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**REPUBLIC OF KOREA PROVES THE CASE FOR
A LIBERAL MULTILATERAL TRADING SYSTEM**

Exceptionally successful development since 1962 has transformed the Republic of Korea from a poor agrarian country into a nascent industrialized economy, with real GDP growing at an average annual rate of 9 per cent, according to the GATT Secretariat's report on the country's trade policies and practices. During the period, the ratio of merchandise trade to GDP increased in real terms from barely 11 per cent in 1962 to almost 75 per cent in 1990.

Korea's increasing dependence on international trade over the last three decades reflects in large measure the significant benefits it has derived from the liberal multilateral trading system. "Its own liberalization has contributed to the strength of the system," says the report. "Under a successful Uruguay Round, it would benefit from improved market access within a framework of strengthened and clarified international trading rules; Korea shares in the responsibility for such a success. Further market opening on a secure, multilateral basis by Korea, which has become a significant trading partner for many countries, would also facilitate the continuation of its own successful growth performance."

However, high and relatively non-transparent protection still exists, particularly in the agricultural sector. In addition, a notable feature of Korea's export régime is that some 20 per cent of all items are affected by selective restraints. Many of these measures result from bilaterally negotiated governmental or inter-industry agreements, or from anti-dumping measures imposed by importing markets on Korean producers. A significant number, however, are unilateral restrictions on exports taken by Korea to prevent possible actions by importing countries.

The GATT Secretariat's report, together with a report prepared by the Korean Government, will be discussed by the GATT Council on 8-9 July 1992 under the Trade Policy Review Mechanism (TPRM). The TPRM enables the Council to conduct a collective evaluation of the full range of trade policies and practices of each GATT member at regular periodic intervals to monitor significant trends and developments which may have an impact on the global trading system.

The current reports cover all aspects of Korea's trade policies, including domestic laws and regulations; the institutional framework; bilateral, regional and other preferential agreements; the wider economic needs; and the external environment. Attached are summary extracts from these reports. Full reports are available for journalists from the GATT Secretariat on request.

A record of the Council's discussions and of the Chairman's summing-up, together with these two reports, will be published in October 1992 as the complete trade policy review of the Republic of Korea and will be available from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

Since December 1989, the following reviews have been completed: Argentina (1992), Australia (1989), Austria (1992), Bangladesh (1992), Canada (1990 and 1992), Chile (1991), Colombia (1990), the European Communities (1991), Finland (1992), Ghana (1992), Hong Kong (1990), Hungary (1991), Indonesia (1991), Japan (1990), Morocco (1989), New Zealand (1990), Nigeria (1991), Norway (1991), Singapore (1992), Sweden (1990), Switzerland (1991), Thailand (1991), and the United States (1989 and 1992).

TRADE POLICY REVIEW
REPUBLIC OF KOREA

Report by the GATT Secretariat - Summary Observations

In the past three decades, the Republic of Korea has transformed itself from an agrarian to a largely diversified economy. Underpinned by large gains in productivity, real gross domestic product has grown at an annual average rate of 9 per cent a year, with a steady trend toward higher value added in production. The share of the manufacturing sector has quadrupled to a third of real GDP. Agriculture now accounts for less than 10 per cent of real GDP, although it still employs over one-sixth of the labour force. In line with the maturing of the economy, the services sector has grown steadily. The financial sector is being gradually opened, but internationalization in this area remains incomplete.

Korea's strong growth performance has been based on an outward-oriented, high investment strategy, supported by generally prudent macroeconomic policies and sustained by high domestic savings and continuous access to foreign borrowing and overseas markets. The latter has facilitated rapid trade expansion, diversification of the export base and the increasing integration of Korea into the international economy. In this regard, Korea has been a significant beneficiary of the liberal multilateral trading system.

Trade liberalization was an important feature of Korea's initial development and has proceeded again since the late 1970s. In the mid-1960s, a system of export incentives was introduced to offset the anti-export bias inherent in existing import restrictions. With the real exchange rate held roughly constant, import restrictions were relaxed and net export subsidies gradually reduced. Thus, with incentives relatively neutral, Korea's emerging industrial structure roughly matched its comparative advantage, as resources moved from agriculture particularly into light manufacturing.

