 2 | 3 | 4 |
| d) Korea - Japan regional agreement | 1 | 2 | 3 | 4 |

Part 3. GATS에 관한 정보와 지식정도.

한국은 GATS 협상에서 8 가지 분야의 무역 자유화에 서명을 했습니다(Business, Financial, Tourism and travel related, Construction and related engineering, Communication, Transport, Distribution, and Environmental services). 이는 다른 중진국과 비교해서 탁월하게 많은 분야를 개방하는데 동의를 한 것입니다.

12. 당신은 한국 정부가 왜 이 8가지 사항에 서명을 했다고 생각하십니까? _____

그러나, 12가지 분야에서 나머지 4 분야는 서명을 하지 않았는데 그 분야들은 아래와 같습니다. Education, Health related and social services, Recreational, cultural and sporting, and 그 외의 서비스 분야.

13. 당신은 왜 이 4분야는 서명을 하지 않았다고 생각하십니까? _____

14. 앞으로의 한국관광의 발전과 성장을 중심으로 GATS 협약이 끼칠 영향을 당신은 어떻게 생각하십니까?

- a) 경쟁력
- b) 무역 제한
- c) 무역 자유화
- d) 외국 투자 유치

positive		no effect		negative	
1	2	3	4	5	

15. GATS 협약에 의하면 한국이 단지 미국에만 예외로 무역 자유화에 있어서 혜택을 준다는 사항이 들어있는데 이는 왜 그렇다고 생각 하십니까? _____

GATT 협약이 8라운드를 거치는 동안 우루과이 라운드(1986-1994)가 가장 중요한 라운드로 인식되어지고 있다. 1947년에 GATT 협약은 세계 자유무역을 이루기 위해 설립되었다. GATT 설립 목적은 무역장해를 줄이고 시장개방을 추진하기 위함이었으며 지난 40년간 GATT가 효과적이었음을 국제무역에 책정이 된 평균세금이 5% 감소된 40% 이 이르렀으므로 그 효과가 증명되었음. 세계의 무역량이 2배로 증가하였으며 그로 인해 각 국가의 경제가 보다 안정적이고 독립적이 되었다. 이러한 성공에도 불구하고 GATT 조약이 세금감소를 제외한 다른 무역장해를 극복하는데는 실패했다는 견해가 주를 이루고 있다.

23. GATS 협약이 한국의 IMF상황을
이겨나가는 데 도움이 되리라고
생각하십니까?

- yes
- no

만약에 그렇다면, 어떻게 도움이
되리라고 생각하십니까?

만약에 그렇지 않다면, 그 이유는
무엇입니까?

24. GATS나 한국관광에 관하여 의견
이 있으시다면 말씀해 주십시오.

Questionnaires 2

Questions for Private Sector

Part 1. 자유무역에 관한 정부의 정책

1. 당신은 정부가 관광산업을 얼마나 중요하게 인식하고 있다고 생각하십니까? (등급을 매겨주세요)

중요함				전혀 중요하지 않음
1	2	3	4	5

2. 정부가 관광산업을 다른 산업과 비교해서 우선적으로 장려하고 있다고 생각하십니까?

yes
 no

만약에 yes라고 답하셨다면, 어떤 분야에서 그렇다고 생각하십니까?

낮은 이자율
 세금 감소
 투자 증가
 그 외

3. 한국관광산업을 발전, 개발시키는데 있어서 방해가 된다고 생각하시는 문제점들이 있으십니까? (밑에 나열된 요소들에 의해서 답을 해주십시오)

- a) 노동력
- b) 투자 자본
- c) 무역 제한
- d) 교통
- e) 그 외

4. 무역자유화가 당신에게 얼마나 중요하니까?

매우 중요함				전혀 중요하지 않음
1	2	3	4	5

Part 2. GATS에 관한 인식도

5. GATS(General Agreement on Trade in Services)라는 협약에 대해 알고 계십니까?

yes
 no
(만약에 답이 no 일 경우에는 Q9 으로 가주세요)

6. GATS로 부터 추측되는 장점이
될만한 점들이 있습니까?

이득점 3가지

7. GATS로 부터 추측되는 단점이
될만한 점들이 있습니까?

문제점 3가지

8. 만약 당신이 가까운 미래에 당신
사업체를 확장 시킨다면 그럴
경우 GATS를 이용하실
생각이십니까?

yes

no

만약에 답이 yes라면, 어떤 방법
으로 사용 하실 생각이십니까?

Part 3. GATS에 관한 정보와 지식정도.

9. 한국관광 산업에 있어서 세계화
에 발맞춰서 가장 중요하게 생각
하는 지역은 다음중 어느 지역입
니까? (중요한 지역들을 차례대로
동그라미로 표시해 주십시오)

- a) Africa
- b) Europe
- c) America and Canada
- d) Asia and Pacific
- e) Middle East

(노트: 1 가장 중요함, 5 가장 중요하지 않음)

- 1 2 3 4 5
- 1 2 3 4 5
- 1 2 3 4 5
- 1 2 3 4 5
- 1 2 3 4 5

10. 당신의 사업에 있어서 가장 중요
하게 생각되는 지역은 위의
지역들 중에서 어디입니까?
(Q9 과 관련됨)

11. 밑에 나열된 무역 협약중에서
당신에게 가장 중요한 것부터
차례대로 동그라미를 그려서
표 해주십시오.

- a) GATS
- b) APEC
- c) Korea-China regional trade
agreement
- d) Korea-Japan regional trade
agreement

(노트: 1 가장 중요함 4 중요하지 않음)

- 1 2 3 4
- 1 2 3 4
- 1 2 3 4
- 1 2 3 4

12. GATS 협약 중에서 언급이 된 밑의 4가지 공급방법 중에서 어떤 것이 당신에게 가장 영향을 많이 끼칠지 차례대로 동그라미를 그려 주십시오.

- a) consumption abroad(고객의 이동)
- b) commercial presence(지점 설립)
- c) movement of natural persons
(경영인을 다른나라로 파견하는 경우)
- d) cross-border
(그외의 국경을 넘나드는 서비스무역)

(노트: 1 가장 중요함 4 중요하지 않음)

1	2	3	4
1	2	3	4
1	2	3	4
1	2	3	4

Part 4. 다가오는 미래에 GATS가 한국 관광산업에 미치는 영향

13. 만약에 정부가 한국시장을 완전히 외국기업에 개방한다면 이것이 당신 사업에 영향을 끼칠까라고 생각하십니까?

영향이 크다 전혀 영향이 없다
 1 2 3 4 5

답이 5이하일 경우, 그이유는?

답이 5일 경우, 그이유는?

2000년 이후에는 관광사업에 관한 국내 회사들과 외국 회사들간에 자유 경쟁이 합법적으로 허용이 될 예정입니다.

14. (a) 자유경쟁에 대한 대비는 하셨습니까? 특히, 잘 알려진 외국 대기업들과의 경쟁에 대비를 하셨습니까?

대비가 잘되었음 전혀 안되었음
 1 2 3 4 5

(b) 대비를 하셨다면 어떻게 대비를 하셨는지요?

15. 당신의 사업이 GATS가 실행된 후 어떻게 변할것 같습니까?

- a) 외국인 고용
- b) 경쟁력
- c) 외국 투자
- d) 무역 장해물

16. GATS가 한국의 IMF를 극복하는 데 있어서 도움이 되리라고 생각하십니까?

- yes
 no

만약에 답이 yes이면, 어떻게?

만약에 답이 no 이면, 그이유는?

17. GATS가 당신의 사업체에 도움을 줄 것으로 생각하십니까 아니면 방해물로 생각하십니까?

이득 1 2 3 4 5 방해물

18. For travel agents,

한국내의 여행사들이 지켜야 하거나 꼭 행해야할 법칙이 있습니까? (외국인이나 한국인이 여행업을 하고자 할경우 지켜야할 법칙이나 규칙이 있는지요?)

귀사의 평균적 년 성장률이나 활동 사항(적자인지 흑자운영인지, 몇%의 성장률을 유지하시는지, 귀사에 가장 중요한 영향을 미치는 나라는, business traveller가 많은지 아니면 순수관광객이 많은지?) 을 적어주십시오.

For hotels,

한국내의 특급호텔들이 지켜야 하거나 꼭 행해야할 법칙이 있습니까?

귀하 호텔의 평균적 년 성장률이나 활동 사항을 적어주십시오

For restaurants,

한국에 있는 대부분의 fast food 식당들이 미국brand 인데 그 이유는 어디에 있다고 생각하십니까? 정치적 이유때문이라고 생각 하시는지요?

귀사의 평균적 년 성장률이나 활동 사항(적자인지 흑자 운영인지, 몇%의 성장률을 유지 하시는지, 귀사에 가장 중요한 영향을 미치는 나라는, business traveller 가 많은지 아니면 순수관광객이 많은지?) 을 적어주십시오.

19. GATS나 한국관광 사업에 관해서
다른 언급하고자 하는 사항이
있으십니까?

Demographic Questions

1. 당신에게 맞는 나이 그룹에 표를
해주십시오. 24세 이하
 25 -39
 40세 이상
2. 성별 남자
 여자
3. 현재 일하시고 계신 곳은?

4. 현재 직장에서의 직위는?

5. 현재 직장 이전에 일하셨던 곳은?

