

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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REPORT OF THE COMMITTEE ON BALANCE-OF-PAYMENTS RESTRICTIONS
ON THE CONSULTATION UNDER ARTICLE XVIII:B WITH KOREA

1. In accordance with its terms of reference the Committee has conducted the consultation with Korea under paragraph 12(b) of Article XVIII. The Committee had before it the following documents: (a) a basic document for the consultation (BOP/89 and Add.2); (b) a special paper prepared by the Government of Korea concerning barriers to exports (BOP/89/Add.1); (c) a paper prepared by the secretariat on the evolution and prospects of Korea's export trade (BOP/90); (d) the Executive Board Decision taken on 7 February 1969 at the conclusion of the International Monetary Fund's consultation with Korea (Annex 1 hereto); and (e) a background paper provided by the International Monetary Fund, dated 16 January 1969.

2. In conducting the consultation the Committee followed the plan for consultations recommended by the CONTRACTING PARTIES (BISD, Seventh Supplement, pages 97-98). The consultation was held on 12 March 1969. This report summarizes the main points of the discussion.

Consultation with the International Monetary Fund

3. Pursuant to the provisions of Article XV of the General Agreement, the CONTRACTING PARTIES had invited the International Monetary Fund to consult with them in connexion with the consultation with Korea. In accordance with the agreed procedure, the representative of the Fund was invited to make a statement supplementing the Fund's documentation concerning the position of Korea. The statement was as follows:

"The Fund invites the attention of the CONTRACTING PARTIES to the Executive Board decision of February 7, 1969 taken at the conclusion of its most recent Article XIV consultation with Korea and particularly to paragraphs 2 to 5, which read as follows:

'2. Korea's economy continued to grow at a high rate in 1968, estimated at an annual rate of 12 per cent in real terms, despite the adverse effect of a drought on agricultural production. However, largely because of the decline in grain output, strong price pressures have been evident in recent months.

'3. During the first nine months of 1968 money supply grew by 17 per cent compared with an increase of 30 per cent in the same period of 1967. The continued strong growth in monetary savings and the steps taken by the monetary authorities to check the increase in banks' credit base have helped to lower the rate of monetary expansion from its very high level in 1967. The Fund would stress the need for cautious financial management in view of the demand pressures and their concomitant impact on prices.

'4. Korea's export performance has continued to be impressive. However, imports have increased more than current exchange receipts, substantially increasing the deficit on goods and services account and Korea's foreign debt, including a large increase in short-term debt. The Fund urges that firm policies be followed to reduce the growth of external debt, particularly short- and medium-term debt.

'5. The Fund welcomes the greater flexibility of the exchange certificate rate in recent months. It hopes that the implementation of appropriate financial and exchange policies will facilitate an early resumption of the program of import liberalization.'

"On April 10, 1968 the Fund approved a stand-by arrangement authorizing Korea to draw up to the equivalent of \$25 million for a period of 12 months beginning April 11, 1968.

"In the first three quarters of 1968 the deficit on the goods and services account of the balance of payments amounted to \$502 million compared with a deficit of \$306 million in the same period in 1967. Gross holdings of gold and foreign exchange amounted to \$351 million at the end of 1967, \$368 million in September 1968 and \$409 million at the end of 1968. However, during 1968 total short-term liabilities (consisting of trade credits and cash loans of less than three years maturity) increased by \$103 million and amounted to \$343 million at the end of the year.

"At the present time the general level of restrictions of Korea which are under reference does not go beyond the extent necessary to stop a serious decline in its monetary reserves."