Security considerations and balance-of-payments difficulties in the 1970s led Korean policy to shift toward industrial targeting, import substitution and assistance for strategic export industries. Under the Heavy and Chemical Industries (HCI) drive of 1973 to 1979, credit, interest rate, tax and trade policies were used to promote development of "key" industries.

Although the HCI drive radically transformed the structure of the Korean economy, and played a rôle in the later export success of sectors such as transport equipment, it contributed to serious structural imbalances. Concurrently, agricultural support increased, with financing deficits on farm policies amounting to some 4 per cent of Government expenditure by the late 1970s. These factors, together with adverse external conditions and a domestic drought, led to an economic crisis;

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high inflation brought competitiveness under severe pressure and real GDP declined in 1980.

Significantly, market opening was the first step taken in correcting the resource misallocation emerging from the HCI policy. This was followed by macroeconomic stabilization and, subsequently, by wide-ranging structural adjustment. Reform of the financial sector was initiated and steps were taken to liberalize foreign direct investment. Multi-year programmes were implemented to reduce tariffs and the scope of non-automatic import licensing. Greater decentralization of macroeconomic management was introduced and more reliance placed on market signals for resource allocation. By early 1982 virtually all export subsidies had been eliminated; by end 1985, all specific industry programmes had been replaced by broad legislation to promote technological development. Concurrently, prudent financial policies and the maintenance of a realistic exchange rate redressed domestic imbalances. Productive capacity continued to be built; the investment to GDP ratio stood at around 30 per cent throughout the period 1980-1985.

By 1985, Korea was well poised to take advantage of a more favourable external environment, including lower oil prices and the depreciation of the U.S. dollar. Led by exports and a continued high rate of capital formation, real GDP growth averaged about 12 per cent in 1986-1988. Large and growing external surpluses permitted a significant reduction in Korea's external debt. Trade liberalization continued; non-automatic licensing applied to less than 5 per cent of all tariff lines by end 1988. Remaining restrictions were largely concentrated in agriculture, where tariffs were also well above the overall average of 18 per cent.

The high growth rates strained capacity utilization and generated inflationary pressures. At the same time, Korea's trade surpluses exacerbated international trade tensions while democratization released pent-up labour demands. Policy direction changed towards reducing the external surplus and improving living standards; financial restraint, exchange rate appreciation and trade liberalization were emphasized. Economic growth slowed and its pattern shifted toward meeting domestic demand. Export volume declined in 1989, for the first time in a decade. The policy of exchange rate appreciation was halted and in early 1990 market forces were accorded a greater rôle in determining the rate.

Growth has picked up since late 1989, but signs of overheating and resource constraints have become evident. Domestic demand has risen rapidly and current account deficits were recorded in 1990 and 1991.

Given Korea's high productivity of capital and its ready access to international capital markets, modest current account deficits need not be a point of concern. However, with labour shortages emerging, and unit labour costs rising relatively rapidly, inflation continues to be above that in Korea's major competitors.

Throughout the 1980s, trade liberalization and the disengagement of the Government from enterprise decision-making have encouraged efficient

resource allocation. However, agricultural liberalization has lagged that in industry. The resulting intersectoral incentive structure appears now to increase resource constraints and put pressure on industrial competitiveness, which in the past has been the source of Korea's exceptionally successful development.

Korea in World Trade

Korea has grown increasingly dependent on international trade. In 1990, the ratio of merchandise trade to GDP, in real terms, was close to three-quarters, compared to barely one-tenth in 1962. Korea's exports and imports each account for almost 2 per cent of the world total, ranking Korea fifth among GATT members in world trade, counting the European Communities as one group.

Korea accords m.f.n. treatment to all countries, whether or not they are contracting parties to GATT. It extends tariff preferences on a small percentage of its imports under the Global System of Trade Preferences, the Protocol on Trade Negotiations among Developing Countries and the Bangkok Agreement with Bangladesh, India, Laos and Sri Lanka.

The share of exports in Korea's GDP rose steadily to almost 40 per cent in 1988, before falling back to one-third as the pattern of growth shifted towards domestic demand. Imports also increased from around one-tenth in the early 1960s to over 40 per cent of GDP in 1990. Developments in the two ratios are broadly related. Export-led growth was supported by high levels of imported capital goods, while the growth of intra-industry trade led to an export basket containing a high proportion of imported raw materials and components. The liberalization of restrictions on imports of manufactures has led Korean producers to specialize in higher value-added products with a substantial import content. Korea's areas of specialization have tended to follow that of Japan, which has both a technological and geographical advantage in the supply of capital goods and components.

