

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Statement submitted by Korea under Simplified Procedures for Consultations¹

I. Balance-of-payments position

1. General review of the Korean economy

The Korean economy achieved major gains in 1984 with steady growth in real gross national product, sustained price stability and a reduced current account deficit. A favorable overseas economic environment along with policy efforts to establish the foundation for sustained economic growth within the context of long-term price stability were the main contributing factors.

In 1984, the economies of the major industrial countries recorded high growth. Moreover, inflation slowed as a result of tight monetary and fiscal policies, stable international commodity prices and higher labor productivity. World trade volume, which had been on an upward trend since the second half of the previous year, expanded briskly, despite intensified protectionism in the world market.

¹These procedures are set out in BISD 20S, pages 47-49.

In line with the upturn in overseas economies in 1984, the real gross national product of Korea grew by 8.4 per cent. In the first half, the Korean economy recorded remarkably high growth reflecting a vigorous upswing in exports combined with a rapid increase in private consumption and business investment. In the second half, however, economic expansion slowed markedly as overseas and domestic demand expanded at a lower rate.

In external transactions, the deficit in the trade balance declined significantly as the increase in exports outstripped the growth in imports. As a result, the current account balance improved by a large amount, despite a deterioration in the invisible trade balance associated with an increase in interest payments on foreign debt.

Prices held steady. Prudent monetary and fiscal policies, moderate wage pressures and declines in import prices for primary commodities helped to contain price increases. The inflation rate, however, showed disparate movements among different commodities as prices for agricultural goods rose steeply and those for industrial goods remained at almost the same level as the previous year.

In 1985, the Korean economy showed a mixed performance. Real output growth declined to only 5.1 percent although price stability continued and the balance of payments improved further.

Korea's exports were lackluster due to slow growth in the industrial economies, rising protectionism in the world market and the eroding competitiveness of export industries. Business investment was also stagnant, influenced by bleak economic prospects and entrepreneurs' conservatism toward new investment. Reflecting these weaknesses in domestic and foreign demand, manufacturing, the engine of economic growth grew by only 3.5 percent. Over the course of the year, the deceleration continued through the first half, but recovery forces gathered momentum in the second half with exports and business investment picking up.

Prices remained relatively stable during the year, largely owing to lower import prices and the weakness of aggregate demand. The merchandise trade balance was in virtual equilibrium for the first time since the First Five-Year Economic Development Plan was launched in 1962, and the deficit in the current account was further reduced. The domestic savings ratio continued to rise in 1985, helped by price stability and the growing popularity of household savings.

2. Balance of payments position 1984 - 1985

In 1984, the pace of export growth exceeded that of imports, leading to a significant improvement in the trade balance. The current account deficit, however, showed only a slight improvement because of a deterioration in the invisible trade account.

The value of merchandise exports on a balance of payments basis increased by 13.5 percent to U.S. \$26.3 billion, largely reflecting increased overseas demand. Export volume and unit value rose by 9.7 percent and 3.4 percent respectively. Strengthened protectionism in the industrial countries impeded Korea's export growth.

By commodity group on a customs clearance basis, exports of heavy and chemical industrial products advanced by 24.1 percent, reflecting brisk exports of electrical and electronic machinery, general machinery, and ships. Exports of light industrial products, which had been stagnant since 1982, increased by 15.1 percent helped by increased exports of textiles, toys, and rubber tires and tubes for vehicles. By region, exports to the United States and Japan, which recorded the highest growth rates among developed countries, were buoyant. By contrast, exports to Europe and the Middle East remained slack.

The value of merchandise imports on a balance of payments basis increased by 9.6 percent to U.S. \$ 27.4 billion. The increase was the result of an 8.2 percent rise in volume and a 1.3 percent rise in prices.

By commodity group on a customs clearance basis, imports of intermediate goods for export use, such as textiles, iron and steel, and chemical products, registered sharp increases. Imports of capital goods, including general machinery, electric and electronic machinery, also increased substantially reflecting a recovery of equipment investment. Imports of grains and crude oil rose slightly over the amounts registered in the previous year.

Given these export and import developments, the trade account deficit shrank to U.S. \$1.0 billion from U.S. \$1.8 billion in the previous year. However, in spite of increased receipts from tourism and a reduction in payments for transportation, the deficit in invisible trade widened to U.S. \$0.9 billion from U.S. \$0.4 billion in the previous year. This was attributable to an increase in international interest payments on foreign debts resulting from high interest rates and a decline in overseas construction receipts. Consequently, the current account deficit narrowed during the year to U.S. \$1.4 billion from U.S. \$1.6 billion in the preceding year.