Opening statement by the representative of Korea

4. In his opening statement, the full text of which is reproduced in Annex II, the representative of Korea referred to the expansion of exports which his country had been able to achieve in recent years but emphasized that although this expansion had amounted to some 40 per cent per annum it had brought no decrease in the balance-of-payments deficit on current account. This deficit was \$429 million in 1966, when Korea applied for accession to GATT, and in 1968 amounted to more than \$839 million. It accounted for the measures which the Government had decided must be maintained for the time being until a better balance could be achieved through even greater efforts to increase both visible and invisible foreign exchange earnings. Export trade growth had been accompanied, he noted, by a radical change in the composition of exports. Instead of exporting principally agricultural products, Korea now had an export trade in which manufactures represented 77.3 per cent of total exports in 1968. This change had been accompanied by a change in the direction of Korea's exports; formerly they went almost entirely to a small number of countries but were now sold in more than eighty countries. Korea's new interest in pioneering export markets accounted for Korea's active rôle in the GATT Trade Negotiating Committee, since it was evident that Korea would need to sell more to the developing as well as the developed countries. At home, export promotion was taking the form of continuous efforts to modernize production and make it more competitive in international markets. Korea was aware, however, that success would greatly depend on the willingness of her trade partners to remove barriers, especially non-tariff barriers, which stand in the way of increased imports from Korea, and it was for this reason that Korea had given special attention in BOP/89/Add.1 to a survey of barriers which had proved particularly troublesome. Korea's own restrictions were no more than necessary to safeguard the balance-of-payments position and had already been significantly relaxed in the period since Korea had joined GATT. Korea intended to pursue a policy of trade liberalization as rapidly as might be possible but the tempo of movement in that direction obviously depended on other countries as well. Korea hoped that this consultation might help clarify these needs whilst also explaining Korea's import régime to other contracting parties.

Balance-of-payments position and prospects and alternative measures to restore equilibrium

5. Members of the Committee welcomed Korea's first appearance before the Committee and expressed the hope that the consultation would be meaningful. They congratulated the representative of Korea on his able and persuasive presentation of the position of his country and they commended Korea for its remarkable progress in development and trade in recent years. The rate of economic growth averaging 8 per cent per annum, and ranging up to 12 per cent in one year, was one on which the Government and people of Korea should be congratulated. Members especially welcomed Korea's assurance that a policy of trade liberalization was to be pursued as rapidly as the balance-of-payments

position permitted. They noted that the economic expansion had to a large extent been made possible by an inflow of capital which had more than made up the deficits on the current account, but felt that so long as no undue strain on the balance-of-payments position resulted, this in itself was no cause for concern. It was noted, however, that Korean external debt, both short and longer-term, increased sharply in 1967 and 1968, and some questions were put regarding plans of the Government to moderate this expansion. Doubt was expressed as to whether Korea could postpone much longer action to curb the increase of short and medium-term debt, even though the aggregate debt burden was still relatively modest. It was also noted that the Government's budget had been in deficit and had been financed by foreign borrowing. This too raised a question as to how Korea could continue her growth without accumulating an unmanageable external debt. In the view of members, Korea would be well advised to look closely to the adoption of firm policies with respect to curbing the growth of debt. They asked what the prospects were for the balance of payments in 196

6. The representative of Korea acknowledged that Korea had relied heavily on foreign capital imports in the past and must attempt to reduce this reliance but would do so without any sacrifice in the growth of the economy. With regard to the budget, it was pointed out that final 1968 returns had shown a net surplus of W 1.8 billion (\$6.5 million) on the general Government budget and that the special account had shown a surplus of W 3.1 billion (\$11.2 million). It was planned to gear financial policies to growth in an environment of price stability and for this purpose credit expansion was to be limited and certain other stabilization measures were being used.

