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**THE URUGUAY ROUND
NEGOTIATIONS AND
THE KOREAN ECONOMY**

**by
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TABLE OF CONTENTS

| | | |
|------|---|----|
| I. | Introduction | 1 |
| II. | Korea's Participation in the Uruguay Round | 4 |
| III. | The Impact of the Uruguay Round on the Korean Economy | 13 |
| IV. | Tasks Facing Korea | 17 |
| V. | Major Difficulties Faced by Korea in the Uruguay Round | 19 |
| VI. | Concluding Remarks | 22 |
| | Endnotes | 24 |
| | References | 26 |

I. Introduction

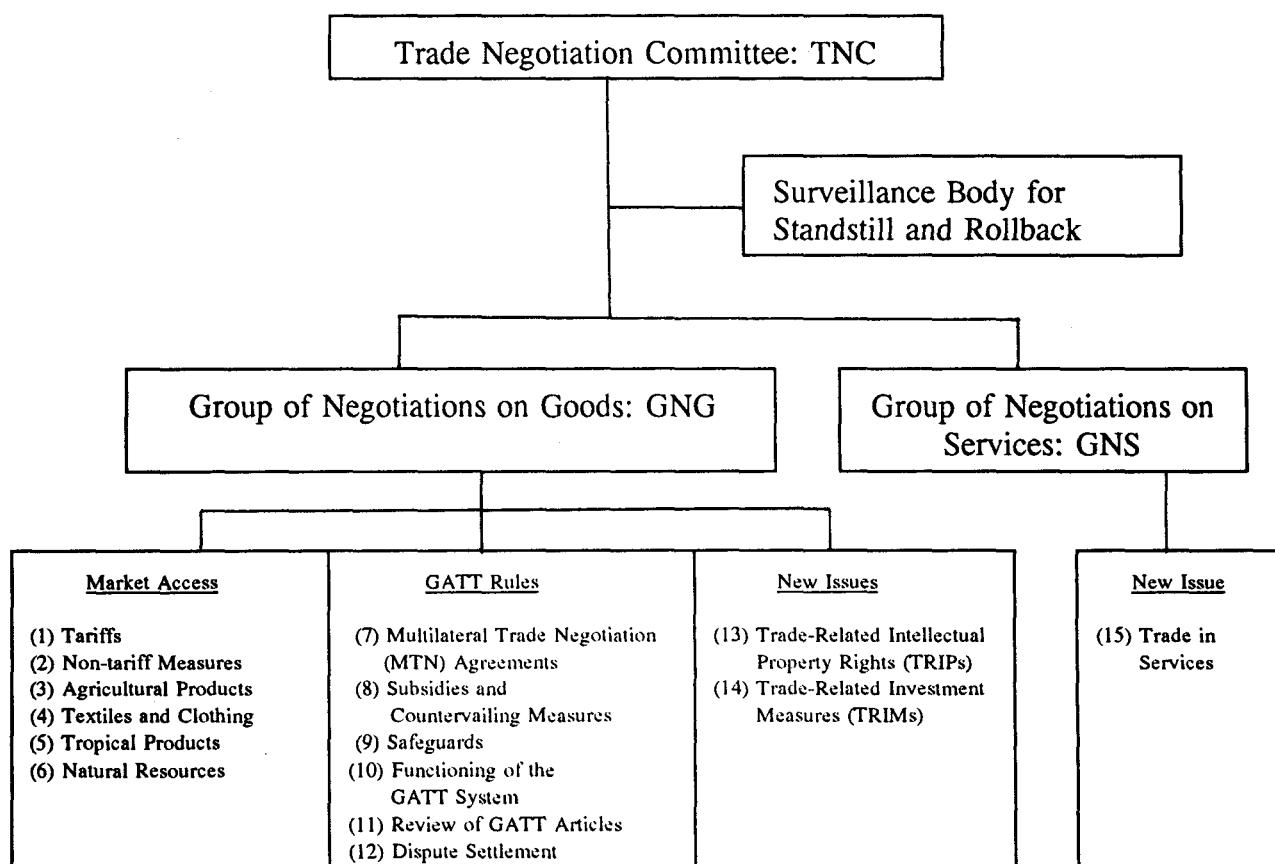
The Uruguay Round multilateral trade negotiation was launched in September 1986 to reverse the erosion of the world trading environment by strengthening the multilateral trading system of GATT. The Uruguay Round is by far the most ambitious and comprehensive set of negotiations of the eight conferences conducted under the auspices of the GATT system. Unlike past trade negotiations, which focused mainly on tariff reductions among developed countries, the Uruguay Round covers a wide spectrum of issues including agriculture, textiles, antidumping, safeguards, trade in services, trade-related aspects of intellectual property rights (TRIPs) and trade-related investment measures (TRIMs) (See Table 1).