6. 당신은 관광이나 호텔과 연관된
학부를 졸업하셨습니까? 예
 아니오
7. 당신의 최종학력에 합당한 난에
표해주십시오. 고등학교
 전문대학 이나 그에 준하는 교육
 대학이상 또는 그에 준하는 교육
 대학원 이상

APPENDIX B

THE LIST OF INTERVIEWEES

The List of Interviewees

Sectors	Regions	Name of the Establishments	Questions Explored
Public	Seoul	KNTO	Questionnaire 1 (all of the questions)
		KNTO	Questionnaire 1
Public	Seoul	KTRI	Questionnaire 1
		KTRI	Questionnaire 1
		KTRI	Questionnaire 1
		KTRI	Questionnaire 1
		KTRI	Questionnaire 1
Public	Seoul	Ministry of Culture and Tourism	Questionnaire 1
		Ministry of Culture and Tourism	Questionnaire 1
Public	Busan	Local government in Busan	Questionnaire 1
Public	Daegu	Local government in Daegu	Questionnaire 1
Public	Kyongju	Local government in Kyongju	Questionnaire 1
Public	Incheon	Local government in Incheon	Questionnaire 1
Public	Jeju	Local government in Jeju	Questionnaire 1
Public	Suwon	Local government in Suwon	Questionnaire 1
Five star hotel	Seoul	Grand Hyatt Hotel	Questionnaire 2 (all of the questions)
Five star hotel	Seoul	Grand Hilton Hotel	Questionnaire 2
Five star hotel	Seoul	Seoul Plaza Hotel	Questionnaire 2
Five star hotel	Seoul	Sheraton Walker Hill Hotel	Questionnaire 2
Five star hotel	Seoul	COEX Inter-Continental Hotel	Questionnaire 2
Five star hotel	Seoul	Hotel Lotte	Questionnaire 2
Five star hotel	Seoul	Ritz Calton Hotel	Questionnaire 2
Five star hotel	Seoul	Hotel Shilla	Questionnaire 2
Five star hotel	Seoul	Hotel Amiga	Questionnaire 2
Five star hotel	Seoul	Novotel	Questionnaire 2
Five star hotel	Seoul	Koreana Hotel	Questionnaire 2
Five star hotel	Seoul	Tower Hotel	Questionnaire 2
Five star hotel	Seoul	Elle Lui Hotel	Questionnaire 2
Five star hotel	Seoul	Seoul Royal Hotel	Questionnaire 2
Five star hotel	Seoul	Sejong Hotel	Questionnaire 2
Five star hotel	Busan	Paradise Hotel Busan	Questionnaire 2
Five star hotel	Busan	Haeundae Grand Hotel	Questionnaire 2
Five star hotel	Busan	Hotel Lotte Busan	Questionnaire 2
Five star hotel	Busan	Comodo Hotel	Questionnaire 2
Five star hotel	Busan	West Chosun Beach Hotel	Questionnaire 2
Five star hotel	Kyongju	Kyongju Hilton Hotel	Questionnaire 2
Five star hotel	Kyongju	Kyongju Chosun Hotel	Questionnaire 2
Five star hotel	Kyongju	Kolon Hotel	Questionnaire 2

(Continued)

Sectors	Regions	Name of the Establishments	Questions Explored
Five star hotel	Kyongju	Hotel Hyundai	Questionnaire 2
Five star hotel	Kyongju	Hotel Concorde	Questionnaire 2
Five star hotel	Jeju	Jeju Shilla Hotel	Questionnaire 2 (all of the questions)
Five star hotel	Jeju	Jeju Grand Hotel	Questionnaire 2
Five star hotel	Jeju	Jeju KAL Tourist Hotel	Questionnaire 2
Four star hotel	Seoul	Kyongnam Tourist Hotel	Questionnaire 2
Four star hotel	Seoul	Green Glass Tourist Hotel	Questionnaire 2
Four star hotel	Seoul	New Gukje Hotel	Questionnaire 2
Four star hotel	Seoul	New Seoul Hotel	Questionnaire 2
Four star hotel	Seoul	River Park Tourist Hotel	Questionnaire 2
Four star hotel	Seoul	Samjung Tourist Hotel	Questionnaire 2
Four star hotel	Seoul	Crown Tourist Hotel	Questionnaire 2
Four star hotel	Seoul	Victoria Tourist Hotel	Questionnaire 2
Four star hotel	Seoul	Centro Hotel	Questionnaire 2
Four star hotel	Busan	Gukje Tourist Hotel	Questionnaire 2
Four star hotel	Busan	Grand Tourist Hotel	Questionnaire 2
Four star hotel	Kyongju	Kyongju Chosun Tourist Hotel	Questionnaire 2
Four star hotel	Jeju	Green Tourist Hotel	Questionnaire 2
Four star hotel	Jeju	Jeju Marina Tourist Hotel	Questionnaire 2
Three star hotel	Seoul	Niagara Tourist Hotel	Questionnaire 2
Three star hotel	Seoul	New Regent Hotel	Questionnaire 2
Three star hotel	Seoul	Dynasty Tourist Hotel	Questionnaire 2
Three star hotel	Seoul	Metro Hotel	Questionnaire 2
Three star hotel	Busan	Busan Plaza Hotel	Questionnaire 2
Three star hotel	Busan	Moonhwa Tourist Hotel	Questionnaire 2
Three star hotel	Busan	Oriental Tourist Hotel	Questionnaire 2
Three star hotel	Busan	Olympia Tourist Hotel	Questionnaire 2
Three star hotel	Kyongju	Kyongju Tourist Hotel	Questionnaire 2
Three star hotel	Jeju	Jeju Continental Tourist Hotel	Questionnaire 2
Travel Agent	Seoul	Koryo Tour	Questionnaire 2
Travel Agent	Seoul	Kukbo Tour	Questionnaire 2
Travel Agent	Seoul	Kukil Tour Travel Agent	Questionnaire 2
Travel Agent	Seoul	Kukje Event Tour	Questionnaire 2
Travel Agent	Seoul	Kumsung Kukje Tour	Questionnaire 2
Travel Agent	Seoul	New World Tour	Questionnaire 2
Travel Agent	Seoul	Dongbu Tour	Questionnaire 2
Travel Agent	Seoul	Sinil Tour	Questionnaire 2
Travel Agent	Seoul	Onnuri Tour	Questionnaire 2
Travel Agent	Seoul	Ildong Travel Agent	Questionnaire 2
Travel Agent	Seoul	China Airline Travel Agent	Questionnaire 2
Travel Agent	Seoul	Tour Enterprise	Questionnaire 2

(Continued)

Sectors	Regions	Name of the Establishments	Questions Explored
Travel Agent	Seoul	Paradise Travel Agent	Questionnaire 2
Travel Agent	Seoul	Hanjin Tour	Questionnaire 2
Travel Agent	Seoul	Haesung Tour	Questionnaire 2
Travel Agent	Seoul	Dynasty Tour	Questionnaire 2
Travel Agent	Seoul	Rivera Travel Agent	Questionnaire 2 (all of the questions)
Travel Agent	Seoul	Samil Tour	Questionnaire 2
Travel Agent	Seoul	Sinhan Travel Agent	Questionnaire 2
Travel Agent	Seoul	Y.K. Tour	Questionnaire 2
Travel Agent	Seoul	Alfa Tour	Questionnaire 2
Travel Agent	Seoul	COEX Tour	Questionnaire 2
Travel Agent	Seoul	Daehan Travel Agent	Questionnaire 2
Travel Agent	Seoul	Joongang Kukje Tour	Questionnaire 2
Travel Agent	Seoul	Gagopa Tour	Questionnaire 2
Travel Agent	Seoul	Kyong Bang Travel Agent	Questionnaire 2
Travel Agent	Seoul	Glory Tour	Questionnaire 2
Travel Agent	Seoul	Lotte Tour	Questionnaire 2
Travel Agent	Seoul	Segang Travel Agent	Questionnaire 2
Travel Agent	Seoul	Smile Tour	Questionnaire 2
Travel Agent	Seoul	Union Tour	Questionnaire 2
Travel Agent	Seoul	Kolon Express Tour	Questionnaire 2
Travel Agent	Seoul	Tour Plaza Travel Agent	Questionnaire 2
Travel Agent	Seoul	Hana Tour	Questionnaire 2
Travel Agent	Seoul	Hanju Travel Agent	Questionnaire 2
Travel Agent	Seoul	Changs Tour	Questionnaire 2
Travel Agent	Seoul	Aju Tours International	Questionnaire 2
Travel Agent	Seoul	Prime Tour	Questionnaire 2
Travel Agent	Seoul	Taepung Travel Agent	Questionnaire 2
Travel Agent	Seoul	Tour System Korea	Questionnaire 2
Travel Agent	Busan	New World Travel Agent	Questionnaire 2
Travel Agent	Busan	Hannam Overseas Travel Agent	Questionnaire 2
Travel Agent	Busan	Sae-A Tour Travel Agent	Questionnaire 2
Travel Agent	Busan	Chun-il Express Tour	Questionnaire 2
Travel Agent	Busan	Busan Tour Travel Agent	Questionnaire 2
Travel Agent	Kyongju	Kyoungbok Travel Agent	Questionnaire 2
Travel Agent	Kyongju	Koreana World Tour	Questionnaire 2
Travel Agent	Jeju	New Aju Tour	Questionnaire 2
Travel Agent	Jeju	Kukje Travel Agent	Questionnaire 2
Travel Agent	Jeju	Dosan Tour	Questionnaire 2
Restaurant	Seoul	TGI Friday's	Questionnaire 2
Restaurant	Seoul	Bennigans	Questionnaire 2
Restaurant	Seoul	Outback International	Questionnaire 2
Restaurant	Seoul	Marche Korea	Questionnaire 2
Restaurant	Seoul	Bearmountain	Questionnaire 2
Restaurant	Seoul	Sizzler	Questionnaire 2

The List of Interviewees (Continued)