Long-term capital transactions resulted in net inflows of U.S. \$2.1 billion. Increase in bank loans and issues of bonds in international financial markets more than compensated for increased debt service payments.

Short-term capital transactions, however, registered a net outflow of U.S. \$0.8 billion after a net inflow of U.S. \$0.9 billion in 1983. This development largely reflects the shortening of terms of imports on a deferred payments basis. The debt structure, therefore, improved during the year.

The overall balance deficit widened greatly to U.S. \$1.0 billion from U.S. \$0.4 billion. Foreign exchange holdings at the end of 1984 were U.S. \$7.6 billion, up U.S. \$0.7 billion over the end of 1983, thanks to increase foreign capital inducement through foreign banks and issues of bonds denominated in foreign currencies by domestic banks.

In 1984, the Korean won was devalued by 4.0 percent to 827.40 won per U.S. dollar at the end of 1984, less than the 6.2 percent depreciation during 1983.

In 1985, despite sluggish exports, the trade balance came near to equilibrium, as the slowdown in real growth reduced imports substantially. As a result, the current account deficit declined to its lowest since 1978.

During the year, merchandise exports on a balance of payments basis stood at U.S. \$26.4 billion, almost the same amount as the year before. Export volume increased marginally, due to the slowdown in our principal trading partners' economic growth and growing protectionist actions taken by major industrial countries against certain key Korean export items. Export unit values dropped by 3.7 percent, because of the stagnant demand abroad and mounting competition among exporting countries.

By commodity group, exports of textiles, iron and steel products and electronic products, excluding video tape recorders, remained dull because of heightened trade barriers, and exports of newly constructed ships declined sharply reflecting worldwide stagnation in the marine transportation industry. Exports of motor vehicles, general machinery and footwear, however, showed relatively brisk gains.

By destination, exports to the United States and Japan remained sluggish and those to the Middle Eastern countries decreased, reflecting the decline in oil export earnings of those countries. On the other hand exports to the European countries and Canada increased substantially

due in part to the soaring demand for new Korean products, such as motor vehicles, and partly to the strengthened price competitiveness. Exports to the developing countries picked up to some degree in the second half of the year.

Merchandise imports on a balance of payments basis decreased by 3.3 percent, to U.S.\$26.5 billion. This decline was attributable to slackened import demand for export and domestic use alike as well as to a decrease in international raw material prices which helped draw down Korean import unit values by 4.2 percent.

By commodity group, imports of consumer goods, industrial supplies and fuels decreased, whereas capital goods imports, especially general machinery, increased moderately.

As a result of these export and import developments the trade balance improved by more than U.S.\$1 billion during the year, approaching a balance, after a continuous improvement of U.S. \$0.8 billion or so per annum during the 1981-84 period.

However, the invisible trade balance deficit widened to U.S. \$1.4 billion from U.S. \$0.9 billion in 1984, with a sharp reduction in net receipts from overseas construction far outweighing a decrease in interest payments on external debt.

Taken together, the current account deficit, which peaked at U.S \$5.3 billion or 1.1 percent of GNP in 1980, shrank to U.S \$0.9 billion or 1.1 percent in 1985 from U.S. \$1.4 billion or 1.7 percent in 1984.

In the capital account, overall net capital inflows declined by U.S. \$1.3 billion, reflecting a reduction in financing requirements in line with the current account improvement and a marginal shift in preference for domestic funds over foreign funds, which were exposed to exchange risk. The surplus in the long-term capital account halved compared with the preceding year, and the net short-term capital flow remained negative, reflecting mainly sharply expanded repayment of short-term trade credit for raw material imports. New capital introduction by monetary institutions also declined.

At the close of 1985, the nominal won-US dollar exchange rate stood 7.6 percent above its December 31, 1984 level.

II. System and methods of restriction

1. Trade System and Import Liberalization

A. Trade System

Korea's trade system and procedures are provided for in the Trade Transaction Act. Korea's trade system is broadly composed of a trade business licensing system, an exportation and importation approval system and the annual export and import notice system.

1) The Trade Business Licensing System

- o In order to engage in trading, a business license from the Minister of Trade and Industry is necessary. The authority for issuing these licenses is entrusted to the provincial governors.