7. Members of the Committee were reassured to learn that fiscal and monetary policies were contemplated in order to control the tendencies toward inflation evident in the behaviour of the Korean economy. They noted, however, that although the financial stabilization programme had obviously been of some help, effective control had not been achieved. For example, the money supply, which had increased by 30 per cent in 1966, had further expanded by 43 per cent in 1967, and the most recent statistics with respect to the first nine months of 1968 showed an increase of 17 per cent for that period. Another disturbing feature in the situation was the fact that the bulk of the increase in domestic saving in 1968 was expected to have come from an increase in governmental savings (of 58.1 per cent) compared with an estimated rate of increase in private saving of only 1 per cent. This suggested that the Government might consider giving added incentives for private saving. Members of the Committee also expressed interest in hearing what further changes in the tax structure, additional to the reform of 1967, were contemplated and what measures were proposed in order to avoid further credit expansion as a result of increasing pressure from the private sector for bank loans. They also asked how the Government planned to restrain domestic demand and alleviate its impact on the level of prices in 1969.

8. The representative of Korea replied that since the initiation of the financial stabilization policy, the Government had refrained from intervening in the exchange certificate market and had aimed at achieving a balanced budget derived from increasing revenues, including more revenue from direct taxes. Private credit expansion was being controlled through the Central Bank's rediscount rate policy and by other indirect methods. It was hoped that the overall increase in the money supply would not exceed 10 per cent in the first half of 1969. A campaign was in progress to encourage savings and the effort to develop a securities market in Korea was also intended to serve that purpose. There had been several changes in the banking system and adjustments in interest rates which had brought in an encouraging inflow of funds.

9. In this connexion it was also noted by members of the Committee that as Korea's dependence on agricultural exports lessened further, it might be well to review the policy of supporting agricultural prices and, instead, consider a system of support which would permit a lowering of prices to consumers and so contribute to the control of prices. The representative of Korea replied that the function of the agricultural price stabilization funds was to smooth out seasonal fluctuations in agricultural prices.

Korea's foreign trade

10. Before examining in greater detail the growth and prospects of Korea's export trade, members of the Committee noted that associated with the impressive export growth was not only a large expansion in Korea's imports but also a significant change in their composition, and inquired what further changes might be in prospect. They inquired what level of imports the Korean Government envisaged for 1969 and 1970. The representative of Korea confirmed that there had been a rapid increase in imports, particularly in raw materials and capital goods, and that this trend was expected to continue. At the same time it was to be expected that whilst pulp, iron and steel, and machinery imports would continue to increase, the growth of domestic output would probably decrease imports of processed foods, fibres, plastics and other finished goods. Aluminium manufacture would not begin before mid-1970 so that no decrease in imports of aluminium was expected up to that time. Overall, imports for 1969 were projected at \$1.5 billion and the tentative estimate for 1970 was at \$1.8 billion.

11. On the export side, the representative of Korea had drawn special attention in his opening statement to the barriers facing Korea's traditional exports of primary products, which were sold mainly in Japan. The representative of Japan, who had noted that Japan and Korea enjoyed specially close relations and were each other's second largest market, pointed out that the statement (BOP/89/Add.1) concerning Japan's import régime did not present a full or fair picture of the situation. For example, not all imports of fish were subject to quantitative restriction, but only seven species, and Japan bought a considerable amount of the Korean catch on the automatic approval plan. Similarly, imports of only a limited number of items of crustaceans and molluscs were under restriction in Japan. With respect to another product mentioned, natural graphite, it was in fact only amorphous graphite which was restricted, and that because of the difficulty of distinguishing it from anthracite coal. Molybdenum, another of the items mentioned as being subject to quantitative restriction, was in fact subject to a tariff quota, not to an absolute quota. He quite understood Korea's concern to obtain further liberalization but did not want any misunderstanding to arise concerning a situation which did in fact permit a good deal of trade to take place within a régime well understood on both sides.

12. With respect to Canada's trade with Korea, as it had been noted that export restraints existed on a narrow range of Korean textile products, the representative of Canada drew attention to the fact that Korea enjoyed freedom from any restriction on all trade with Canada outside the specified range and that Canada offered a market to Korea which had expanded significantly; from \$1.75 million in 1966 Canada's imports from Korea rose to \$4.5 million in 1967 and to \$11.25 million in 1968.