Sectors	Regions	Name of the Establishments	Questions Explored
Restaurant	Seoul	Cocos	Questionnaire 2
Restaurant	Seoul	McDonalds	Questionnaire 2
Restaurant	Seoul	Americana	Questionnaire 2
Restaurant	Seoul	Chinez 2 go	Questionnaire 2
Restaurant	Seoul	Pietro	Questionnaire 2
Restaurant	Seoul	Pizza Hut	Questionnaire 2
Restaurant	Seoul	Sorrento	Questionnaire 2
Restaurant	Seoul	Burger King	Questionnaire 2
Restaurant	Seoul	Popeyes	Questionnaire 2
Restaurant	Seoul	Nolboo	Questionnaire 2
Restaurant	Seoul	Morangak	Questionnaire 2
Restaurant	Seoul	Baenamugol	Questionnaire 2
Restaurant	Seoul	Gamjatang	Questionnaire 2
Restaurant	Seoul	Hansbibimbap	Questionnaire 2
Restaurant	Seoul	Hankane	Questionnaire 2
Restaurant	Seoul	Guimaul	Questionnaire 2
Restaurant	Seoul	Heungbooga	Questionnaire 2
Restaurant	Seoul	Korean Pizza	Questionnaire 2
Restaurant	Seoul	Han Mi Franchise	Questionnaire 2
Restaurant	Seoul	Sagai	Questionnaire 2
Restaurant	Seoul	Food-okonomi	Questionnaire 2
Restaurant	Busan	Manseokgun	Questionnaire 2
Restaurant	Busan	Mungga Limited	Questionnaire 2
Restaurant	Busan	Hangawi	Questionnaire 2
Restaurant	Busan	Pakumi	Questionnaire 2
Restaurant	Busan	Lotteria	Questionnaire 2
Restaurant	Busan	Mokjangwon	Questionnaire 2
Restaurant	Busan	Sunny House	Questionnaire 2
Restaurant	Kyongju	Pomun Garden	Questionnaire 2
Restaurant	Kyongju	Nulsiwon	Questionnaire 2
Restaurant	Jeju	Gouni Garden	Questionnaire 2
Restaurant	Jeju	Jeju-donbangsuk	Questionnaire 2
Restaurant	Jeju	Maldives	Questionnaire 2
Restaurant	Jeju	B&C House	Questionnaire 2

Note: The researcher agreed with respondents to conduct interviews anonymously. Therefore, names and contact numbers of the respondents cannot be presented in this thesis.

APPENDIX C

GUIDELINES FOR SCHEDULING OF SPECIFIC COMMITMENTS UNDER GATS

GUIDELINES FOR THE SCHEDULING OF SPECIFIC COMMITMENTS UNDER THE GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

(Adopted by the Council for Trade in Services on 23 March 2001)

Explanatory note

This document is the result of a revision exercise carried out in the Committee on Specific Commitments. The exercise was based on the two documents which were produced and circulated during the Uruguay Round negotiations: MTN.GNS/W/164, entitled Scheduling of Initial Commitments in Trade in Services: Explanatory Note of 3 September 1993, and document MTN.GNS/W/164/Add.1, entitled Scheduling of Initial Commitments in Trade in Services: Explanatory Note, Addendum of 30 November 1993. These guidelines shall be applicable as of the date of their adoption. It should be understood that schedules in force prior to date of this document have been drafted according to MTN.GNS/W/164 and MTN.GNS/W/164/Add.1.

Introduction

This note is intended to assist in the preparation of offers, requests and national schedules of specific commitments. Its objective is to explain, in a concise manner, how specific commitments should be set out in schedules in order to achieve precision and clarity. It is based on the view that a common format for schedules as well as standardization of the terms used in schedules are necessary to ensure comparable and unambiguous commitments. The note cannot answer every question that might occur to persons responsible for scheduling specific commitments; it does attempt to answer those questions which are most likely to arise. The answers should not be considered as a legal interpretation of the GATS.

The GATS contains two sorts of provisions. The first are general obligations, some of which apply to all service sectors (e.g. MFN, transparency) and some only to scheduled specific commitments (e.g. Article XI: Payments and Transfers). The second are specific commitments which are negotiated undertakings particular to each GATS signatory. Specific commitments, upon the conclusion of negotiations, are to be recorded in national schedules which will be attached to, and form an integral part of, the GATS. By virtue of Article XX, every signatory must attach to the GATS its national schedule. This note addresses two main questions: what items should be entered on a schedule, and how should they be entered.

PART I. WHAT ITEMS SHOULD BE SCHEDULED?

Since schedules, including footnotes, head notes and attachments, are a record of legal commitments, nothing should appear in them which a Member does not intend to be legally binding. A schedule contains the following main types of information: a clear description of the sector or sub-sector committed, limitations¹ to market access, limitations to national treatment, and additional commitments other than market access and national treatment. If a Member undertakes a commitment in a sector then it must indicate for each mode of supply that it binds in that sector:

- what limitations, if any, it maintains on market access;
- what limitations, if any, it maintains on national treatment; and
- what additional commitments, relating to measures affecting trade in services not subject to scheduling under Articles XVI and XVII, it may decide to undertake under Article XVIII

¹ The term "limitations" will be used throughout this note to refer to the "terms", "conditions", "limitations", and "qualifications" used in Articles XVI and XVII of the GATS.

Where commitments do not cover the entire national territory, the entry should describe the geographical scope of measures taken according to Article I:3(a)(i).

If attachments are used, clear reference should be made to the part of the schedules they refer to (i.e. definitions in the first column, market access commitments in the second column, national treatment commitments in the third column and additional commitments in the fourth column).

Exchange control restrictions are subject to the general disciplines of Articles XI (Payments and Transfers) and XII (Restrictions to Safeguard the Balance of Payments) of the GATS.

There is no requirement in the GATS to schedule a limitation to the effect that the cross-border movement of goods associated with the provision of a service may be subject to customs duties or other administrative charges. Such measures are subject to the disciplines of the GATT.

LIMITATIONS ON MARKET ACCESS (ARTICLE XVI)

A Member grants full market access in a given sector and mode of supply when it does not maintain in that sector and mode any of the types of measures listed in Article XVI. The measures listed comprise four types of quantitative restrictions (sub-paragraphs a-d), as well as limitations on forms of legal entity (sub-paragraph e) and on foreign equity participation (sub-paragraph f). The list is exhaustive and includes measures which may also be discriminatory according to the national treatment standard (Article XVII). In other words, all measures falling under any of the categories listed in Article XVI:2 must be scheduled, whether or not such measures are discriminatory according to the national treatment standard of Article XVII. The quantitative restrictions can be expressed numerically, or through the criteria specified in sub-paragraphs (a) to (d); these criteria do not relate to the quality of the service supplied, or to the ability of the supplier to supply the service (i.e. technical standards or qualification of the supplier).

With regard to market access limitations, such as numerical ceilings or economic needs tests, the entry should describe each measure concisely indicating the elements which make it inconsistent with Article XVI. Numerical ceilings should be expressed in defined quantities in either absolute numbers or percentages; regarding economic needs tests the entry should indicate the main criteria on which the test is based, e.g. if the authority to establish a facility is based on a population criterion, the criterion should be described concisely

Approval procedures or licensing and qualification requirements, such as financial soundness or membership in a professional organization, are frequently stipulated as conditions to obtain a licence. If they are of a non-discriminatory nature, and therefore to be applied equally to nationals and foreigners, they should not be scheduled under Article XVII. Nor should they be scheduled under Article XVI as long as they do not contain any of the limitations specified in Article XVI. However, if such approval procedures or licensing and qualification requirements are discriminatory, they should be scheduled as national treatment limitations. If approval procedures or licensing and qualification requirements contain any of the limitations specified in Article XVI, they should be scheduled as market access limitations. It has been pointed out that in some schedules the granting of licences has been subject to review, possibly meaning they are granted on a discretionary basis. In such a case the right to supply the service is uncertain. Therefore such entries should be avoided unless the objective criteria on which such a review is based are precisely described.

It should be noted that the quantitative restrictions specified in sub-paragraphs (a) to (d) refer to maximum limitations. Minimum requirements such as those common to licensing criteria (e.g. minimum capital requirements for the establishment of a corporate entity) do not fall within the scope of Article XVI. If such a measure is discriminatory within the meaning of Article XVII and, if it cannot be justified as an exception, it should be scheduled as a limitation on national treatment. If such a measure is non-discriminatory, it is subject to the disciplines of Article VI:5. Where such a measure does not conform to these disciplines, and if it cannot be justified as an exception, it must be brought into conformity with Article VI:5 and cannot be scheduled.

The following are examples of limitations on market access drawn from the schedules of specific commitments. In this regard, paragraph 39 on the scheduling of limitations is also relevant.

- (a) Limitations on the number of service suppliers:
 - Licence for a new restaurant based on an economic needs test.
 - Annually established quotas for foreign medical practitioners.
 - Government or privately owned monopoly for labour exchange agency services.
 - Nationality requirements for suppliers of services (equivalent to zero quota)
- (b) Limitations on the total value of transaction or assets:
 - Foreign bank subsidiaries limited to x percent of total domestic assets of all banks.
- (c) Limitations on the total number of service operations or quantity of service output:
 - Restrictions on broadcasting time available for foreign films.
- (d) Limitations on the total number of natural persons:
 - Foreign labour should not exceed x percent and/or wages xy percent of total.
- (e) Restrictions or requirements regarding type of legal entity or joint venture:
 - Commercial presence excludes representative offices.
 - Foreign companies required to establish subsidiaries.
 - In sector x, commercial presence must take the form of a partnership.
- (f) Limitations on the participation of foreign capital:
 - Foreign equity ceiling of x percent for a particular form of commercial presence.

LIMITATIONS OF NATIONAL TREATMENT (ARTICLE XVII)

A Member grants full national treatment in a given sector and mode of supply when it accords in that sector and mode conditions of competition no less favourable to services or service suppliers of other Members than those accorded to its own like services and service suppliers. The national treatment standard does not require formally identical treatment of domestic and foreign suppliers: formally different measures can result in effective equality of treatment; conversely, formally identical measures can in some cases result in less favourable treatment of foreign suppliers (de facto discrimination). Thus, it should be borne in mind that limitations on national treatment cover cases of both de facto and de jure discrimination as shown in the following examples.

Examples of limitations on national treatment²

(a) Domestic suppliers of audiovisual services are given preference in the allocation of frequencies for transmission within the national territory. (Such a measure discriminates explicitly on the basis of the origin of the service supplier and thus constitutes formal or de jure denial of national treatment.)