- o This business licensing system was adopted in the beginning stages of Korea's foreign trade, to ensure that those who engaged in trading activities had adequate capital and business capability. But in line with the expansion of Korea's trade volume, the license requirements were gradually lowered and the licensing system is no longer a substantial barrier against the participation in the trade business.

- o Currently licensed traders can be classified into two categories.
 - One category is the general traders who can export and import goods not only for their own use, but also for others or for resale. A general trader should have capital of ₩ 50 mil. (about US\$55,000) or more and export at least \$200,000 in the current or prior year to maintain its licensed status.
 - The other category consists of small and medium manufacturing firms. Small and medium manufacturing firms who have a manufacturing facility can get a traders license without any capital or export requirements.

While its exporting activity is not restricted, its importing activity is limited to goods for its own use. Currently there are 2,841 general traders and 3,333 small and medium manufacturing traders

2) Exportation and Importation Approval

Each individual export and import transaction needs to be approved by the Minister of Trade and Industry. This authority is entrusted to commercial banks and their branch offices for the convenience of traders.

Under this approval procedure, the bank should confirm that the restricted items that are exported or imported satisfy the restrictive measures set by the Annual Export-Import Notice and they should ensure that the receipt and payment of export and import bills is done according to the Foreign Exchange Regulations.

The government receives information from the banks, in regard to the volume of approvals issued. This gives a good picture of export and import prospects for the next one or two months.

3) The Annual Export and Import Notice

Restriction on export and import items are published in the Annual Export and Import Notice, which is updated and revised annually by the Ministry of Trade and Industry.

The Annual Notice is publicly announced by May 31 and is effective July 1 to June 30 next year.

Any restricted items, which are classified according to CCCN, and any restrictive measures are described in the Annual Notice .

In the case of the restricted items, a recommendation from a relevant governmental agency or designated industrial organization is usually required before an export or import approval can be issued from a bank.

The criteria for recommendations are formulated by the designated organization and need to be approved by the Minister of Trade and Industry.

These criteria are publicly announced.

The criteria for recommendations are formulated in view of the domestic supply and demand situation, the availability of domestic products, and the quality, specifications, time period for delivery, prices and other relevant factors.

Currently, out of the total of 7915 CCCN 8-digit items, 670 items are subject to import restrictions

B. Import Liberalization

1) The Progress of Korea's Import Liberalization

Since the beginning of the 1980s, Korea has vigorously pursued an open market policy, liberalizing imports, reducing tariff rates, and opening its market to foreign investors.

As a result, the ratio of the liberalized items to the total number of categories rose from 68.0% in 1980 to 84.3% in 1984 and currently stands at 91.5%. It will be further raised to 95.4% by July 1988.

2) Background

o There are at least two major reasons why Korea is actively pursuing the liberalization policy while some of its major trading partners are strengthening their protective barriers.

One is the fact that as a result of the fast economic development in the last two decades, the structure of Korean economy has become more sophisticated and the restrictive economic policy, which had been an effective means of development in the initial stages, was no longer helpful to the economic development. Korean industry began to lose its competitiveness in the international market in the late 1970s.

For the purpose of strengthening competitiveness and regaining growth momentum, the Korean government adopted a new industrial policy, which emphasized the promotion of competition, fair trade and equilibrium among the industrial sectors.

Import liberalization is the highlight of this new industrial policy approach.

o Another reason for the import liberalization policy is the deterioration of the international trade environment.

Since the second oil crisis, Korea's major trading partners have been strengthening their protectionist barriers to such a degree that Korea's export oriented development strategy itself could be endangered.

In addition, as Korea's trade volume has increased, they have strongly asked Korea to open its markets.

Since the maintenance of an international free trade system was indispensable to Korea's outward looking development strategy, and since Korea's BOP position began to improve since 1981, Korea launched out on a rather bold import liberalization plan.

3) Progress since October 1984

(a) Liberalization in 1985.

After a substantial import liberalization measures in 1983 and 1984, Korea liberalized an additional 235 items on July 1, 1985, as it had promised in 1984.

The major liberalized items include:

- petrochemical products, including polypropylene
- steel and metal products, including unwrought aluminium, and unwrought copper bar
- machinery, including pumps, elevators, conveyors, lathes, vacuum cleaners sewing M/C, auto parts, and trucks (8-10t)
- electric and electronic products, including electronic calculators, food mixers, electric smoothing irons, shavers, microphones, color TV sets, and electric generators
- textiles, including wool knit wear, and mink coats
- agri-fishery products and food stuffs, including live crabs, oysters cotton seed oil, grapefruit, almonds, cocoa, margarine, shortening, soy bean sauce, tomato ketchup, mayonnaise, sugar, and canned corn

(b) Liberalization in 1986

On July 1, 1986, Korea liberalized 301 items as was promised in 1984 with a little modification. Most of the newly liberalized items were those of heavy and chemical industry.