13. In this connexion it was noted that a characteristic of Korea's export expansion, as brought out clearly in BOP/90, was the high concentration of exports in a few products and a few markets. In 1967 five product groups made up 48 per cent of total exports, and in the first ten months of 1968 the same products accounted for 56 per cent of Korea's exports. A marked and increasing geographic concentration had also characterized Korea's recent export pattern. This concentration represented a threat to the stability of Korea's export growth. It was also noted that, apart from other considerations, such reliance could result in a serious miscalculation of future export growth if, over a given period, the United States market proved less buoyant than it had been in recent past years. It was suggested that a search for a wider geographic distribution of export markets should be one of Korea's objectives in negotiations with importing countries. Members asked what plans the Korean Government had for further diversifying export products and markets.

14. The representative of Korea recalled that Korea was a developing country with many of the problems of other developing countries. The first development plan had enabled a good beginning to be made, and Korea was well aware of the need to diversify its exports; perhaps it would also be wise to develop a wider geographic distribution of its export markets. To a certain extent, however, an argument could be made for concentrating on those export markets which had the greatest capacity to absorb increased imports, and this was a part of the reason why Korea had directed its activity first to the markets of Japan and the United States. Further growth and diversification would depend on the co-operation of other countries. Korea did establish a yearly programme for exports in which targets were set both by commodity and by area of export.

System and methods of the restrictions and effects of the restrictions

15. Members of the Committee commended the Government of Korea on the great progress of its economy and on the steps taken towards greater liberalization especially since July 1967 when the negative list system had been introduced.

16. A number of questions were raised on the application of the import régime as described in BOP/89, page 2, and the current status of Korea's trade liberalization programme. Clarification was requested on the two main import categories: import-prohibited items, and import-restricted items. With regard to the import-prohibited items, it was asked whether these prohibitions were total or whether there were exceptions. The representative of Korea replied that there were exceptions to prohibited items when the goods were imported for

re-export. Asked for details of "agricultural products produced domestically on a small scale by the countries' small farmers" which fell into the import-prohibited category, the representative of Korea cited groundnuts, tapioca and sago and added that there were not many such items in the category. Concerning import-prohibited non-essential commodities, the representative of France pointed out that in his view this method of restricting imports was very severe; as an exporter of non-essentials his country stood to be affected by such prohibitions. Recalling the provision of Article XVIII:10, he requested more liberalism in the treatment of non-essential imports. The representative of Korea pointed out that the number of import-prohibited items was decreasing; out of 1,312 SITC basic items only seventy-six items remained in this category for January-June 1969. Classification in one or the other category, i.e., import-prohibited or import-restricted, was flexible and as soon as appropriate these items would be considered for reclassification.

17. Concerning the import-restricted category, it was asked how the current liberalization programme would be administered, what criteria were used in granting licences for restricted items, what considerations were taken into account in drawing up quotas, and approximately what percentage of Korea's imports was composed of items in the restricted category. The representative of Korea replied that in terms of value, in 1967, some 80 per cent of imports were under automatic approval and about 20 per cent under restricted category; in 1968, there was a slight increase in the percentage under automatic approval. He further explained that those items under quota had, at the time of Korea's accession, been import-prohibited items. As the trade liberalization programme went ahead, these items were moved from the import-prohibited category to tentative quotas because it had been felt that their total liberalization would have adverse effects on the balance-of-payments position.

18. Clarification was requested concerning the automatic approval category; in particular, it was asked whether this amounted to a licensing system. The representative of Korea explained that there was no licensing process as such for the automatic approval category. The word licensing in this connexion merely means the confirmation of formalities which could be described as registration. The Committee noted that IMF documentation, including the published report on exchange restrictions, referred to licensing as required for all imports, although it was also clear that licences were granted freely for automatic approval imports.