(b) A measure stipulates that prior residency is required for the issuing of a licence to supply a service. (Although the measure does not formally distinguish service suppliers on the basis of national origin, it de facto offers less favourable treatment to foreign service suppliers because they are less likely to be able to meet a prior residency requirement than like service suppliers of national origin.)

It is useful to keep in mind that, unlike Article XVI, Article XVII does not contain an exhaustive listing of the types of measure which would constitute limitations on national treatment.

Regarding the need to schedule residency requirements, it should be decided on a case-by-case basis, and in relation to the activity concerned, which requirements (e.g. the need to live in the country as opposed to having a mailing address in the country) constitute a de facto national treatment restriction

² More examples of frequently occurring national treatment restrictions are listed in Attachment 1.

and therefore must be scheduled under Article XVII unless justifiable as an exception. If the residency requirement is not discriminatory, it would be subject to the disciplines of Article VI:5. If it is not consistent with these disciplines and if it cannot be justified as an exception, it must be brought into conformity with Article VI:5.

There is no obligation in the GATS which requires a Member to take measures outside its territorial jurisdiction. It therefore follows that the national treatment obligation in Article XVII does not require a Member to extend such treatment to a service supplier located in the territory of another Member.

Article XVII applies to subsidies in the same way that it applies to all other measures. Article XV (Subsidies) merely obliges Members to "enter into negotiations with a view to developing the necessary multilateral disciplines" to counter the distortive effects caused by subsidies and does not contain a definition of subsidy. Therefore, any subsidy which is a discriminatory measure within the meaning of Article XVII would have to be either scheduled as a limitation on national treatment or brought into conformity with that Article. Subsidies are also not excluded from the scope of Article II (MFN). In line with the paragraph above, a binding under Article XVII with respect to the granting of a subsidy does not require a Member to offer such a subsidy to a services supplier located in the territory of another Member.

Restrictions on the purchase, lease or use of real estate, connected with the supply of a service inscribed in a schedule, are national treatment limitations to the extent that different conditions apply to foreign services suppliers which alter the conditions of competition in favour of service suppliers of the Member compared to like service suppliers of any other Member.

A Member may wish to maintain measures which are inconsistent with both Articles XVI and XVII. Article XX:2 stipulates that such measures shall be inscribed in the column relating to Article XVI on market access. Thus, while there may be no limitation entered in the national treatment column, there may exist a discriminatory measure inconsistent with national treatment inscribed in the market access column. However, in accordance with Article XX:2, any discriminatory measure scheduled in the market access column is also to be regarded as scheduled under Article XVII and subject to the provisions of that Article. When measures inconsistent with both Articles XVI and XVII are inscribed in the column relating to Article XVI (as provided for in Article XX:2), Members could indicate that this is the case (e.g. by stating "also limits national treatment" in the market access column).

ADDITIONAL COMMITMENTS

A Member may, in a given sector, make commitments with respect to measures affecting trade in services not subject to scheduling under Articles XVI and XVII. Such commitments can include, but are not limited to, undertakings with respect to qualifications, technical standards, licensing requirements or procedures, and other domestic regulations that are consistent with Article VI. Additional commitments are expressed in the form of undertakings, not limitations. In the schedule, the Additional Commitments column would only include entries where specific commitments are being undertaken, and need not include those modes of supply where there are no commitments undertaken or any entries at all where no Article XVIII undertakings are made.

EXCEPTIONS

All measures falling under Article XIV (General Exceptions) are excepted from all obligations and commitments under the Agreement, and therefore should not be scheduled. Clearly, such exceptions cannot be negotiated under Part III of the Agreement. Likewise, any prudential measure taken in accordance with paragraph 2(a) of the Annex on Financial Services constitutes an exception to the Agreement and should not be scheduled. Notwithstanding any other provisions of the Agreement, a Member shall not be prevented from taking measures for prudential reasons in accordance with paragraph 2(a) of the Annex on Financial Services. Measures falling under Article XII (Restrictions to Safeguard the Balance of Payments) are also exceptions and should not be scheduled. Article XII provides for separate disciplines for such measures, including notification and consultation.

SPECIFIC COMMITMENTS AND MFN EXEMPTIONS

A Member taking a national treatment or a market access commitment in a sector must accord the stated minimum standard of treatment specified in its schedule to all other Members. The MFN obligation requires that the most favourable treatment actually accorded in all sectors, whether the subject of a commitment or not, must also be accorded to all other Members. Where an MFN exemption has been granted for a measure, a Member is free to deviate from its Article II obligations, but not from its Article XVI and Article XVII commitments. Therefore, in such cases, a Member may accord treatment in that sector more favourable than the minimum standard to some Members, as long as all other Members receive at least that minimum standard of market access and national treatment appearing in its schedule. In such cases, it is not possible for a Member to accord less favourable treatment to certain Members than that specified in its schedule (for example, on grounds of reciprocity or the lack of it).

PART II: HOW SHOULD ITEMS BE SCHEDULED?

Schedules record, for each sector, the legally enforceable commitments of each Member. It is therefore vital that schedules be clear, precise and based on a common format and terminology. This section describes how commitments should be entered in schedules. The main steps involved are:

A. How to describe committed sectors and sub-sectors;

B. How to treat the modes of supply;

C. How to record commitments:

1. Horizontal commitments;
2. Sector-specific commitments;
3. Levels of commitment

HOW TO DESCRIBE COMMITTED SECTORS AND SUB-SECTORS

The legal nature of a schedule as well as the need to evaluate commitments, require the greatest possible degree of clarity in the description of each sector or sub-sector scheduled. In general the classification of sectors and sub-sectors should be based on the Secretariat's Services Sectoral Classification List³. Each sector contained in the Secretariat list is identified by the corresponding Central Product Classification (CPC) number. Where it is necessary to refine further a sectoral classification, this should be done on the basis of the CPC or other internationally recognised classification (e.g. Financial Services Annex). A breakdown of the CPC, including explanatory notes for each sub-sector, is contained in the UN Provisional Central Product Classification⁴.

Example:

A Member wishes to indicate an offer or commitment in the sub-sector of map-making services. In the Secretariat list, this service would fall under the general heading "Other Business Services" under "Related scientific and technical consulting services" (see item I.F.m). By consulting the CPC, map-making can be found under the corresponding CPC classification number 86754. In its offer/schedule, the Member would then enter the sub-sector under the "Other Business Services" section of its schedule as follows:

Map-making services (86754)

If a Member wishes to use its own sub-sectoral classification or definitions it should provide

³ Document MTN.GNS/W/120, dated 10 July 1991.

⁴ Statistical Papers Series M No. 77, Provisional Central Product Classification, Department of International Economic and Social Affairs, Statistical Office of the United Nations, New York, 1991.

concordance with the CPC in the manner indicated in the above example. If this is not possible, it should give a sufficiently detailed definition to avoid any ambiguity as to the scope of the commitment.

It is understood that market access and national treatment commitments apply only to the sectors or sub-sectors inscribed in the schedule. They do not imply a right for the supplier of a committed service to supply uncommitted services which are inputs to the committed service.

HOW TO TREAT THE MODE OF SUPPLY

The four modes of supply listed in the schedules correspond to the scope of the GATS as set out in Article I:2. The modes are essentially defined on the basis of the origin of the service supplier and consumer, and the degree and type of territorial presence which they have at the moment the service is delivered.

Supplier Presence	Other Criteria	Mode
Service supplier not present within the territory of the Member	Service delivered within the territory of the Member, from the territory of another	CROSS-BORDER SUPPLY
	Service delivered outside the territory of the Member, in the territory of another Member, to a service consumer of the Member	CONSUMPTION ABROAD
Service supplier present within the territory of the Member	Service delivered within the territory of the Member, through the commercial presence of the supplier	COMMERCIAL PRESENCE
	Service delivered within the territory of the Member, with supplier present as a natural person	PRESENCE OF NATURAL PERSON

It is important to have a common understanding of what each mode covers. To this end, further examples and explanations are given below.

Cross-border supply

International transport, the supply of a service through telecommunications or mail, and services embodied in exported goods (i.e. services supplied in or by a physical medium, such as a computer diskette or drawings) are all examples of cross-border supply, since the service supplier is not present within the territory of the Member where the service is delivered.

Consumption Abroad

This mode of supply is often referred to as "movement of the consumer". The essential feature of this mode is that the service is delivered outside the territory of the Member making the commitment. Often the actual movement of the consumer is necessary as in tourism services. However, activities such as ship repair abroad, where only the property of the consumer "moves", or is situated abroad, are also covered.

Whatever the mode of supply, obligations and commitments under the Agreement relate directly to the treatment of services and service suppliers. They only relate to service consumers insofar as services or service suppliers of other Members are affected. It should be noted that a Member may only be able to

impose restrictive measures affecting its own consumers, not those of other Members, on activities taking place outside its jurisdiction.

Limitations in the schedule of a Member - if any - with respect to mode 2 on market access and/or on national treatment should only relate to measures affecting the consumers of that Member, and not to measures affecting consumers of another Member, in the territory of that Member.

Commercial Presence

This mode covers not only the presence of juridical persons in the strict legal sense, but also that of legal entities which share some of the same characteristics. It thus includes, inter alia, corporations, joint ventures, partnerships, representative offices and branches (see Definitions: Article XXVIII).

Presence of natural persons

This mode covers natural persons who are themselves service suppliers, as well as natural persons who are employees of service suppliers.

With respect to the fourth mode of supply, many participants have chosen to inscribe their bound commitments in the form of undertakings rather than in the form of market access limitations. In such cases the bound measures affecting the entry and temporary stay of natural persons are explicitly stated. Thus, in the absence of a reference to a specific duration for the temporary stay of a foreign service supplier, it could be understood that no binding is being undertaken in respect of the duration of that stay. It is noted in this regard that, according to Article XX:1(a) of the Agreement, with respect to sectors where commitments are undertaken, each schedule shall specify the terms, limitations and conditions on market access. Commitments should include the duration of temporary stay of natural persons for the purpose of supplying a service. In any event a Member's regulatory measures would still be subject to the general requirement, in paragraph 4 of the Annex on the Movement of Natural Persons, that they do not nullify or impair the benefits accruing to any other Member under the terms of a specific commitment.