As these products compose the integral part of Korean industry and many of them are still weak in their competitiveness, there was a substantial resistance, even though advance notice was given, from domestic manufacturers against the liberalization, and a slight rescheduling was inevitable for such items as specialty steels, copy machines, industrial sewing machines and excavators

The major liberalized items include :

- petrochemical products, including soda ash, terephthalic acid, and polystyrene
- textiles, including synthetic fibers, woolen fabrics, and nylon carpets.
- machinery, including freezers, diesel engines, food processing machines, typewriters, and some machine tools
- automobiles and parts such as buses, trucks, windshield wipers, ignition coils and sparkplugs, chassis and frames of buses and trucks.
- electric and electronic goods, including electric power tools, welding machines, loudspeakers, amplifiers, and color TV sets.
- and foods such as tomato sauce and instant curry

	July 1984	July 1985	July 1986
Total (A)	7.915	7.915	7.915
Automatic Approval (B)	6.712	6.945	7.245
Ratio(B/A)	84.8	87.7	91.5

4) 1987-88 Liberalization Plan

Korean announced its 1987-1988 import liberalization plan and the specific items to be liberalized each year in October, 1985.

According to this plan, 160 items are to be liberalized on July 1, 1987 and another 141 items will be liberalized on July 1, 1988. By that time, most manufactured products will

be liberalized except a few items such as alcoholic beverages, imitation jewelry, chemical wood pulp, silk yarn and silk woven fabrics.

This liberalization plan will be executed as announced with very little modification just as the 1984-86 liberalization plan has been, as long as Korea's economic situation does not experience a sharp deterioration.

	'86	'87	'88
Total (A)	7.915	7.915	7.915
Automatic Approval (B)	7.247	7.407	7.548
Ratio(B/A)	91.6	93.6	95.4

The following table summarizes the import liberalization schedule by industry
(not considering of the modification taken at July 1986 Annual Notice)

	Total	Restri- cted	No. of items to be liberalized		
			'86	'87	'88
Total	7,915	970	302	160	141
		(87.7)	(91.6)	(93.6)	(95.4)
Primary goods, foods, beverages	1,386	302	22	5	5
		(78.2)	(79.7)	(80.1)	(80.5)
Chemical products, paper, ceramics	2,182	94	45	30	10
		(95.6)	(97.7)	(99.1)	(99.6)
Steel and metal products	797	35	30	5	-
		(95.6)	(99.4)	(100)	
Machinery	1,414	240	91	55	94
		(83.0)	(89.4)	(93.3)	(100.0)
Electric and electronic products	494	129	65	42	22
		(73.9)	(87.0)	(95.5)	(100.0)
Textile and garments	1,089	75	33	9	10
		(93.1)	(96.1)	(96.9)	(97.8)
Miscellaneous goods	553	95	16	14	-
		(82.8)	(83.7)	(88.2)	

≠ Figures in the parenthesis denotes the import liberalization ratio

2. Tariff System

In 1983, the Korean government reformed its tariff system in order to enhance Korea's international competitiveness as well as to open its domestic market to foreign products. Main features of this reform were reduction of tariff rates under the advance notice system and changes of items subject to flexible tariffs. In line with the 1983 reform, there were some changes in the tariff system in 1985.

A. Tariff reduction

Tariff rates for 253 items (11.0 percent of tariff items) were reduced in 1985. As a result, the simple average tariff rate for manufactured goods was lowered from 20.6 percent in 1984 to 20.3 percent in 1985.

(Table 10 attached)

In addition, various tariff rates were also adjusted with the aim of reaching the target rate of 20 percent in 1988. The ratio of the number of items with a tariff rate of 20 percent or less will increase from 74.1 percent in 1984 to 93.5 percent in 1988

(Table 11 attached)

B. Flexible tariff system

The flexible tariff system is maintained to cope with short-term changes in the economic situation. However, the system is temporary and applied selectively.

1) Tariff quota

The tariff quota system allows a temporary reduction of tariff rates, up to 40 percent on certain imported goods in order to meet a surge of demand and to stabilize domestic prices. The number of items subject to this system was increase to 19 on July 1, 1985, from 7 on July 1, 1984.