19. Questions were raised with regard to Korea's justification for frequent revisions of the list of items subject to restrictive licensing. It seemed to members of the Committee that the revision of this negative list every six months was excessive and created uncertainties and difficulties for traders. It was also asked whether the revisions were published in accordance with Article XIII, paragraph 3(b) of the General Agreement. The representative of Korea confirmed that changes in categories contained in the Periodic Notice were made every six months and published one month before implementation.

20. On a question concerning the Korean Government's increase, in July 1968, of the import deposit margin from the former rate of 100 per cent to 150 per cent, for 202 items whose tariff rates are over 50 per cent, and for forty-eight non-essential and luxury items, he explained that this had been done in an attempt to limit an inordinate increase of imports of non-essential goods. His Government was seriously concerned with Korea's trade deficit and had chosen this measure in order to avoid recourse to direct import restrictions. The representative of Korea confirmed that the information contained in the International Monetary Fund's background paper on page 75 was an up-to-date and full description of the prior deposit margin scheme. A question was asked as to when Korea expected to remove or reduce its advance import deposit requirements.
21. In regard to the temporary increase of the rate of advance deposit for imports from those countries which are within ten days' shipping distance from Korea, and with which Korea has a trade deficit, it was asked what the intention of the measure was, how it had influenced Korea's trade or how it was likely to influence it in the future, when it would be discontinued, and what geographic area was affected. The representative of Korea said that this measure was applied without any differentiation to all those countries which fell under the definition, i.e. "within ten days' shipping distance from Korea and with which Korea has a severe trade deficit". He said that the measure was temporary and was intended to limit imports of non-essential goods. As soon as the balance-of-payments position improved his Government would be in a position to eliminate the measure. He added that the definition covered the area of South-East Asia.
22. Concerning the measure which made imports of machinery subject to the prior approval of the Ministry of Commerce and Industry, the representative of Japan said that it was his Government's understanding that this would apply even to automatic approval items. He also asked whether this measure would be applied globally or only to some countries and whether the measure was temporary. The representative of Korea said that this measure had been applied for the same reason as the increase in advance import deposit, i.e. to safeguard the balance of payments. In addition, it was intended to protect the infant domestic industry; Korea was trying to develop a machine industry and this measure would be applied temporarily until the industry was strong enough to compete on international markets. The measure applied to countries with which Korea has a trade deficit.
23. The representative of Japan said that all these measures were likely to affect primarily Japan's exports to Korea and, therefore, were of serious concern to his Government. He also remarked that it was not a sound policy for any country to incur a large amount of external debt. On the other hand, in his view, credit facilities from abroad provided additional working funds to domestic manufacturers and traders. Korea's exports were carried out mainly by small firms and traders and to them short-term foreign borrowing could be very helpful especially in view of the high interest rates in Korea. Thus the problem had two sides. The representative of Korea replied that his Government was seriously concerned over the accumulating short-term external debt which had reached, by the end of 1968, \$343 million. His Government intended to curtail as much as possible such short-term credit.

24. Members of the Committee enquired about the total number of bilateral trade agreements Korea had entered into, whether any of these agreements contained trade balancing provisions, what share of Korea's trade was carried out under these agreements, and whether they were published in accordance with Article X of the General Agreement. The representative of Korea said that his Government had concluded such agreements with thirteen countries before its accession to the GATT, and with three more after its accession, namely with Canada, New Zealand and Pakistan. These agreements contained no special trade balancing provisions and provided for most-favoured-nation treatment. It was not useful to indicate what share of Korea's trade was carried out under the bilateral agreements.

25. The representative of Canada confirmed that the trade agreement signed between Korea and his country in 1966 contained no other special provision except most-favoured-nation treatment. The representative of Korea assured the Committee that all such trade agreements were published and expressed the view that their effect had been a very favourable one in promoting trade.

26. An explanation was requested as to the rationale for the continued existence of Korea's "Temporary Special Customs Law" passed in 1964 as a provisional measure to stabilize exchange rates in view of the new tariff which had been established in 1968. The representative of Korea referred to the report of the Working Party on Korea's accession (L/2720). There had been a tariff readjustment in January 1968, but the balance-of-payments position had not enabled the Government to eliminate the temporary special custom duties.