Since 1986, Korea has operated "diversification" and "localization" programmes with a view, at least in part, to easing bilateral trade imbalances with major partners. The localization programme lends financial support for import substitution, while the diversification programme discourages imports of designated items from specific sources. The two programmes, which are indications of attempts to manage trade, give rise to potential inefficiencies in the sourcing of inputs. They may also weaken the intra-industry links that have facilitated Korean specialization and consequent economies of scale.

Institutional Framework

The Government of Korea combines Presidential and parliamentary systems, with the President as head of the Cabinet and of the Executive Branch of Government. Legislative power rests with a unicameral, elected National Assembly. Korea's accession to the GATT has been ratified by the Assembly, giving the Agreement the status of domestic law.

The Executive holds much of the responsibility for formulating and implementing trade and industrial policies. Proposals for policy usually emanate from a Ministry and undergo extensive discussion among relevant Ministries before being formulated as Government policy by the Cabinet. Recently, the National Assembly has become more assertive on foreign trade laws and in overseeing the Executive's operations.

Korea has no independent permanent body responsible for reviewing and advising the Government or the Assembly on matters of trade and industrial policy. However, a number of non- and quasi-governmental agencies, such as the Korean Trade Promotion Corporation, feed into the decision-making process. In addition, certain government-funded research institutions participate directly in task forces and inter-ministerial bodies concerned with policy formulation.

The private sector enters policy formulation through formal and informal channels. The President chairs regular meetings of private and Executive Branch representatives to review trade-related policies. On some items subject to import or export restrictions, responsibility for initial approval of licenses is delegated to the relevant industry organization, suggesting the possibility for discretion.

Trade Policy Features and Trends

Recent evolution

The process of trade liberalization accelerated during the 1980s, under pre-announced tariff and import licensing reduction programmes. General adherence to these schedules confirmed Korea's commitment to trade liberalization. From almost 24 per cent in 1982, the unweighted average tariff has been reduced to 10 per cent, and will be further lowered to about 8 per cent in 1994. Tariff dispersion has also been significantly reduced, with well over 90 per cent of rates below 20 per cent. Concurrently, the scope of non-automatic import licensing has been lowered. Less than 3 per cent of tariff lines are now subject to such restrictions, compared to almost 20 per cent in 1983. In addition, the authorities have moved to streamline individual regulatory laws to minimize their trade inhibiting effects. New safeguard provisions, in line with those of the GATT, were introduced on 1 January 1987, and in January 1989 the list of items subject to surveillance to limit surges in imports was abolished.

Korea disinvoked the GATT provisions on the use of trade measures for balance-of-payments reasons with effect from 1 January 1990. Consequently, all Korea's remaining import restrictions will be eliminated, or brought into conformity with the GATT, by 1 July 1997. As a first step, in March 1991 Korea announced a three year programme that will reduce the scope of non-automatic import licensing to some 1.5 per cent of all tariff lines by 1994. At the same time, partly in response to GATT panel findings, Korea has rapidly expanded its beef import quotas, reducing self-sufficiency in beef from 100 per cent in 1987 to some 45 per cent in 1991.

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Type and incidence of trade policy instruments

Almost continuous tariff reform since the early 1960s has resulted in a structure of relatively low tariffs. Virtually all tariffs are applied on an ad valorem basis, and there are no variable levies. The average tariff rate on industrial goods is below 10 per cent but that on agricultural products remains close to 20 per cent, with rates of 30 to 40 per cent common throughout the sector. There are relatively few tariff peaks in industry; present rates of 17 per cent in the transport sector will be cut to 10 per cent by 1994. Tariff escalation is present on a fairly wide range of products. The overall tariff structure is somewhat complicated by the use of abatements and tariff quotas.

About a quarter of Korea's six-digit tariff lines under the Harmonized System (HS) are partially or wholly bound. Under Korea's Uruguay Round offer, the level of tariff bindings would rise significantly, to over 80 per cent of all lines.