(Table 12 Attached)

2) Emergency duty

The emergency duty is temporarily applied to discourage unnecessary imports of certain luxury goods or to assist domestic industry when there is an unexpected surge of imported goods. The number of items subject to this duty was 10 on July 1, 1984, but it was reduced to 7 on January 1, 1985, and further to 6 on July 1, 1985.

(Table 13 Attached)

3) Adjustment duty

This system was introduced on January 1, 1984 to adjust tariff rates, if necessary, on newly liberalized items in order to provide temporary assistance to domestic producers during an initial period of adjustment and thus facilitate the implementation of the import liberalization policy. Adjustment duties were imposed on 9 items on January 1, 1985 and 8 items on July 1, 1985. (Table 14 Attached)

C. Future tariff policy

The Korean government has introduced the advance notice system of tariffs to help concerned industries adjust to future changes. By 1988, the simple average tariff rate for manufactured goods is expected to be reduced to 16.9 percent and the number of items with tariff rates less than or equal to 20 percent will increase to 93.5 percent. In addition, the average industrial tariff rates will also be lowered to a range of 14.7 - 20.0 percent.

3. Developments in the foreign exchange system

The government has made some revisions in the foreign exchange control system in response to the changing external environment, and to slow the growth and improve the maturity of external debt.

The major features are as follows.

A. Major changes during 1984

1) Adjustment of payment settlement period

The government shortened the settlement period for import on both a deferred payment basis and an installment payment basis. The former was cut to 90 days from 120 days for all eligible items except oil and liquefied petroleum gas, effective from July 30. The latter was shortened to 180 days from 360 days, effective from July 16.

2) Liberalization of foreign direct investment

The government reformed the foreign direct investment system on December 31, 1983, and put it into effect on July 1, 1984, mainly to encourage foreign direct investment by establishing a new Foreign Capital Inducement Act, thus unifying three existing acts related to the inducement of foreign capital.

The major revisions concerned the deregulations on foreigners' direct investment. First, the previously enforced positive list system was replaced by a negative list system which limits foreigners' investments only in those industries included on the list.

Second, approval procedures were greatly simplified by the introduction of the so-called automatic approval system.

Third, various other improvements in the operating rules were made including the removal of restrictions on the repatriation of principal and the remittance of dividends, and the revision of the tax exemption system for foreign investment. In addition, a reporting system, instead of the previous approval system, was adopted for most foreign technology licensing agreements.

3) Permission for the foundation of the Korea
fund Inc.

On June 22, the government permitted the foundation of the Korea Fund Inc., a corporate-type fund, capitalized at U.S \$60 million, as a step towards the gradual opening of the domestic capital market. On July 2, the Fund was allowed to issue shares which could be purchased by foreign investors and to purchase Korean securities with the proceeds.

4) Improvements in the foreign exchange control
system

On July 9, in order to adjust expenses related to the operational activities at overseas offices, the government classified such expenses as "basic expenses" and "extra expenses". "Basic expenses", such as rent, communication charges and various taxes, are permitted on an actual cost basis, while "extra expenses" were limited to U.S. \$1,500 per person monthly. The total limit of both expenses was formerly US \$3,000 per person monthly.

B. Major changes in 1985

1) Improvement of the overseas investment system

From May 2, overseas corporations can change the details of an approved project only by submitting a report on the revision, except in cases where the overseas subsidiary with Korean ownership in excess of 50 percent acquires more than 50 percent of its subsidiary's share. Previously prior permission from the Governor of the Bank of Korea was required for any change in the details of the project.

On the other hand, the government institutionalized overseas investment in joint projects in order to promote overseas investments in resource exploitation and high technology development. On September 1, overseas investments in resource exploitation or high technology development projects were made possible only with the permission of the Governor of the Bank of Korea and without necessarily establishing an overseas subsidiary.

2) Permitting the issuance of securities in foreign
currency

From November 12, in order to more efficiently mobilize foreign funds and to gradually open the domestic capital market to foreign investors, the government has permitted eligible firms to issue convertible bonds, bonds with a subscription warrant, and depository receipts abroad.

3) Permission for resident swap transactions
with foreign financial institutions

On December 24, residents who contracted a loan agreement according to the Foreign Capital Inducement Act were permitted to enter into swap transactions with foreign financial institutions, to be reported to the Ministry of Finance, in order that residents with long-term foreign loans may easily cover foreign exchange and interest rate risks.