27. The representative of Korea was asked to clarify the purpose of the newly-established extraordinary 1 per cent import charge levied on all imports by the Korean Traders' Association, and whether this charge was consistent with Article VIII of the General Agreement. It was replied that the charge of 1 per cent was a special fee levied by a private organization, the Korean Traders' Association. This was done on their own decision and levied on their own members. The Korean authorities had no part in this. In reply to the question of how the money was used subsequently, the Korean representative said that although this matter was beyond the scope of Government intervention it was his opinion that such funds would be used for export promotion. In any case this was decided on solely by the Traders' Association.

General

28. Members of the Committee thanked the representative of Korea for the presentation he had made to them of his country's position. The Government was to be congratulated on the remarkable progress of the Korean economy and on its endeavour to take measures toward further liberalization of imports.

ANNEX I

International Monetary Fund Executive Board Decision Taken at the
Conclusion of the Fund's Consultation with Korea on 7 February 1969

1. This decision is taken by the Executive Directors in concluding the 1968 consultation with Korea pursuant to Article XIV, Section 4 of the Articles of Agreement.
2. Korea's economy continued to grow at a high rate in 1968, estimated at an annual rate of 12 per cent in real terms, despite the adverse effect of a drought on agricultural production. However, largely because of the decline in grain output, strong price pressures have been evident in recent months.
3. During the first nine months of 1968 money supply grew by 17 per cent compared with an increase of 30 per cent in the same period of 1967. The continued strong growth in monetary savings and the steps taken by the monetary authorities to check the increase in banks' credit base have helped to lower the rate of monetary expansion from its very high level in 1967. The Fund would stress the need for cautious financial management in view of the demand pressures and their concomitant impact on prices.
4. Korea's export performance has continued to be impressive. However, imports have increased more than current exchange receipts, substantially increasing the deficit on goods and services account and Korea's foreign debt, including a large increase in short-term debt. The Fund urges that firm policies be followed to reduce the growth of external debt, particularly short- and medium-term debt.
5. The Fund welcomes the greater flexibility of the exchange certificate rate in recent months. It hopes that the implementation of appropriate financial and exchange policies will facilitate an early resumption of the program of import liberalization.

ANNEX II

Opening Statement by the Representative
of the Republic of Korea

I have the privilege of presenting the background paper prepared by the Government of the Republic of Korea for today's consultation in compliance with the provisions of GATT. GATT document BOP/89 which is before you contains information on Korean export and import summarized under seven different items. For the purpose of supplementing this basic document, I should like to present an additional paper, namely BOP/89/Add.1 in which my Government has attempted to describe various types of obstacles confronting the Korean export. Together with the excellent report prepared by the secretariat of GATT, document BOP/90 and very detailed and equally excellent background material provided by the International Monetary Fund, I hope the members of the Committee will be able to obtain an overall picture on various aspects of the Korean trade and trade policy which the Committee is particularly concerned with. Since our basic document is self-explanatory, I do not wish to repeat here what has been already stated in the document. I should like, however, to invite some special attention of the members of the Committee to paragraphs 2, 6 and 7 as they cover the most essential information concerning the subject under discussion.

As has been pointed out in document BOP/90, my country has been fortunate in recent years to expand its trade considerably as a result of the energetic and sustained efforts of both the Government and the people. Indeed, the expansion of the Korean export averaged at some 40 per cent per annum, thus facilitating the successful implementation of our five-year economic development plan. Despite the continued expansion in exports of goods and services, however, the deficit in the goods and services account has increased markedly. In the year 1966 when we applied for membership in GATT, the deficit was \$429 million, but thereafter it increased to \$574 million in 1967, and in 1968 the deficit exceeded \$839 million.