Almost all the items now subject to non-automatic licensing are agricultural products. Some licensing requirements support price stabilization schemes, as for beef, pork, chicken and a number of vegetables and condiments. The schemes for beef, soyabbeans and other grains are underpinned by import quotas applied on an m.f.n. basis.

Import approval is also required under certain individual laws. Notable among such laws is the Foodgrain Control Act. The Act requires annual approval from the National Assembly for imports of rice and barley for food purposes; such approval is given only if the price stabilization schemes for these products indicate a shortage of domestic supply. As the rice and barley programmes are designed to achieve self-sufficiency, through high administered prices, there have been no imports of such products for food purposes for the past five years.

Since 1987 Korea has taken significant steps in simplifying and streamlining many of its 45 individual, regulatory laws addressing domestic policy concerns, including health and safety standards. The implementation of recommendations from an interministerial Task Force has resulted in an important easing of non-tariff barriers to trade, including the simplification of inspection and approval procedures for a number of products and the elimination of certain import fees. Nevertheless, the laws can still result in cumbersome procedures, and the matter remains under consideration by a Commission chaired by the Prime Minister.

Korea is a signatory to the Tokyo Round Agreements on Anti-dumping, Customs Valuation, Subsidies and Countervailing Duties, and Technical Barriers to Trade. Korea has observer status to the Agreement on Import Licensing, pending possible accession in the light of the results of the Uruguay Round, and is in the process of negotiating its accession to the Agreement on Government Procurement. In principle, government procurement is under an open competitive process for all goods and services contracts above a minimum amount. However, single tendering accounts for over two-fifths of procurement of goods. Foreign suppliers are eligible to

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tender for items not produced in Korea, although the scope for foreign contractors is gradually being increased.

A notable feature of Korea's export régime is that some 20 per cent of all 6-digit HS tariff lines are affected by selective restraints to certain countries. Many of these measures result from bilaterally negotiated Governmental or inter-industry agreements, or from anti-dumping measures imposed by importing markets on Korean producers. A significant number, however, are unilateral restrictions on exports taken by Korea to prevent possible actions by importing countries.

Temporary measures

Korea makes limited use of anti-dumping and safeguard measures and has never imposed a countervailing duty. Recent legislative amendments introduced provision for a sunset clause on anti-dumping and countervailing duties, clarified the investigation procedures and limited petitions to domestic producers of like products. Each safeguard measure is subject to annual review.

Sectoral trade policies

The significant lowering of trade barriers since the early 1980s has contributed to making the Korean industrial policy environment more neutral. In manufacturing, the overall level and spread of protection have declined. However, tariff escalation contributes to protection considerably higher than the average in clothing and footwear, tobacco manufactures and electric machinery, where the localization programme also encourages import substitution.

The incidence of border protection on agricultural products in Korea has also declined during the 1990s, although less significantly than in manufacturing. Agricultural protection conceals wide sub-sectoral variations. While some product groups, such as vegetables, are probably internationally competitive, high rates of assistance in other areas continue to hold resources in the sector. However, the pace of change in agricultural policy appears to be accelerating; a number of markets are being opened to international signals and efforts are underway to increase agricultural productivity and retrain farmers for employment in other sectors.

Some 90 per cent of the assistance to agriculture derives from stabilization schemes supporting domestic prices that are high by international levels. This assistance results in high implicit taxation on consumers. The total cost of agricultural support in Korea in 1990 was in the order of 7 per cent of GDP, indicating a welfare loss of well over 1 per cent of GDP.

Trade Policies and Foreign Trading Partners

Over the last decade, Korea has made considerable strides in liberalizing trade on a steady, predictable basis. This is particularly

the case in manufacturing, although some areas of relatively high protection still exist. Reduction in the scope of non-tariff measures and reliance on tariffs to a large extent have also contributed to greater transparency in Korea's trade régime. Nevertheless, high and relatively non-transparent protection persists in certain areas of agricultural trade. In addition, the localization and diversification policies, as well as the widespread use of export restrictions, appear to promote managed bilateral trade in sensitive areas.

Korea has benefited considerably from the opportunities provided under the multilateral trading system. Its own liberalization has contributed to the strength of the system. Under a successful Uruguay Round, it would benefit from improved market access within a framework of strengthened and clarified international trading rules; Korea shares in the responsibility for such a success. Further market opening on a secure, multilateral basis by Korea, which has become a significant trading partner for many countries, would also facilitate the continuation of its own successful growth performance.