(Table 1.) Principal Economic Indicators ^{1/}

	83	84	85	86 1st half
GNP Growth Rate (%)	11.9	8.4	5.1 ^P	10.9 ^P
Rate of inflation (%)				
Wholesale Price	0.2	0.7	0.9	-2.4
Consumer Price	3.4	2.3	2.5	2.6
Growth Rate of Money Supply (%)				
M ₁	17.0	0.5	10.8	15.1
M ₂	15.2	7.7	15.6	18.5
Unemployment Rate (%)	4.1	3.8	4.0	3.2
Current Account Balance (\$ bil.)	-1.6	-1.4	-0.9	0.6
Exports ^{2/} (\$ bil.)	24.4	29.2	30.3	16.4
Imports ^{2/} (\$ bil.)	26.2	30.6	31.1	16.1
Exchange Rate of Won to Dollar	795.50	827.40	890.20	885.60

Note : 1/ Growth rates are all compared to the same period last year
2/ Custom Clearance basis.

(Table 2) GNP Growth Rates

(At 1980 Constant market prices)

	(Increase rate in per cent)			
	83	84	85 ^P	86 ^P 1st.half
Agriculture, Forestry and Fisheries	6.5	0.2	5.9	5.1
Mining and Manufacturing	12.1	14.5	3.7	13.9
Social Overhead Capital	20.8	10.2	6.9	9.6
Other Services	10.3	8.7	6.8	10.4
Gross National Product	11.9	8.4	5.1 ^P	10.9 ^P
Total Consumption	7.2	5.2	4.8	6.1
(Private Consumption)	(7.5)	(6.0)	(4.6)	(6.4)
Total Investment ^{2/}	29.9	31.9	31.2	. .
(Fixed Capital Formation)	(31.3)	(31.3)	130.5)	115.1)
Exports of Goods and non-factor Services	15.5	10.0	2.3	23.5
Imports of Goods and non-factor Services	10.9	10.1	-1.5	16.7

1/ Construction electricity, gas & water

2/ Current Basis

(Table 3) Balance of Payments

(In million U.S. dollars)

	83	84	85	86 1st. Half
I. Current Balance	-1,606	-1,373	-887	638
Trade Balance	-1,764	-1,036	-19	846
Exports	23,204	26,335	26,442	15,138
Imports	24,967	27,371	26,461	14,292
Invisible (net)	-435	-878	-1,446	-608
Transfers (net)	592	541	579	400
II. Long-term Capital	1,270	2,067	1,101	-232
Loans & Investment	1,052	957	1,372	1,666
Amortization	-1,672	-1,768	-1,832	-1,139
Borrowings of Development	791	906	957	-256
Banks				
Others ^{1/}	1,099	1,972	604	557
III. Basic Balance	-336	695	213	406
Short-term Capital ^{2/}	894	-758	-588	-127
V. Errors & Omissions	-942	-894	-880	-257
Overall Balance	-384	-958	-1,255	22
Financial Account	384	958	1,255	-22
Liabilities	245	1,791	1,266	-363
IMF Credit	160	319	-235	-2
Bank Loans	480	522	623	-198
Refinance	-298	520	225	-752
Others ^{3/}	-97	430	653	589
Assets	-140	833	12	341
Change of Holdings	-74	740	99	-175
Others ^{4/}	-66	93	-87	516
Foreign Exchange Holdings	6,910	7,650	7,949	7,574

- 1/ Includes exports by deferred payments and long-term trade credits, etc.
2/ Includes short-term trade credits, exports on credit and advance for exports, etc.
3/ Includes inter-office a/c foreign bank branches, non-resident deposits overdraft, etc.
4/ Includes asset of foreign bank branches etc.

(Table 4) Imports by Commodity Group^{1/}

(In million U.S.\$)

	1984		1985		1986. Jan-June.	
	Amount	Increase rate	Amount	Increase rate	Amount	Increase rate
Food and direct consumer goods	1,882	-1.7	1,637	-13.0	833	3.0
Grains)	(1,082)	(-1.9)	(964)	(-11.0)	(471)	(-1.2)
Direct Consumer goods	(799)	(-1.4)	(673)	(-13.8)	(362)	(9.0)
Crude materials & fuels	17,589	13.0	17,402	-1.1	8,547	-1.8
Crude Oil	(5,771)	(3.6)	(5,572)	(-3.4)	(2,009)	(-29.7)
Crude materials	(11,819)	(18.3)	(11,830)	(0.1)	(6,538)	(11.6)
Capital Equipment goods	10,106	29.3	11,081	9.6	6,105	37.5
(Non electric machinery)	(3,829)	(18.5)	(4,174)	(9.0)	(2,869)	(50.7)
(Electric & Electronic Machinery)	(3,192)	(24.2)	(3,013)	(-5.6)	(1,978)	(35.2)
(Transportation Equipment)	(3,086)	(53.1)	(3,895)	(26.2)	(1,258)	(17.5)
Consumer Goods	1,054	(17.4)	1,016	(-3.5)	618	34.5
T o t a l	30,631	16.9	31,136	1.6	16,113	11.6