Relationships between modes of supply

Where a service transaction requires in practical terms the use of more than one mode of supply, coverage of the transaction is only ensured when there are commitments in each relevant mode of supply.

Example: A Member has made a commitment in the cross-border supply of architectural services (e.g. by telecommunications or by mail). This commitment alone does not extend to the presence of natural persons (e.g. visits by architects). A separate commitment would have to be taken under "Presence of natural persons" to cover this case

HOW TO RECORD COMMITMENTS

HORIZONTAL COMMITMENTS

A horizontal commitment applies to trade in services in all scheduled services sectors unless otherwise specified. It is in effect a binding, either of a measure which constitutes a limitation on market access or national treatment or of a situation in which there are no such limitations. Where measures constituting limitations are referred to, the commitment should describe the measure concisely, indicating the elements which make it inconsistent with Articles XVI or XVII. In order to avoid repetition, it is desirable to enter these commitments in a separate section at the beginning of the schedule according to the four modes of supply. Such a section could be entitled: "Horizontal commitments applicable to sectors listed in the sectoral part of the schedule". Some horizontal measures may be specific to only one mode of supply:

Example: Legislation may refer to foreign investment, formation of corporate structures or land acquisition regulations. Such measures affect above all commercial presence.

Example: Legislation may stipulate requirements regarding entry, temporary stay and right to work of

natural persons; the categories of natural persons covered by a particular offer may also be specified. Such measures affect above all the presence of natural persons.

Other horizontal measures may affect more than one mode of supply:

Example: Legislation may provide for tax measures which are contrary to national treatment and not covered by Article XIV(d). Such measures would normally affect the supply of services in several modes.

Horizontal commitments condition all other entries in the schedule unless otherwise specified.

Hence:

- A "none"⁵ in the sectoral section must be read as meaning "none except the conditions set out in the horizontal section"
- To indicate in a given sector that no restrictions whatever are imposed, a Member must make clear in the horizontal section or in the relevant sectoral section that the horizontal restrictions do not apply in the sector in question.
- In the case of a sector-specific restriction the entry must be read as the combination of the horizontal restrictions and of the sector-specific restriction unless explicitly provided otherwise in the entry.

To the extent that domestic laws of general application contain measures which constitute limitations, and if the Member wishes to maintain them, the commitment should describe the measures concisely. According to the agreed scheduling procedures, schedules should not contain general references to laws and regulations as it is understood that such references would not have legal implications under the GATS.

Sector-specific commitments

A sector-specific commitment applies to trade in services in a particular sector. If in the context of such a commitment, a measure is maintained which is contrary to Articles XVI or XVII, it must be entered as a limitation in the appropriate column (either market access or national treatment) for the relevant sector and modes of supply; the entry should describe the measure concisely, indicating the elements which make it inconsistent with Articles XVI or XVII.

Given the legal nature of a schedule, it should contain only descriptions of bound commitments. Any additional information for transparency purposes should not be entered in the schedule. A reference to the legal basis of a scheduled measure (i.e. the relevant law or regulation) may be entered if thought necessary. In any event, such information will be subject to the obligations of Article III.

Level of commitment

Since the terms used in a Member's schedule create legally binding commitments, it is important that those expressing presence or absence of limitations to market access and national treatment be uniform and precise. Depending on the extent to which a Member has limited market access and national treatment, for each commitment with respect to each mode of supply, four cases can be foreseen:

(a) Full Commitment

In this case the Member does not seek in any way to limit market access or national treatment in a given sector and mode of supply through measures inconsistent with Articles XVI and XVII. The Member in this situation should mark in the appropriate column: NONE. However, any relevant limitations listed in the horizontal section of the schedule will still apply.

⁵ Due account must be taken, if need be, of the provision of Article XX:2 of the GATS relating to the scheduling of measures inconsistent with both market access and national treatment in the market access column.

Regardless of what is inscribed in the market access column, a "no limitations" entry in the National Treatment column (expressed as "None") would mean that national treatment is bound for the entire mode; it is not limited to what may be bound in a market access commitment with limitations. Thus, if a Member makes a commitment under Article XVI in a sector, where commercial presence is limited to partnerships, an entry "None" or any other entry in the national treatment column would refer to the whole mode of supply and not only to partnerships. (See also paragraphs 3 and 13)

(b) Commitment with limitations

Where market access or national treatment limitations are inscribed, two main possibilities can be envisaged in this case. The first is the binding of an existing situation ("standstill"). The second is the binding of a more liberal situation where some, but not all, of the measures inconsistent with Articles XVI or XVII will be removed ("rollback"). In either case the Member must describe in the appropriate column the measures maintained which are inconsistent with Articles XVI or XVII. The entry should describe each measure concisely, indicating the elements which make it inconsistent with Articles XVI or XVII. It would not be correct merely to enter in a column words such as "bound", "freeze" or "standstill".

In some cases a Member may choose to partially bind measures affecting a given category of suppliers. For example, a Member may bind measures affecting the entry and temporary stay only of some categories of natural persons while leaving all other categories unbound. This may be achieved through an indication in the horizontal section of a schedule such as "Unbound except for measures affecting the entry and temporary stay of natural persons in the following categories...". In such cases, the corresponding sectoral entry under the fourth mode of supply should be "Unbound except as indicated in the horizontal section".

(c) No commitment

In this case, the Member remains free in a given sector and mode of supply to introduce or maintain measures inconsistent with market access or national treatment. In this situation, the Member must record in the appropriate column the word: UNBOUND. This case is only relevant where a commitment has been made in a sector with respect to at least one mode of supply. Where all modes of supply are "unbound", and no additional commitments have been undertaken in the sector, the sector should not appear on the schedule.

(d) No commitment technically feasible

In some situations, a particular mode of supply may not be technically feasible. An example might be the cross-border supply of hair-dressing services. In these cases the term UNBOUND* should be used. The asterisk should refer to a footnote which states "Unbound due to lack of technical feasibility". The term may not be used as an entry in the national treatment column for modes 1 and 2 when, for the same service, there is a market access commitment. Where the mode of supply thought to be inapplicable is in fact applicable, or becomes so in the future, the entry means "unbound".

(e) Special cases

It could be argued that a reservation for a residence requirement, a nationality condition or a commercial presence requirement under cross border trade amounts to an "unbound". However in some cases there is clearly an advantage in inscribing those requirements instead of the term "unbound" in that trading partners have the certainty that there are no other limitations with respect to the cross border mode (see also paragraph 14 on residency requirements and paragraph 12 on nationality requirements).

Where a national schedule refers to foreign companies and national companies, it is necessary to offer a definition for those cases where a Member uses terms which are not covered by the common definitions contained in Article XXVIII of the GATS.

Annex 1- Schedule of Specific Commitments of Country X

SCHEDULE OF SPECIFIC COMMITMENTS OF COUNTRY X			
Sector or Sub-Sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
	(1)	(1)	
	(2)	(2)	
	(3)	(3)	
	(4)	(4)	
	(1)	(1)	
	(2)	(2)	
	(3)	(3)	
	(4)	(4)	

Key: (1) Cross-border supply (3) Commercial presence
 (2) Consumption abroad (4) Presence of natural persons

NOTE: The schedule shall also indicate the date of entry into force of the commitments and where appropriate the time-frame for their implementation. The date of entry into force of the commitments undertaken in the Uruguay Round would normally be the date of entry into force of the Agreement establishing the Multilateral Trade Organization. For all future commitments the relevant date of entry into force should be inscribed.

APPENDIX D

SUMMARY OF SPECIFIC COMMITMENTS

Summary of Specific Commitments (GATS)

Regions	Countries	Specific Commitments												Total	
		1*	2*	3*	4*	5*	6*	7*	8*	9*	10*	11*	12*		
Africa	Algeria	-	-	-	-	-	-	-	-	-	-	-	-	n.a.	
	Angola							X		X	X			3	
	Benin	X						X		X		X		4	
	Botswana	X	X							X				3	
	Burkina Faso									X				1	
	Burundi	X		X	X				X	X				5	
	Cameroon	X								X				2	
	Capeverde	-	-	-	-	-	-	-	-	-	-	-	-	n.a.	
	Central Africa	X	X				X			X	X			5	
	Chad	-	-	-	-	-	-	-	-	-	-	-	-	n.a.	
	Congo									X	X			2	
	Congo RP	X	X	X		X				X	X			6	
	Cote d'Ivoire	X		X						X		X		4	
	Djibouti	X	X							X	X			4	
	Gabon	X		X				X		X				4	
	Gambia	X	X	X	X	X	X	X	X	X	X	X	X	X	12
	Ghana			X		X		X		X		X		5	
	Guinea	X					X		X	X		X		5	
	Guinea-Bissau									X	X			2	
	Kenya		X						X		X		X	X	5
	Lesotho	X	X	X	X	X	X	X	X		X		X	X	10
	Madagascar	X													1
	Malawi	X		X					X	X	X				5
	Mali					X					X				2
	Mauritania										X				1
	Mauritius		X								X				2
	Morocco	X	X	X			X	X		X		X			7
	Mozambique								X						1
	Namibia	X									X				2
	Niger	-	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Nigeria		X						X		X		X		4
	Rwanda	X				X	X				X	X			
	Sao Tome and Principe	-	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Senegal	X	X		X										3
Seychell	-	-	-	-	-	-	-	-	-	-	-	-	-	n.a.	
Sierra Leone	X	X	X		X	X	X	X	X	X	X	X		10	
South Africa	X	X	X	X		X	X			X		X	X	9	
Swaziland	X								X	X				3	
Tanzania										X				1	
Togo			X							X	X			3	
Tunisia								X		X				2	
Uganda										X				1	
Zambia	X		X						X	X				4	
Zimbabwe		X						X		X				3	
Total	44	22	14	13	5	7	8	15	7	36	11	12	4	154	