Such a trend of growing imbalance between export and import, to which the IMF has also made some reference in its Executive Board decision of 7 February 1969 has led my Government to conclude that appropriate counter-measures must be taken for the time being while even greater efforts to increase both visible and invisible foreign exchange incomes are required in the future.

At this juncture, Mr. Chairman, my delegation believes that it will be worthwhile to briefly touch upon the recent performance of Korean export so as to enable the members of the Committee to better acquaint themselves with the possibilities and problems for Korea in trade expansion. I will do so by enumerating several points which we believe to be the highlights of Korean export.

First point is a radical change in the composition of Korean exports. Korea had been known to be an agricultural country, and for both national and international reasons Korea has had a very limited degree of industrialization for a long time. Consequently in 1962, manufactured goods had a share as small as 20.6 per cent in the total Korean export; however, in 1966 - when Korea applied for membership in GATT - the share had risen to 62.4 per cent and in 1968 it has again risen to the level of 77.3 per cent. The fact that manufactured goods have become the major exportable items for Korea results from the progressive industrialization and modernization of Korean national economy, through better mobilization of domestic resources, effective use of technical know-how and financial assistance from foreign countries, under our economic development plan.

Second point is the diversification of our overseas market. Until a few years ago, Korea was trading with only a limited number of countries in the field of export. In 1968, Korea traded with more than eighty countries including both developed countries and developing countries in all parts of the world. In the light of its past experience, my country intends to endeavour to pioneer additional new markets in the future as evidenced for example by our positive participation in GATT Trade Negotiating Committee since last year while it will endeavour to further expand the old markets in developed countries which are capable of absorbing more exports from Korea.

Third point is the growing effort to modernize and expand the production of exportable goods. These efforts are intended to make Korean exports more competitive in the international markets both in terms of quality and price, and will be continued in the future as the second economic development plan progresses successfully.

The Republic of Korea is making every possible effort to expand its export in order to strengthen her balance-of-payments position and in doing so both the Government and people are working together with a growing sense of self-confidence. However, no one can deny the fact that export is a two-sided play in the economic sense and can hardly be promoted unless there is good understanding and co-operation between the two parties concerned. As a developing country, Korea need to earn foreign exchange to facilitate her economic development to raise the standards of living of its people. In reality, the future expansion of Korea's export which will contribute to improving the balance-of-payments position depends very much on the good understanding and friendly co-operation of developed importing countries. In this connexion, I wish to refer to document BOP/89/Add.1 which is intended to explain various obstacles which hinder continued expansion of Korean exports. In view of the importance that we attach to continued expansion of export, we feel quite strongly about the removal of those barriers - mostly non-tariff barriers employed by economically advanced countries - as pointed out in the document. My country has advocated very strongly through bilateral and multilateral talks with the countries concerned an early solution of these problems in the spirit of GATT, particularly in the light of Part IV of GATT, but the results so far attained are disappointing. Needless to say, it is our ardent hope that the developed countries concerned will co-operate towards overcoming these difficulties as soon as possible.

As shown in various documents which are before the Committee, Korea is currently maintaining certain restrictions on imports. These restrictions have been motivated by the desire to safeguard the balance-of-payments position which is vital to the stability and healthy growth of the Korean national economy as a developing country as provided in Article XVIII of GATT. The Republic of Korea joined GATT in April 1967 and in July 1967 she decided to adopt the negative list system as explained in paragraph 6 of our basic document. In view of all the conditions facing the Korean economy, my Government believes that the adoption of this system was a significant step forward to the direction of liberalization of import.

Korea is not an exception to those developing countries who suffer constant deficit of foreign exchange earnings and yet it is the declared policy of the Korean Government to support trade liberalization as a means to promote international trade economic co-operation. For this purpose, Korea joined GATT two years ago.

To end, it is the sincere hope of my delegation that the Committee, through examination of documents we have presented and further clarification which we may offer in the course of consultation, will find the import régime maintained by the Republic of Korea in the field of trade agreeable in the light of the provisions of GATT.