(Table 5) Exports by Commodity Group ^{1/}

(In million U.S.\$)

Commodity Group	1984		1985		86. 1st half	
	Amount	Increase rate	Amount	Increase rate	Amount	Increase rate
Foods & direct consumer goods	1,283	4.9	1,259	-1.9	735	29.9
Crude materials & fuels	1,286	25.7	1,374	6.8	587	10.8
Light industry products	11,113	15.1	11,174	0.5	6,452	23.6
(Textile goods)	(6,707)	(14.9)	(6,627)	(-1.2)	(3,731)	(19.0)
(Footwear)	(1,344)	(9.1)	(1,525)	(13.5)	(965)	(42.6)
(Others)	(3,062)	(18.5)	(3,022)	(-1.3)	(1,756)	(25.0)
Heavy & chemical products	15,563	24.1	16,476	5.9	8,603	25.1
(Petrochemical)	(462)	(21.8)	(575)	(24.4)	(325)	(24.1)
(Iron & steel)	(3,466)	(6.5)	(3,328)	(-4.0)	(1,484)	(1.5)
(Machinery)	(1,072)	(23.9)	(1,381)	(28.8)	(872)	(42.9)
(Electronic Products)	(3,229)	(32.2)	(2,907)	(-10.0)	(1,784)	(22.6)
(Others)	(7,334)	(30.9)	(8,266)	(13.0)	(4,138)	(34.0)
Total	25,245	19.6	30,283	3.6	16,377	22.9

1/ Custom clearance basis.

(Table 6) Imports by Country ^{1/}

(In million U.S.\$)

	1984		1985		86. Jan-July	
	Amount	Increase rate	Amount	Increase rate	Amount	Increase rate
Japan	7,640	22.5	7,560	-1.0	5,024	38.2
U.S.A	6,876	9.6	6,489	-5.6	3,156	-0.8
Saudi Arabia	1,381	-31.5	640	-53.7	410	1.5
Kuwait	483	-30.2	523	8.3	142	-48.4
Australia	1,096	12.9	1,116	1.9	553	8.7
W. Germany	795	22.3	979	23.1	573	38.4
Indonesia	653	68.6	669	2.4	238	-32.7
Malaysia	1,005	29.3	1,234	22.8	465	-10.5
Canada	637	43.4	630	-1.1	351	7.1
Taiwan	339	17.4	333	-1.6	229	38.2
Others	9,727	30.5	10,962	12.7	4,974	8.9
Total	30,631	16.9	31,136	1.6	16,113	12.3

^{1/} Custom clearance basis.

(Table 7) Exports by Country ^{1/}

(In million U.S.\$)

	1984		1985		86. Jan-July	
	Amount	Increase rate	Amount	Increase rate	Amount	Increase rate
U.S.A.	10,479	27.1	10,754	2.6	6,417	27.5
Japan	4,602	35.2	4,543	-1.3	2,280	10.4
Saudi Arabia	991	-31.0	969	-2.2	461	-2.1
W. Germany	924	19.2	979	6.0	529	31.3
Hong Kong	1,281	56.6	1,566	22.2	893	31.7
U.K.	955	-0.5	913	-4.4	474	5.3
Indonesia	254	0.8	195	-23.2	90	-10.0
Netherlands	373	-9.9	345	-7.6	236	91.9
Canada	879	39.7	1,229	39.8	648	19.3
France	288	-7.4	316	9.7	300	102.7
Others.	8,219	14.9	8,474	3.1	4,049	-18.3
Total	29,245	19.6	30,283	3.9	16,377	22.9

1/ Custom Clearance basis.