(Continued)

Regions	Countries	Specific Commitments												Total
		1	2	3	4	5	6	7	8	9	10	11	12	
East Asia	Australia	X	X	X	X	X	X	X	X	X	X	X		11
	Brunei Darussalam	X	X						X				X	4
	Cambodia	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Fiji									X				1
	Hong Kong	X	X	X	X				X		X	X	X	8
	Indonesia	X	X	X					X		X		X	6
	Japan	X	X	X	X	X	X	X	X	X	X	X	X	11
	Kampuchea	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Kiribati	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Korea RP	X	X	X	X			X	X		X		X	8
	Laos	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Macao	X							X		X			3
	Malaysia	X	X	X					X	X	X	X	X	9
	Mongolia	X	X	X	X				X		X			6
	Myanmar										X		X	2
	New Zealand	X	X	X	X	X			X		X		X	8
	Papua New Guinea	X	X	X					X		X		X	6
	Philippines	X	X						X		X		X	5
	Singapore	X	X	X					X		X	X	X	7
	Solomon Is.	X		X					X		X			4
Thailand	X	X	X	X	X	X	X	X		X	X	X	10	
The Kyrgyz Republic	-	-	-	-	-	-	-	-	-	-	-	-	n.a.	
Tonga	-	-	-	-	-	-	-	-	-	-	-	-	n.a.	
Tuvalu	-	-	-	-	-	-	-	-	-	-	-	-	n.a.	
Vietnam	-	-	-	-	-	-	-	-	-	-	-	-	n.a.	
Total	25	15	13	12	7	4	4	15	3	16	6	13	1	109
Europe	Austria	X	X	X	X	X	X	X	X	X	X	X	X	12
	Belgium	X	X	X	X	X	X	X	X	X	X	X	X	12
	Bulgaria	X	X	X	X	X	X	X	X	X	X	X	X	11
	Cyprus	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Czech RP	X	X	X	X	X	X	X		X		X		9
	Denmark	X	X	X	X	X	X	X	X	X	X	X	X	12
	Finland	X	X	X	X		X	X		X	X	X		9
	France	X	X	X	X	X	X	X	X	X	X	X	X	12
	Germany	X	X	X	X	X	X	X	X	X	X	X	X	12
	Greece	X	X	X	X	X	X	X	X	X	X	X	X	12
	Hungary	X	X		X	X	X	X	X	X	X	X	X	10
	Iceland	X	X	X	X		X	X		X	X	X		9
	Ireland	X	X	X	X	X	X	X	X	X	X	X	X	12
	Italy	X	X	X	X	X	X	X	X	X	X	X	X	12
	Liechtenstein	X	X		X	X	X	X		X	X	X		9
	Luxembourg	X	X	X	X	X	X	X	X	X	X	X	X	12
	Netherlands	X	X	X	X	X	X	X	X	X	X	X	X	12
	Norway	X	X	X	X	X	X	X		X	X	X		10
	Poland	X	X	X	X	X	X	X	X	X		X		10
	Portugal	X	X	X	X	X	X	X	X	X	X	X	X	12
Romania	X	X	X	X		X	X		X		X		8	
Slovak RP	X	X	X	X	X	X	X		X		X		9	
Slovenia	X	X	X	X	X	X	X	X	X	X	X		11	
Spain	X	X	X	X	X	X	X	X	X	X	X	X	12	
Sweden	X	X	X	X		X	X		X		X		8	
Switzerland	X	X	X	X	X	X	X		X	X	X		10	

(Continued)

Regions	Countries	Specific Commitments												Total
		1	2	3	4	5	6	7	8	9	10	11	12	
Europe	Turkey	X	X	X		X	X	X	X	X		X		9
	UK	X	X	X	X	X	X	X	X	X	X	X	X	12
Total	28	27	27	25	26	23	27	27	18	27	22	27	13	289
Latin America	Antigua and Barbuda	X						X		X	X	X		5
	Argentina	X	X	X	X			X		X				6
	Bahamas	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Barbados	X	X					X			X			4
	Belize	X							X					2
	Bolivia								X	X	X			3
	Brazil	X	X	X	X			X		X		X		7
	Chile	X	X					X		X		X		5
	Colombia	X	X	X			X	X		X				6
	Costa Rica	X				X			X	X	X	X		6
	Cuba	X	X	X				X		X	X	X		7
	Dominica	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Dominican RP	X	X	X				X	X	X				6
	Ecuador	X	X	X	X		X	X	X	X	X	X	X	10
	El Salvador	X	X				X	X		X		X		6
	Grenada		X					X		X	X			4
	Guatemala	X						X		X		X		4
	Guyana	X	X					X		X		X		5
	Haiti	X		X		X		X		X				5
	Honduras	X						X		X		X		4
	Jamaica	X				X		X	X	X	X	X		7
	Latvia	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Malta							X		X		X		3
	Mexico	X	X	X	X	X		X	X	X		X	X	10
	Nicaragua	X	X					X		X		X		5
	Panama	X	X	X	X	X	X	X	X	X	X	X	X	11
	Paraguay							X		X				2
	Peru	X	X		X			X		X	X	X		7
	Saint Christopher and Nevis	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
	Saint Kitts and Nevis		X					X		X	X	X		5
	Saint Lucia							X	X	X	X	X		5
	Saint Vinc. and Gren.							X	X	X	X	X		5
	Surinam									X		X		2
	Trinidad	X		X		X		X	X	X	X	X		8
	Uruguay	X	X					X		X	X	X		6
	Venezuela	X	X	X				X		X	X	X	X	8
Total	36	24	18	11	6	6	4	28	11	30	16	23	2	179
Middle East	Bahrain							X						1
	Egypt			X				X		X		X		4
	Israel	X	X				X	X		X				5
	Kuwait	X		X	X		X	X	X	X	X			8
	Qatar	X	X	X			X	X		X				6
	UAE	X	X	X			X	X		X				6
	Yemen RP	-	-	-	-	-	-	-	-	-	-	-	-	n.a.
Total	7	4	3	4	1	0	4	6	1	5	1	1	0	30

(Continued)

Regions	Countries	Specific Commitments												Total
		1	2	3	4	5	6	7	8	9	10	11	12	
South Asia	Bangladesh									X				1
	India	X	X	X				X	X	X				6
	Maldives	X												1
	Pakistan	X	X	X				X	X	X				6
	Sri Lanka									X				1
Total	5	3	2	2	0	0	0	2	2	4	0	0	0	15
North America	Canada	X	X	X	X		X	X		X		X		8
	USA	X	X	X	X	X	X	X	X	X	X	X		11
Total	2	2	2	2	2	1	2	2	1	2	1	2	0	19
Total	147	96	78	68	46	40	48	94	42	119	56	77	19	783

Note: 1= Business Services;
2= Communication Services;
3= Construction and Engineering Services;
4= Distribution Services;
5= Education Services;
6= Environment Services;
7= Financial services;
8= Health Services;
9= Tourism & Travel Services;
10= Recreation, Culture and Sporting Services;
11= Transport Services;
12= Other Services not included elsewhere.

APPENDIX E

SCHEDULE OF SPECIFIC COMMITMENTS FOR KOREA

REPUBLIC OF KOREA - SCHEDULE OF SPECIFIC COMMITMENTS

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
<p>ALL SECTORS INCLUDED IN THIS SCHEDULE ("ALL SECTORS")</p>	<p>3) The acquisition of outstanding stocks of existing domestic companies by natural persons or juridical persons of another Member is restricted. However, foreign portfolio investment in Korean stocks is permitted only for the stocks listed on the Korean Stock Exchanges, and individual foreign investors can own up to 3% of each company's total stock, while aggregate foreign investments cannot exceed 10% per each company.</p> <ul style="list-style-type: none"> ▪ Ceiling for foreign portfolio investment in stocks will be raised in 1994~1995. <p>The establishment of branches must be approved in accordance with the Foreign Exchange Management Act. In financial services, the establishment of representative offices must also be approved in accordance with the Foreign Exchange Management Act.</p>	<p>3) The amount of foreign investment must be at least 50 million Won.</p> <p>The acquisition of land is unbound except:</p> <ul style="list-style-type: none"> i) that the acquisition of land by companies which are not deemed as foreign under the Alien Land Law is permitted, and ii) that the acquisition of land by companies which are deemed as foreign under the Alien Land Law and branches of foreign company is permitted, subject to approval or notification in accordance with the Alien Land Law, for the following legitimate business purposes: 	<p>3) Residents who have been treated as foreigners in the Securities Exchange Act will be accorded national treatment in portfolio investment in Korean stocks in 1994.</p>

Key: 1) Cross-border Supply 2) Consumption Abroad 3) Commercial Presence 4) Presence of Natural Persons

* : An asterisk on the CPC(UN Provisional Central Product Classification: Statistical Papers Series M No. 77, Department of International Economic and Social Affairs,

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
		<ul style="list-style-type: none"> ▪ land used for supplying services during the course of normal business activities; ▪ land used for housing senior company personnel under pertinent laws; and ▪ land used for fulfilling land-holding requirements stipulated by pertinent laws. <p>Eligibility for subsidies, including tax benefits, may be limited to companies which are established in Korea according to the pertinent laws.</p> <p>Unbound for research and development subsidies.</p> <p>4) Unbound except for measures concerning the categories of natural persons referred to in the market access column.</p> <p>The acquisition of land is unbound except that the leasehold right of land is permitted, subject to approval.</p>	
	<p>4) Unbound except for measures affecting the entry and temporary stay of natural persons as defined below:</p>		

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
<p>A. Natural persons who are employees of firms that supply services through 100% foreign ownership, joint venture companies or branches established in Korea and who have been in the employ of their firm for a period of not less than one year immediately preceding the date of their application for admission and who are one of the following:</p>		<p>Eligibility for subsidies, including tax benefits, may be limited to residents according to the pertinent laws.</p>	
<p>i) Executives - persons within an organisation who primarily direct the management of the organisation, exercise wide latitude in decision-making, and receive only general supervision or direction from higher-level executives, the board of directors, or shareholders of the business. Executives would not directly perform tasks related to the actual supply of a service or services of the organisation.</p>			