TRADE POLICY REVIEW
REPUBLIC OF KOREA

Report by the Government of the Republic of Korea - Summary Extracts

Trade Policy Objectives

In the course of Korea's economic development since the early 1960s, an outward-looking development strategy and the world free trade environment sustained by the GATT system were important factors behind Korea's rapid economic development. In this light, Korea's trade policy is rooted in the expansion of free trade, and is thus committed to this underlying objective.

Korea's trade policy centres around three principal objectives: (i) balanced expansion of external trade based on the free trade principle, (ii) internationalization of trade-related regulations and institutions, and (iii) continued contribution to the maintenance and strengthening of the multilateral trading system. Based on these objectives, Korea has been continuously implementing a wide range of market liberalization measures.

During its initial stage of economic development with relatively scarce natural resources and insufficient capital accumulation, Korea heavily depended on foreign natural resources and capital to fuel its economic growth. Accordingly, on account of Korea's chronic trade and current account deficits, Korea's trade policy was oriented toward promoting exports and restricting non-essential imports. Even under such circumstances, the Korean government had implemented a series of trade liberalization measures including tariff concessions in the process of joining GATT in 1967.

Entering the 1980s, Korea started to accelerate its trade liberalization through such measures as: virtually complete import liberalization of manufactured products, substantial tariff reduction through two consecutive 5-year tariff reduction programs begun in 1984, gradual liberalization of foreign exchange and capital markets, and market opening of major service industries such as insurance, banking, telecommunications and distribution. The following measures were integral to Korea's efforts to internationalize its economy, thus enhancing its industrial competitiveness and shouldering its responsibilities as a member of the international trading community.

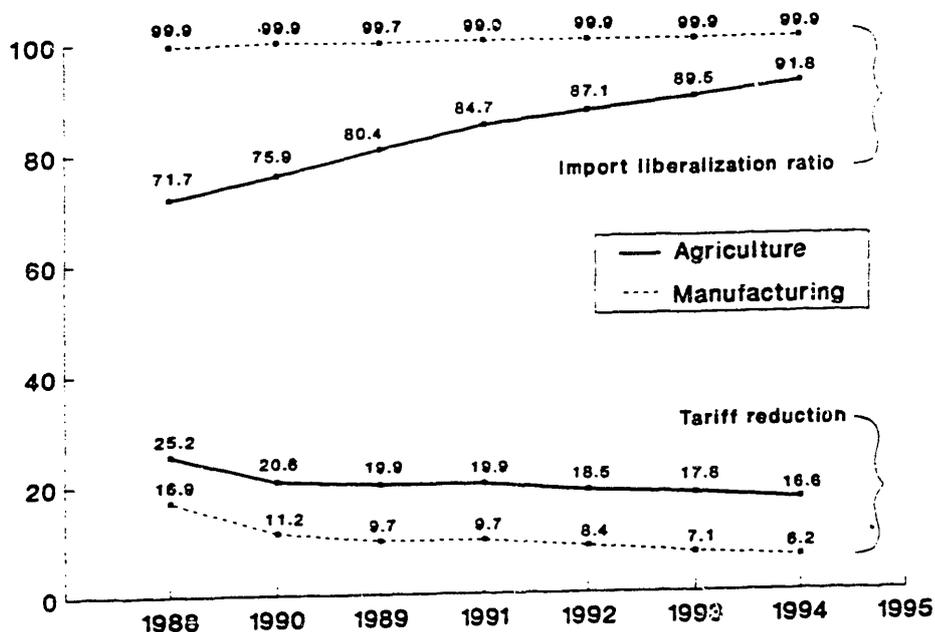
- (i) Korea implemented an aggressive program of import liberalization. As a result, the import liberalization ratio increased from 68.8 per cent in 1980 to 97.2 per cent in 1991, and in 1994, the ratio will be further increased to 98.5 per cent;
- (ii) Through the two 5-year tariff reduction plans, the average tariff rate decreased from 24.9 per cent in 1980 to

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10.1 per cent in 1992, and in 1994, the rate will be further decreased to 7.9 per cent; and

- (iii) Korea has significantly relaxed its foreign exchange control and pursued liberalization of foreign investment and capital movement, particularly since Korea became an IMF Article VIII country in 1988.