(Table 8)

Index of Foreign Trade and Terms of Trade 1/

(1980=100)

During	Quantum Index		Unit value Index		Net barter terms of trade index	Income terms-of trade
	Exports	Imports	Exports	Imports		
1978	90.6	98.4	80.1	63.0	117.8	106.7
1979	89.7	110.0	95.8	83.1	115.3	103.4
1980	100.0	100.0	100.0	100.0	100.0	100.0
1981	117.5	111.1	103.2	105.4	97.9	115.0
1982	125.1	111.4	99.7	97.6	102.2	127.9
1983	145.5	126.2	95.9	93.0	103.1	150.0
1984	168.2	145.9	99.2	94.2	105.3	177.1
1985	181.0	154.8	95.5	90.2	105.9	191.7
1986 I	176.0	164.4	95.9	87.0	110.2	194.0

1) Unit value index(chained) is directly computed through the Paasche formula, while quantum index is indirectly derived from dividing value index by unit value index.

Net barter terms of trade(index) :

$$\frac{\text{export unit value index}}{\text{Import unit value index}} \quad (\times 100)$$

Income terms of trade :

Net barter terms of trade x Export quantum index

(Table 9)

Progress of Import Liberalization (1977-86)

Date	CCCN				Import Liberalization ratio(%)
	Total	Prohibited	Restricted	Automatic Approval	
Feb. 1977	1,097	54	499	544	49.6
May. 1977	1,097	54	494	549	50.0
July.1977	1,097	52	484	561	51.1
Dec. 1977	1,097	50	456	591	53.9
May. 1978	1,097	-	431	666	60.7
June.1978	1,097	-	424	673	61.3
Sep. 1978	1,097	-	390	707	64.4
Dec. 1978	1,097	-	335	675	61.5
June.1979	1,010	-	328	682	67.5
July.1979	1,010	-	327	683	67.6
Jan. 1980	1,010	-	318	692	68.5
July.1980	1,010	-	317	693	68.6
July.1981	7,465	-	1,886	5,579	74.7
July.1982	7,560	-	1,769	5,791	76.6
July.1983	7,560	-	1,482	6,078	80.4
Jan. 1984	7,560	-	1,459	6,101	80.7
July.1984	7,915	-	1,203	6,712	84.8
July.1985	7,915	-	970	6,945	87.7
July.1986	7,915	-	670	7,245	91.5

• Remarks

1977-78, on the basis of CCCN heading 1,097 items
 1979-80, on the basis of CCCN heading 1,010 items
 1981, on the basis of CCCN heading 7,465 items
 1982-84, on the basis of CCCN heading 7,560 items
 1984-86, on the basis of CCCN heading 7,915 items
 1981-86, on the basis of CCCN 8 digit

(Table 10) Korea : Trend of Average Tariff Rates

	83	84	85	86	87	88
Total	23.7	21.9	21.3	19.9	19.3	18.1
Industrial products	22.6	20.6	20.3	18.7	18.2	16.9
Agricultural products	31.4	29.6	28.8	27.1	26.4	25.2

(Table 11) Korea : Trend of Tariff Rates Distribution

83

0	5	10	15	20	25	30	40	50	100	Specific duty
(6.8%)	(3.5%)	(10.8%)	(11.2%)	(29.6%)	(3.3%)	(14.1%)	(8.7%)	(10.6%)	(0.9%)	(0.5%)

(61.9%)

'84

0	5	10	15	20	25	30	40	50	80	90	100
(3.5%)	(5.7%)	(14.3%)	(5.9%)	(44.7%)	(0.6%)	(10.6%)	(12.2%)	← 2.5% →			

(74.1%)

'88

0	5	10	15	20	30	50	100
(3.5%)	(5.5%)	(16.2%)	(3.8%)	(64.5%)	(3.9%)	(2.6%)	

(93.5%)

(Table 12)

Summary of the tariff quota items for 1985

Category	Major items	No. of items
Foodstuffs	Fish, frozen. cuttle fish, frozen. Lupinseed, Tapioca Pellet	4
Chemicals	Naphtha, Normal paraffin Dinitrotoluene Crude Petroleum oil. synthetic organic dyestuffs	5
Metals and materials	Waste and scrap metal of aluminium, magnesium, ingot, gold wire	3
Others	Parts of weaving machines, Electrode Chipboard, Printer of electronic filter paper, microcircuits etc	7
Total		19

(Table 13)

The Emergency duty items for 1985

Talcum, Lubricating oil and products thereof, Alginic Acid, its salts, Copper waste and Scrap, electric plane etc (6 items).

(Table 14)

The adjustment duty items for 1985

Cosmetics, Cosmetic Soaps, Wrought bars, wrought plates, Electric power cable, Communication cable etc(8 items)