Unfortunately, the Brussels' ministerial meeting held last December to wrap up the trade talks ended in a standstill with no definite schedule being set for future negotiations. Coming into 1991, however, due to major efforts by Mr. Arthur Dunkel, Director-General of GATT, and other heads of state from major advanced countries who stressed the importance of the completion of the Uruguay Round, the decision was made to resume the trade negotiations. Since the Trade Negotiation Committee (TNC) adopted the new negotiating structure in April 1991, there have been several rounds of formal as well as informal negotiation meetings to tackle still unresolved technical issues in all major areas.^{1/}

Despite progresses made before the summer recess and Mr. Dunkel's serious urge for "bold and responsible negotiation," which was addressed at the last July TNC meeting, there seems to be no consensus on the timing of the successful completion of the Uruguay Round.^{2/} This is mainly because no one is certain about when a political break-through will occur in the agricultural

negotiation. Unless an early resolution is made in the agricultural negotiation, the Uruguay Round will have to be extended beyond the end of 1991. Trade experts are now expressing their concerns that this drawn-out delay will certainly shift the interests of major countries, particularly the US and the EC, away from the multilateral trading system of GATT and will ultimately lead to the failure of the Uruguay Round.^{3/} Thus, the fate of the Uruguay Round critically depends what can be achieved for several months after the summer recess.

Table 1. The Structure of the Uruguay Round Negotiation



Source: GATT (1990b).

Korea has actively participated in the Uruguay Round by submitting a number of written proposals and attending all the formal and informal negotiations as well as expert meetings for each negotiating group. Korea has also made great efforts to facilitate the talks by trying to play the role of intermediary between advanced and developing countries.

However, it has not been easy for Korea to participate in the multilateral trade talks, mainly due to its lack of experience. In a way, the Uruguay Round is the first multilateral trade negotiation in which Korea has been a full participant. Furthermore, the Uruguay Round covers a wide range of complex issues which made it all the more difficult for Korea to participate effectively. Not only did Korea lack experience in multilateral trade negotiations, but Korean negotiators also faced great political pressures from domestic industries as well as various interest groups.

The main purpose of this paper is three-fold. The first objective is to show how Korea has been handling the negotiations by describing the government structure involved in the negotiating process and its positions taken in the Uruguay Round. Second, this paper tries both to evaluate the potential impact of the Uruguay Round on the Korean Economy and also to suggest the policy measures and actions to be taken by the government as well as the private business community. The third objective of this paper is to share the difficulties experienced by Korean negotiators.

The organization of the paper is as follows. Section II introduces the Korean government structure involved in the negotiating process and Korea's basic positions on the overall -- as well as on major individual -- issues of the Uruguay Round. Section III analyzes the impact of the Uruguay Round on the Korean economy, while section IV briefly touches on the Korea's tasks in

relation to the Uruguay Round. Section V presents some of the difficulties that Korean negotiators faced while participating in the multilateral trade talks. Finally, Section VI will conclude the paper.^{4/}

II. Korea's Participation in the Uruguay Round

1. Korea's Basic Position

After becoming an official member of GATT in 1967, Korea achieved rapid economic development primarily due to a dramatic expansion in exports under the free trading environment provided by the multilateral trading system of GATT (See Table 2). However, Korea remained a developing country up to the mid-1980s, mainly owing to its chronic current account deficits and high level of foreign debt. Thus, it is easily understandable that Korea's participation in the Tokyo Round in the 1970s was very limited.

Since the mid-1980s, however, when Korea's current account balances turned into surpluses of a sizable amount, the Korean government started to pursue bold liberalization policies.^{5/} Korean policymakers firmly believe that, in the interdependent world, to achieve the status of an advanced nation, Korea needs liberalization and internationalization of its economy based on fair and free international competition, which, in turn, can only be accomplished through a strengthened multilateral trading system. Strong evidences of Korea's commitment to active liberalization of its economy are its decisions to become an IMF Article VIII nation in November 1988 and to no longer invoke Article 18-Section B of the GATT provisions in October 1989.