2. Trends in import liberalization and tariff reduction
Per cent



Source: Ministry of Finance (Tariff),
Ministry of Trade and Industry (Import Liberalization)

At the same time, since its accession to the GATT, Korea has continuously striven to ensure that its trade rules and practices conform with the GATT, which emphasizes non-discrimination, transparency, and predictability. As part of Korea's firm commitment to free trade, Korea has actively endeavoured to contribute to the successful conclusion of the Uruguay Round negotiations, thereby participating in the internationally concerted efforts to expand world trade and strengthen the multilateral trading system of GATT. In addition to actively taking part in the Round, Korea has continued to voluntarily open its markets and reform its domestic regulations in conformity with international standards in such areas as protection of intellectual property rights, safeguards, government subsidies and countervailing duties.

Bilateral, Multilateral and Preferential Agreements

Since 1960, Korea has concluded bilateral trade agreements with 21 countries. Korea signed the multilateral trade negotiation (MTN) Codes on

Anti-Dumping, Technical Barriers to Trade, Customs Valuation, and Subsidies & Countervailing Measures, and is now in the process of joining the Agreement on Government Procurement. In addition to being a signatory to the Arrangement regarding International Trade in Textiles (the so-called Multi-Fiber Arrangement), Korea also signed many other multilateral agreements such as the International Convention on the Harmonized Commodity Description and Coding System.

In order to promote trade with developing countries, Korea has participated in the Agreement on the Global System of Trade Preference Among Developing Countries (GSTP) negotiated under the aegis of the UNCTAD. This Agreement grants participating countries tariff rate concessions of 10 per cent below the basic tariff rates on 26 items such as sugar cane and plastic containers. Korea also participates in other preferential agreement such as ESCAP'S Bangkok Agreement.

Additionally, Korea reached arrangements on voluntary export restraints (VERs) with the EC, Japan and Taiwan, and has been participating in the OECD's multilateral shipbuilding negotiation with the U.S., Japan, the EC, and Nordic countries since October 1989, as well as the multilateral steel negotiation with 18 countries including the U.S. and the EC since October 1990.

Trade Policy Measures

Korea embraces the principle of free trade in conducting export and import activities, and any restrictions are limited to the necessary minimum. Korea's current customs policy places greater emphasis on the efficient allocation of resources, inducement of competition and balanced industrial development. In line with these efforts, the government is lowering the basic tariff rates through the advance notice system and reducing tariff rate discrepancies across commodities. International cooperation tariff rates take precedence over any other rates when the former are set lower than the latter. No other charges on imported goods and services exist other than the tariff in Korea.

According to the Foreign Trade Act of 1986, quantitative restrictions are applied under the Export-Import Notice system. Apart from this Act, individual laws stipulate cases where import restrictions can be imposed for the sake of human, veterinary and phytosanitary safety, national security and environmental protection. Korea is in the process of gradually reducing the import restrictions.

Other trade policy measures such as safeguards, standards, customs valuation, anti-dumping and countervailing duties are all implemented in accordance with the relevant provisions of the GATT and respective MTN Codes. Thus far, Korea has not taken any safeguard and countervailing duty actions. Only five anti-dumping cases have been filed involving three items: three cases were settled through price-undertakings and the other two cases resulted in the actual imposition of duties.

Korea does not maintain any export financing systems that could be classified as export subsidy. However, for such purposes as food security, environmental conservation and development of infrastructure, the government gives assistance to the agricultural sector. In the manufacturing sector, the government offers assistance in promoting technological development, structural adjustment and environmental protection.

Korea became a signatory to the D1, D2 Annexes of the Kyoto Convention to harmonize and simplify its customs procedures regarding the rules of origin. Korea introduced an origin mark requirement system for 530 consumer product items (HS 4-digit level) on July 1, 1991.

Government procurement in Korea follows three guidelines: quality, price and timeliness. Upon completion of the negotiations for the accession to the Government Procurement Code, Korea plans to further internationalize its procurement practices.