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
	<p>ii) Senior Managers – persons within an organisation who primarily direct the organisation or a department of the organisation; supervise and control the work of other supervisory, professional or managerial employees; have the authority to hire and fire or recommend hiring, firing or other personnel actions; and exercise discretionary authority over day-to-day operations. Senior managers do not include first-line supervisors, unless the employees supervised are professionals, nor do they include employees who primarily perform tasks necessary for the supply of the service.</p>		
	<p>iii) Specialists – persons within an organisation who possess knowledge at an advanced level of continued expertise and proprietary knowledge on the services, research equipment, techniques, or management of the organisation.</p>		
	<p>B. Natural persons meeting the criteria of category A. i) or A. ii) and who are responsible for the setting up, in Korea, of a commercial presence of a service supplier of a Member when the service supplier has no representative office, branch or subsidiary in Korea and the persons are not engaged in making direct sales or supplying services.</p>		

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
C.	<p>Natural persons not based in the territory of Korea and receiving no remuneration from a source located within Korea, who are engaged in activities of representing a service supplier for the purpose of negotiating for the sale of the services of that supplier when such sales are not directly made to the general public and the persons are not engaged in supplying the services.</p>	<p>Entry and stay of natural persons as defined in A is limited to a period not exceeding three years that may be extended if extension is deemed to be necessary.</p>	<p>Entry and stay of natural persons as defined in B and C is limited to a period of 90 days.</p>
	<p>Natural persons whose entries and temporary stays are permitted shall observe the Immigration Law and the labour laws. Korea's commitments regarding temporary movement of natural persons do not apply in the case of labour-management disputes.</p>		

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
9. TOURISM AND TRAVEL RELATED SERVICES			
A. HOTELS AND RESTAURANTS [641, 642]	1) Unbound* 2) None 3) None 4) Unbound except as indicated in ALL SECTORS	1) Unbound* 2) None 3) None 4) Unbound except as indicated in ALL SECTORS	
B. TRAVEL AGENCY AND TOUR OPERATOR SERVICES			
Travel Agency Services [7471]	1) None 2) None 3) None 4) Unbound except as indicated in ALL SECTORS	1) None 2) None 3) None 4) Unbound except as indicated in ALL SECTORS	
C. TOURIST GUIDE SERVICES			
Tourist Guide Services [7472]	1) None 2) None 3) Only travel agencies are allowed to supply tourist guide services. 4) Unbound except as indicated in ALL SECTORS	1) None 2) None 3) None 4) Unbound except as indicated in ALL SECTORS	

Unbound* : Unbound due to lack of technical feasibility.

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
<u>11. TRANSPORT SERVICES</u>			
A. MARITIME TRANSPORT SERVICES ¹			
International Transport Excluding Cabotage			
[7211*, 7212*]	<p>1) a) Liner shipping: None</p> <p>b) Bulk, tramp, and other international shipping: The cargo preference system applies to 8 items, which are crude petroleum, iron ore, raw materials for fertilizer, grain, coal, raw materials for petrochemical products, liquified gas and steel products.</p>	1) None	<p>The following services at the port are made publicly available to international maritime transport suppliers on reasonable and non-discriminatory terms and conditions.</p>
	2) None	2) None	<ol style="list-style-type: none"> 1. Pilotage 2. Towing and tug assistance 3. Provisioning, fuelling and watering 4. Garbage collecting and ballast waste disposal
	3) a) Establishment of a registered company for the purpose of operating a fleet under the national flag of Korea: Unbound	3) a) Unbound	<ol style="list-style-type: none"> 5. Port Captain's services 6. Navigation aids 7. Shore-based operational services essential to ship operations, including communications, water and electrical supplies 8. Emergency repair facilities 9. Anchorage, berth and berthing services
	b) Other forms of commercial presence: None	b) None	
	4) a) Ship's crew: Unbound	4) a) Unbound	
	b) Shore personnel: Unbound except as indicated in ALL SECTORS.	b) Unbound except as indicated in ALL SECTORS.	

¹ Refer to ATTACHMENT CONCERNING MARITIME TRANSPORT SERVICES.

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
MARITIME AUXILIARY SERVICES			
Maritime Cargo Handling Services	1) Unbound* 2) None 3) None	1) Unbound* 2) None 3) None	
[741*]	4) Unbound except as indicated in ALL SECTORS.	4) Unbound except as indicated in ALL SECTORS.	
Storage and Warehouse Services in Ports Excluding Services for Agricultural, Fishery and Livestock Products	1) Unbound* 2) None 3) None	1) Unbound* 2) None 3) None	
[742*]	4) Unbound except as indicated in ALL SECTORS	4) Unbound except as indicated in ALL SECTORS	
Customs Clearance Services	1) Unbound* 2) None 3) None	1) Unbound* 2) None 3) None	
	4) Unbound except as indicated in ALL SECTORS.	4) Unbound except as indicated in ALL SECTORS.	

Unbound*: Unbound due to lack of technical feasibility.

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
Maritime Agency Services [748*]1	1) None 2) None 3) A joint venture or a 100% foreign ownership must be incorporated as a Chusik Hoesa (a joint stock company). 4) Unbound except as indicated in ALL SECTORS.	1) None 2) None 3) None 4) Unbound except as indicated in ALL SECTORS.	
Container Station Services [741*]	1) Unbound* 2) None 3) None 4) Unbound except as indicated in ALL SECTORS	1) Unbound* 2) None 3) None 4) Unbound except as indicated in ALL SECTORS	
Maritime Freight Forwarding Services [748*]2	1) None 2) None 3) A joint venture or a 100% foreign ownership must be incorporated as a Chusik Hoesa (a joint stock company). 4) Unbound except as indicated in ALL SECTORS	1) None 2) None 3) None 4) Unbound except as indicated in ALL SECTORS	
1748*:	Agency services on behalf of maritime passenger transport businesses or maritime cargo transport businesses (including foreign transport businesses) under		
741*:	CPC 748.		
2748*:	Container station services provided in port areas under CPC 741.		
Unbound*:	Freight forwarding services by vessels in the name of the forwarder (including any foreign forwarders under contract) under CPC 748. Unbound due to lack of technical feasibility.		

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
Shipping Brokerage Services [748*, 749*]	1) None 2) None 3) A joint venture or a 100% foreign ownership must be incorporated as a Chusik Hoesa (a joint stock company).	1) None 2) None 3) None 4) Unbound except as indicated in ALL SECTORS	
Maintenance and Repair of Vessels ¹	1) Unbound* 2) None 3) A joint venture or a 100% foreign ownership must be incorporated as a Chusik Hoesa (a joint stock company).	1) Unbound* 2) None 3) None 4) Unbound except as indicated in ALL SECTORS	

¹ Services, such as repair and management of vessels, management of crew, and marine insurance, provided on behalf of a maritime passenger transport business, maritime cargo transport business, or vessel leasing business.

748*, 749* : Brokerage services for maritime cargo transport or for the chartering, leasing, purchasing or selling of vessels under CPC 748 and 749.

Unbound*: Unbound due to lack of technical feasibility.

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
C. AIR TRANSPORT SERVICES	1) Access only through publicly switched networks is allowed.	1) None	
Computer Reservation Services ¹	2) None	2) None	
	3) None	3) None	
	4) Unbound except as indicated in ALL SECTORS	4) Unbound except as indicated in ALL SECTORS	
Selling and Marketing of Air Transport Services ²	1) Unbound*	1) Unbound*	
	2) None	2) None	
	3) None	3) None	
	4) Unbound except as indicated in ALL SECTORS	4) Unbound except as indicated in ALL SECTORS	

¹ As defined in the Annex on Air Transport Services.

² Services defined in provisions 34 (general air transport agency services) and 32 (air cargo transport agency services) of Article 2 of the Aviation Act. "General air transport agency" means an enterprise which undertakes to make contracts for the international transport of passengers or cargoes by aircraft (excluding the service of acting for other persons in the application procedure for visa or passport) on behalf of air transport services firms for compensation. "Air cargo transport agency" means an enterprise which undertakes to make contracts for cargo transport by aircraft on behalf of air transport services firms or general air transport agency services firms for compensation.

Unbound*: Unbound due to lack of technical feasibility.

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
F. ROAD TRANSPORT SERVICES	1) Unbound	1) Unbound	
Transportation of Containerized Freight Excluding Cabotage	2) None	2) None	
[71233*]	3) Licenses are granted only to international shipping companies.	3) Cargoes are confined to containerized cargoes to be exported or imported.	
	4) Unbound except as indicated in ALL SECTORS	4) Unbound except as indicated in ALL SECTORS	
H. SERVICES AUXILIARY TO ALL MODES OF TRANSPORT	1) Unbound*	1) Unbound*	
b. Storage and Warehouse Services Other Than Those in Ports Excluding Services for Agricultural, Fishery and Livestock Products	2) None	2) None	
	3) None	3) None	
	4) Unbound except as indicated in ALL SECTORS	4) Unbound except as indicated in ALL SECTORS	
[742*]			

Unbound* : Unbound due to lack of technical feasibility.

Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
I. OTHER TRANSPORT SERVICES	1) Unbound	1) Unbound	
COMBINED TRANSPORT SERVICES	2) None	2) None	
Freight Forwarding for Rail Transport ¹	<p>3) Licenses are granted only to international shipping companies, subject to the economic needs test.</p> <p>Business areas are restricted to Pusan and Pukok area.</p>	<p>3) Cargoes are confined to containerised cargoes to be exported or imported.</p> <p>Business activities are restricted as follows:</p>	
		Pusan: freight handling and ancillary transportation; and	
		Pukok: freight handling.	
	4) Unbound except as indicated in ALL SECTORS	4) Unbound except as indicated in ALL SECTORS	

¹ "Freight Forwarding for Rail Transport" means such auxiliary services to be carried out at the ends of railway transport; these services include collecting containerized cargoes, contracting with Korean National Railroad for transport of the freight on trains, loading/unloading and delivery of freight.