Being a relatively small resource-scarce country with a high dependence on foreign trade, Korea needs a free multilateral trading system for its continued

growth.^{6/} Furthermore, to avoid unilateral and bilateral liberalization pressures from major trading countries, and also to preempt the trend toward protectionism and regionalism, Korea must be join others in strengthening the multilateral trading system of GATT.

Table 2. Performance of the Korean Economy

| | | (Unit: %) | |
|-----------------------------|--|-----------|-----------|
| Average Annual Growth Rates | | 1970-1979 | 1980-1989 |
| Gross Product | | | |
| World | | 4.5 | 2.5 |
| Korea | | 9.0 | 9.6 |
| Trade | | | |
| World | | 20.5 | 7.1 |
| Korea | | 31.9 | 13.8 |
| Export | | | |
| World | | 20.5 | 7.1 |
| Korea | | 37.5 | 15.3 |

Sources: The WEFA Group, *World Service Historical Data*, various issues; IMF, *Direction of Trade Statistics*, various issues; Economic Planning Board, *Major Statistics of Korean Economy*, various issues.

For these basic reasons, Korea has been an active participant in the Uruguay Round from its beginning. As Table 3 shows, Korea has submitted a number of written proposals for each of the individual negotiating groups and has been taking active part in both formal and informal negotiating sessions, particularly those on antidumping, safeguards, agriculture, textiles and clothing, trade in services and TRIPs. It should be noted that Korea submitted its initial offer list for the services negotiation in January 1991. At that time, Korea was the tenth out of all participants to submit such an offer list, and the second of the major developing countries to do so, only after Hong Kong. Korea has also

attempted to facilitate the negotiations by taking the role of intermediary between advanced and developing countries when their positions were sharply divided on some sensitive issues.

Table 3. Number of Written Proposals Submitted by Korea

| Negotiating Group | Number of Written Proposals | Date of Submission |
|---------------------------------------|-----------------------------|--|
| Tariffs | 5 | 1987.11 1988.6 1990.4 (Offer List) 1990.7 (Offer List) 1990.11 (Offer List) |
| Non-tariff Measures | 3 | 1988.6 1989.6 1990.11 (Offer List) |
| Agriculture | 3 | 1988.10 1989.11 1990.10 |
| Textiles | 2 | 1988.4 1988.6 |
| Tropical Products | 2 | 1989.7 1990.9 |
| GATT Articles | 3 | 1987.6 1987.9 1989.11 |
| MTN Agreements | 6 | 1987.5 1987.9 1987.12 1988.11(2) 1989.11 |
| Safeguards | 2 | 1987.5 1987.10 |
| Subsidies and Countervailing Measures | 4 | 1987.6 1987.10 1988.6 1989.11 |
| TRIPs | 3 | 1989.10 1990.11(2) |
| Dispute Settlements | 1 | 1987.11 |
| Services | 2 | 1989.10 1991.1 (Initial Offer List) |
| Total | 36 | |

Source: Ministry of Foreign Affairs.