Industrial Restructuring and Trade Liberalization

Korea's industrial restructuring efforts played a considerable role in its rapid economic growth and deepening of the industrial structure. In this process, however, the Korean economy faced many difficulties mainly because of the rapidly changing international economic environment and the slow adaptability of its domestic industries. In contrast to the government-led industrial restructuring of the 1970s, in the 1980s, the private sector carried out much of the industrial restructuring through its autonomous decisions. Accordingly, the government now only assists industrial structural adjustment indirectly through promoting investments in R & D, human capital and infrastructure.

The Korean government has continued to open its agricultural market since the mid-1980s. Furthermore, Korea's advance notice system has promoted the liberalization of the agricultural sector since Korea decided to disinvoke GATT Article XVIII-Section B in October 1989. Korea has been implementing these previously announced liberalization commitments without delay. As a result, the number of agricultural products on the import restriction list dropped dramatically, and major import items such as beef and corn are allowed under the quota system.

The 3-year advance notice plans for import liberalization, which started in 1984, have achieved nearly full-scale liberalization of all manufactured products. In addition, Korea's import liberalization ratio of agricultural products reached 87.1 per cent in 1992. When the fourth trade liberalization plan is to be completed in 1994, the import liberalization ratio of agricultural products is expected to reach 91.9 per cent. In fact, Korea ranks as one of the major importing countries of agricultural products due to its continued liberalization of the agricultural market. Upon the successful completion of the Uruguay Round negotiations, Korea plans to liberalize its imports according to the results of the Round.

International Macroeconomic Environment and the Korean Economy

From the second half of 1989 Korea's balance of payments started to drastically deteriorate. The rate of increase in Korea's exports fell sharply to 2.8 per cent in 1989 and 4.2 per cent in 1990 from the annual average growth rate of 26.1 per cent during the 1986-88 period. As a result, the trade balance shifted to a deficit of US\$2.0 billion in 1990, which increased to US\$7.1 billion in 1991. Although many factors can be attributed to this deterioration, the sluggish growth of the world economy and world trade volume since 1990 adversely affected Korea's economic situation. In particular, Korea's export to its major markets has declined substantially. Moreover, the worldwide tendency towards building regional economic blocs and increasing protectionist sentiments has further worsened Korea's trading environment. In this sense, Korea hopes that the successful conclusion of the Uruguay Round negotiations will lead to worldwide expanded market access.

Trends in Balance of Payments

(US\$ million)

	1987	1988	1989	1990	1991p
Current balance	9,854	14,161	5,055	-2,179	-8,827
Trade balance	7,659	11,445	4,597	-2,004	-7,065
Export	46,244	59,648	61,409	63,124	69,522
Imports	38,585	48,203	56,812	65,127	76,587
Invisible trade	977	1,267	211	-451	-1,615
Receipts	10,010	11,252	12,642	14,269	15,470
Payments	9,033	9,985	12,431	14,719	17,085
Transfers (net)	1,218	1,448	247	275	-147
Long-term capital (net)	-5,836	-2,733	-3,363	548	4,349
Basic balance	4,018	11,428	1,692	-1,632	-4,478
Short-term capital (net)	-7	1,336	60	3,334	362
Errors & Omissions	1,191	-589	701	-1,976	375
Overall balance	5,202	12,175	2,453	-274	-3,741

Source: Bank of Korea.

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Problems in External Market Access

Recent trends in the world trade environment towards unilateralism and regional economic blocs are posing serious threats to the multilateral trading system. These trends cause great concerns and difficulties particularly to developing countries, including Korea, whose economic growth largely depends on a favourable international trading environment. Lacking viable alternatives, developing countries have difficulty coping with unilateralism and regionalism.

Korea is facing not only quantitative restrictions such as import quotas, but also numerous indirect restrictive measures such as abuse of anti-dumping and countervailing actions, strict import inspection requirements, complicated certification procedures, and delays in customs clearance procedures. In 1991, 18 per cent or US\$8 billion of Korean exports to the developed countries were subject to these non-tariff measures.

Primary Goals of Economic Development

Looking toward the 21st century, Korea established the Seventh 5-Year Economic and Social Development Plan in 1992, which states its prime objectives as advancement to the level of industrialized countries and the reunification of the Korean peninsula. According to these objectives, Korea will (i) strive to enhance industrial competitiveness, curb inflation and achieve external balance, (ii) spur balanced growth among various regions and economic sectors for sustained economic growth and improvement of the quality of life, (iii) pursue economic deregulation and further market-opening measures, and promote international economic cooperation.