

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Balance-of-Payments
Restrictions

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1969 CONSULTATION UNDER ARTICLE XVIII:12(b) WITH KOREA

Basic Document for the Consultation

Addendum¹

Special export problems

1. Despite a rapid increase in exports, Korea has experienced during the past years a persistent deficit in its balance of payments. One of the major elements causing balance-of-payments difficulties is a serious trade deficit that must be overcome as soon as possible by expanding export trade.
2. In view of the fact that Korea has a limited range of traditional export items from the primary sector, greater emphasis will be placed on the improvement of potential for the export of manufactures and semi-manufactures.
3. However, this should not be construed as underestimating the importance attached to the exports of primary products. The export increase of those items is most desirable in terms of net export earnings.
4. In order to be internationally competitive in the field of trade promotion, continued efforts are being made in Korea to bring about improvements in quality and price of products and to benefit from economies of scale, modernization of equipment and management.
5. Trade expansion problems also exist, arising from trade barriers confronting manufactures and semi-manufactures as well as primary products of export interest to Korea. The following are major non-tariff barriers to Korean exports:

In the sector of primary products

6. Quantitative restriction such as import quota is applied to the primary products which Korea has exported traditionally. Most primary products of export interest to Korea, such as dried laver, fish (fresh or frozen), dried cuttle fish, crustaceans and molluscs, crackers, natural graphite, molybdenum and tungsten are subject to import quota in Japan. Furthermore, leaf tobacco is subject to State trading and there is no record of export of Korean leaf tobacco to Japan. With regard to fresh fish there is a practice in Japan that settlement is made on the basis of "cargo receipt" whereby Korean exporters receive 80 to 82 per cent of wholesale price in Japan in case of automatic approval items and 76 per cent in case of import quota items. This disparity is wider than tariff differences in the two categories.

¹Supplementary material prepared by the Government of Korea.

7. Such trade barriers raise a problem of serious trade deficit which may in turn aggravate to a significant extent the balance of payments of Korea. Although the Korean Government has made utmost efforts to reach a solution to these problems through negotiations, bilateral and multilateral, the problems remain completely unresolved.

In the sector of cotton textiles under the Long-Term Arrangement and other textiles

8. It is quite natural that for some developing countries at the initial stage of industrialization their principal exports in the field of industrial products are textile goods including cotton textiles. When Korea began to promote the export of cotton textiles to the world market, the trade in cotton textiles was already under quantitative restrictions by the Long-Term Arrangement Regarding International Trade in Cotton Textiles. Korea has entered into bilateral agreements (or exchanges of notes, or understandings) with most importing countries either under Article 4 of the Long-Term Arrangement or in relation to Korean accession to the General Agreement on Tariffs and Trade. In the course of bilateral negotiations for the conclusion of bilateral agreements, Korea has been obliged either to restrain exports "voluntarily", or accept import quota. In both cases, the amount of cotton textiles to be exported from Korea was calculated on the basis of Korean export performance of cotton textiles during the period preceding the conclusion of the bilateral agreements. When the record of Korean exports of cotton textiles to certain countries was nil or negligible, Korea was offered small exportable quantities which discourage the exporters concerned. This can be found in the bilateral agreements Korea has concluded with Austria, Denmark, Norway and France.

9. Our special concern is also directed to a practice, the so-called¹ buyer's quota, which is applied by Austria, Denmark, Norway and France and Germany. This practice constitutes a non-tariff barrier, particularly when the import quota is allocated in small amount among several importers since thus allocated small amounts are uneconomic to export. It is hoped that developed importing countries concerned would take special account of the interest of a newcomer like Korea in the world cotton textiles market, in future annual consultations.

10. Besides cotton textiles, other textile goods are included in most of the bilateral agreements above-mentioned. The following are textiles not falling within the Long-Term Arrangement, but subject to import quota or export restraint, as specified in the bilateral agreements Korea has concluded with importing countries:

Canada

nylon fabrics
fabrics of man-made fibres
worsted fabrics

France

silk fabrics
fabrics of artificial continuous filament fibres
fabrics of synthetic textile fibres, continuous and discontinuous
woollen fabrics
made-up articles of other than cotton

Germany

woollen fabrics
knitted outer garments of wool or synthetic textile materials
outer garments for women, etc. of other than cotton

Denmark

other outer garments and articles knitted or crocheted
piece goods of silk
woollen fabrics
gloves knitted or crocheted
undergarments knitted or crocheted
men's and boys outer garments

Norway

most textiles not falling within the Long-Term Arrangement.

11. It is to be noted in this connexion that those textile goods of other than cotton, in case of exports to Canada and Denmark, are regulated only bilaterally and not indicated in residual import restrictions notified by Canada and Denmark respectively to GATT. This sort of bilateral agreement should be reconsidered in the light of Article XIX and Part IV of the General Agreement, while residual import restrictions should be dealt with in an appropriate GATT forum.

In the sector of other industrial products

12. Industrial exports of Korea come mainly from light industries. This export pattern will not change very much in the years ahead. The expansion of exports will continue to rely heavily on industrial exports of light industries, including textile goods. Some of the industrial products other than textiles are also facing import restrictions still maintained by some developed countries without the justification of balance-of-payments difficulties.

13. For instance, Japan maintains restrictions on industrial products of export interest to Korea, such as articles of apparel and clothing accessories of leather or composition leather, footwear with uppers wholly of leather, and footwear with outer soles of leather and uppers partly of leather.

14. Some industrial products of export interest to Korea are also included in the aforesaid bilateral agreements for control under voluntary export restraints. The bilateral agreement concluded between Korea and Canada contains gloves of non-textile materials, table flat-ware and polyester buttons. France also maintains this kind of restriction on knives, stainless table-ware, binoculars, table-ware and other articles used for domestic purposes and builders' sanitary-ware porcelain or of other ceramic material for indoor use, and radio sets.

Other non-tariff barriers

15. There is a discriminatory practice by which some developed countries divide their trading areas into two or three categories and accord different treatment between them. In the Norwegian import régime, Korea is included in the special free lists category. This appears to be unreasonable and inconsistent with the liberal spirit of GATT, especially as regards a developing country like Korea whose export promotion is of vital importance for the viability of her economy. In the Danish import régime, Korea is defined as a non-free list area country. This import régime results in unfavourable treatment to imports from Korea thus constituting a kind of discrimination.