ATTACHMENT CONCERNING MARITIME TRANSPORT SERVICES

1. International Shipping, 3.b):

"Other forms of commercial presence for the supply of international maritime transport services" means the ability for international maritime transport service suppliers of other Members to establish branches and to undertake activities concerned for the supply to their customers of maritime transport services.

2. Maritime Cargo Handling Services:

Activities exercised by stevedore companies, including terminal operators, but not including the direct activities of dockers, when this workforce is organized independently of the stevedoring or terminal companies. The activities covered include the organisation and supervision of:

- the loading/discharging of cargo to/from a ship;
- the lashing/unlashing of cargo;
- the reception/delivery and safekeeping of cargoes before shipment or after discharge.

3. Customs Clearance Services:

Activities consisting in carrying out on behalf of another party customs formalities concerning import, export or through transport of cargoes, whether this service is the main activity of the service supplier or a usual complement of its main activity.

4. Container Station and Depot Services:

Activities consisting in storing containers in port areas with a view to their stuffing/stripping, repairing and making them available for shipments.

5. Maritime Agency Services:

Activities consisting in representing, within a given geographical area, as an agent, the business interests of one or more shipping lines or shipping companies, for the following purposes:

- Marketing and sales of maritime transport and related services, from quotation to invoicing, and issuance of bills of lading on behalf of the companies; acquisition and resale of the necessary related services, preparation of documentation, and provision of business information;
- Acting on behalf of the companies organising the call of the ship or taking over cargoes when required.

6. Maritime Freight Forwarding Services:

Activities consisting of organising and monitoring shipment operations on behalf of shippers, through the acquisition of maritime transport and related services, preparation of documentation and provision of business information.

APPENDIX F

FACTOR ANALYSIS

FACTOR ANALYSIS

Descriptive Statistics

	Mean	Std. Deviation
Importance of the tourism industry	2.44	1.07
Importance of trade liberalisation	2.32	1.02
Are you familiar with the GATS	4.56	.87
Importance of GATS	2.86	1.31
Importance of APEC	2.57	.91
Importance of Korea-China regional trade agreement	2.43	.91
Importance of Korea-Japan regional trade agreement	2.14	1.17
Foreign employment will change after GATS	1.71	.93
Competitiveness will change after GATS	2.10	1.26
Foreign investment will change after GATS	1.68	.90
Trade restrictions will change after GATS	2.16	1.09
Effectiveness of consumption abroad	2.28	1.14
Effectiveness of commercial presence	1.93	.91
Effectiveness of movement of natural persons	2.58	.99
Effectiveness of cross-border	3.21	1.02
There are obstacles relate to labour	2.39	.79
There are obstacles relate to capital investment	1.86	.92
There are obstacles relate to trade restrictions	2.63	.85
There are obstacles relate to transport	2.19	.84
There are obstacles relate to current government regulations	2.32	.88
GATS as a benefit or obstacles to you	2.68	.86

Communalities

	Initial	Extraction
Importance of the tourism industry	1.000	.410
Importance of trade liberalisation	1.000	.528
Are you familiar with the GATS	1.000	.517
Importance of GATS	1.000	.794
Importance of APEC	1.000	.649
Importance of Korea-China regional trade agreement	1.000	.608
Importance of Korea-Japan regional trade agreement	1.000	.720
Foreign employment will change after GATS	1.000	.615
Competitiveness will change after GATS	1.000	.704
Foreign investment will change after GATS	1.000	.588
Trade restrictions will change after GATS	1.000	.471
Effectiveness of consumption abroad	1.000	.963
Effectiveness of commercial presence	1.000	.792
Effectiveness of movement of natural persons	1.000	.817
Effectiveness of cross-border	1.000	.848
There are obstacles relate to labour	1.000	.593
There are obstacles relate to capital investment	1.000	.664
There are obstacles relate to trade restrictions	1.000	.558
There are obstacles relate to transport	1.000	.539
There are obstacles relate to current government regulation	1.000	.631
GATS as a benefit or obstacles to you	1.000	.637

Extraction Method: Principal Component Analysis.

Component Correlation Matrix

Component	1	2	3	4	5	6	7	8
1	1.000	7.0E-02	-5.E-02	4.E-02	-3.E-02	-3.E-05	-2.E-02	3.E-02
2	7.0E-02	1.000	.160	3.E-02	7.3E-02	-7.E-02	-8.E-02	1.E-01
3	-5.E-02	.160	1.000	-.016	5.0E-02	2.7E-02	5.7E-02	1.E-03
4	4.2E-02	3.0E-02	-2.E-02	1.000	1.7E-02	9.0E-02	1.5E-02	-.056
5	-3.E-02	7.3E-02	5.0E-02	2.E-02	1.000	1.0E-02	1.9E-03	8.E-02
6	-3.E-05	-7.E-02	2.7E-02	9.E-02	1.0E-02	1.000	8.8E-02	-.156
7	-2.E-02	-8.E-02	5.7E-02	1.E-02	1.9E-03	8.8E-02	1.000	-.082
8	3.5E-02	9.6E-02	1.3E-03	-.056	7.7E-02	-.156	-8.E-02	1.000

Extraction Method: Principal Component Analysis.
 Rotation Method: Oblimin with Kaiser Normalization.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loading
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	2.642	12.580	12.580	2.642	12.580	12.580	2.575
2	2.588	12.324	24.904	2.588	12.324	24.904	1.982
3	1.823	8.679	33.583	1.823	8.679	33.583	1.889
4	1.591	7.578	41.162	1.591	7.578	41.162	1.574
5	1.557	7.416	48.577	1.557	7.416	48.577	1.715
6	1.317	6.273	54.850	1.317	6.273	54.850	1.599
7	1.089	5.188	60.038	1.089	5.188	60.038	1.451
8	1.036	4.935	64.973	1.036	4.935	64.973	1.435
9	.917	4.364	69.337				
10	.905	4.311	73.649				
11	.804	3.828	77.477				
12	.770	3.667	81.144				
13	.740	3.524	84.668				
14	.673	3.206	87.874				
15	.598	2.846	90.720				
16	.560	2.668	93.388				
17	.499	2.377	95.765				
18	.488	2.323	98.088				
19	.402	1.912	100.000				
20	-4.E-17	-1.9E-16	100.000				
21	-3.E-16	-1.4E-15	100.000				

Extraction Method: Principal Component Analysis.

- a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.

Component Matrix ^a

	Component							
	1	2	3	4	5	6	7	8
Importance of the tourism industry			.459					
Importance of trade liberalisation			.475					
Are you familiar with the GATS		-.484						
Importance of GATS	-.688							
Importance of APEC	-.545							
Importance of Korea-China regional trade agreement	.634							
Importance of Korea-Japan regional trade agreement	.699							
Foreign employment will change after GATS								.448
Competitiveness will change after GATS						-.475		
Foreign investment will change after GATS			.533					
Trade restrictions will change after GATS			.476					
Effectiveness of consumption abroad				.740				
Effectiveness of commercial presence					.743			
Effectiveness of movement of natural persons				-.796				
Effectiveness of cross-border						.674		
There are obstacles relate to labour		.489						
There are obstacles relate to capital investment								.539
There are obstacles relate to trade restrictions		.472						
There are obstacles relate to transport	.392							
There are obstacles relate to current government regulations		.451						
GATS as a benefit or obstacles to you							.465	

Extraction Method: Principal Component Analysis.

a. 8 components extracted.

Pattern Matrix^a

	Component							
	1	2	3	4	5	6	7	8
Importance of the tourism industry								
Importance of trade liberalisation			.376			.495		
Are you familiar with the GATS		-.315	-.362				.309	
Importance of GATS	-.856							
Importance of APEC	-.614				.320			-.362
Importance of Korea-China regional trade agreement	.781							
Importance of Korea-Japan regional trade agreement	.825							
Foreign employment will change after GATS			.688					
Competitiveness will change after GATS							.773	
Foreign investment will change after GATS			.652					
Trade restrictions will change after GATS			.596					
Effectiveness of consumption abroad				.850	-.328	-.464		
Effectiveness of commercial presence					.867			
Effectiveness of movement of natural persons				-.814				
Effectiveness of cross-border						.881		
There are obstacles relate to labour		.567						
There are obstacles relate to capital investment								.810
There are obstacles relate to trade restrictions		.496			.477			
There are obstacles relate to transport		.329			.399		-.405	
There are obstacles relate to current government regulations		.805						
GATS as a benefit or obstacles to you		.440					.650	

Extraction Method: Principal Component Analysis.
 Rotation Method: Oblimin with Kaiser Normalization.

a. Rotation converged in 32 iterations.

Structure Matrix

	Component							
	1	2	3	4	5	6	7	8
Importance of the tourism industry						.368		
Importance of trade liberalisation						.515		
Are you familiar with the GATS		-.419						
Importance of GATS	-.839							
Importance of APEC	-.638							
Importance of Korea-China regional trade agreement	.770							
Importance of Korea-Japan regional trade agreement	.834							
Foreign employment will change after GATS			.663					
Competitiveness will change after GATS							.775	
Foreign investment will change after GATS			.659					
Trade restrictions will change after GATS			.624					
Effectiveness of consumption abroad				.798				
Effectiveness of commercial presence					.862			
Effectiveness of movement of natural persons				-.836				
Effectiveness of cross-border						.860		
There are obstacles relate to labour		.648						
There are obstacles relate to capital investment								.807
There are obstacles relate to trade restrictions		.542						
There are obstacles relate to transport					.431			
There are obstacles relate to current government regulations		.779						
GATS as a benefit or obstacles to you							.630	

Extraction Method: Principal Component Analysis.
 Rotation Method: Oblimin with Kaiser Normalization.