2. Korean Government's Negotiating Structure

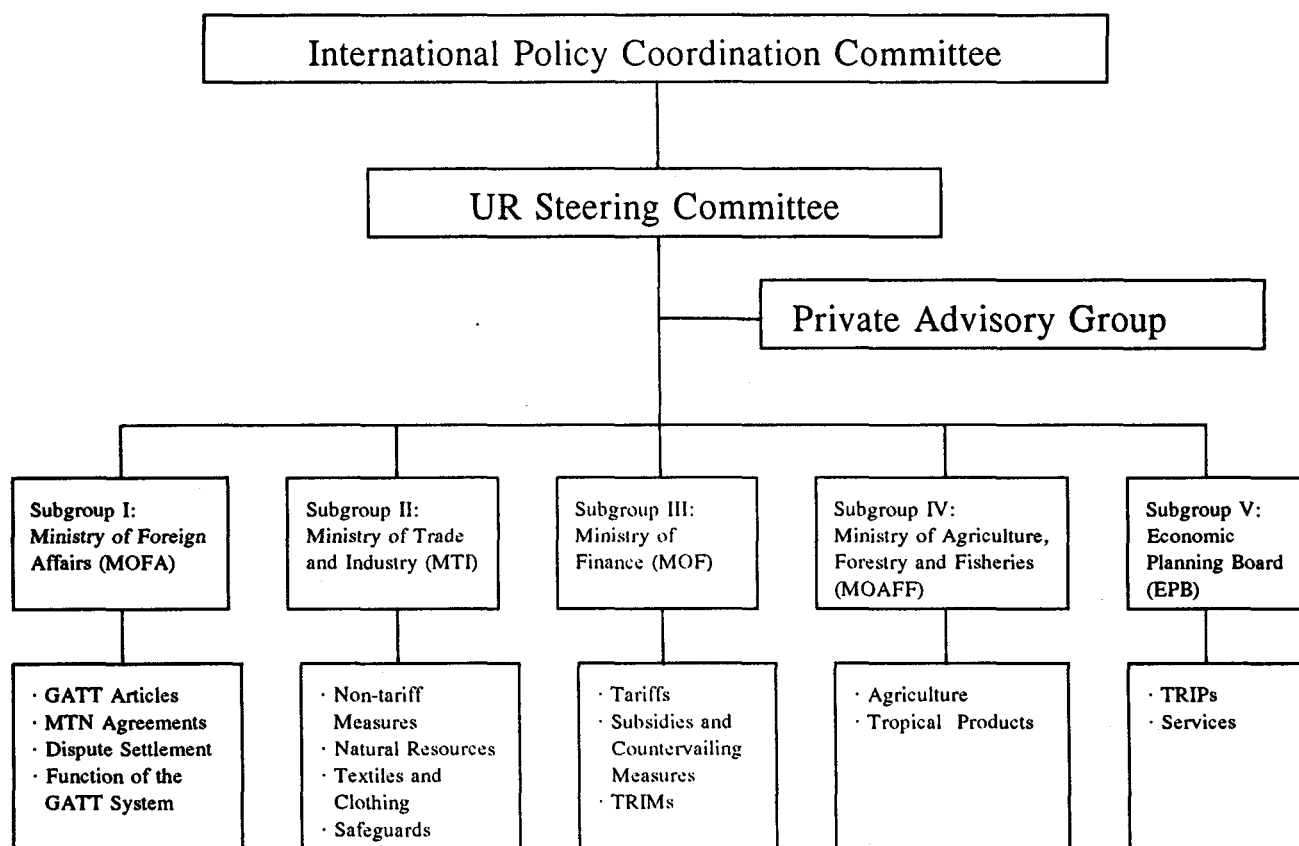
As can be seen in Table 4, five government ministries and their counterparts in Korea's Permanent Mission in Geneva have been involved in the negotiating process. Fifteen negotiation issues are divided into the seven working level subgroups which are responsible for drafting Korea's position in each negotiation area. The initial position formed by the seven working level subgroups are then reported to the Uruguay Round Steering Committee that is chaired by the Assistant Minister for International Policy Coordination of the Economic Planning Board and consists of representatives from the seven subgroups. The Steering Committee is thus responsible for reviewing the positions formed by the subgroups and coming up with Korea's final positions on each of the negotiation areas.

Positions on major, important issues, however, are further reported to the International Policy Coordination Committee which is chaired by the Deputy Prime Minister (who is also the Minister of the Economic Planning Board) with its membership made up of economic ministers from the various government organs. The International Policy Coordination Committee is responsible for taking final positions. Throughout this process, policy research institutes (think-tanks) such as the Korea Institute for International Economic Policy (KIEP), the Korea Development Institute (KDI), the Korea Institute for Economics and Technology (KIET) and the Korea Rural Economic Institute (KREI) advise the government on formulating its position on each of the negotiating issues.

In April 1991, the Trade Negotiation Committee (TNC) adopted a new negotiating structure which reorganized the original 15 issues into seven negotiating groups.^{7/} In response to this change, Korea has also reorganized its government structure involved in the negotiating process, as shown in Table

5. A noteworthy change is that the Korea Industrial Property Office is now covering TRIPs. Also, as negotiations become very specific, other related ministries, besides the principal five, are getting closely involved in the negotiating process. For example, while the EPB is responsible for the overall services negotiation, 17 other related ministries are now involved in the liberalization negotiations, as various service sectors fall under the jurisdiction of different ministries.

Table 4. Korea's Negotiating Structure



Source: Economic Planning Board.

Table 5. Korea's New Negotiating Structure

| New negotiation Groups | Ministry with Principal Responsibility | Related Ministries |
|--|--|--|
| (1) Market Access <ul style="list-style-type: none"> • Tariffs • Non-tariff Measures • Tropical Products • Natural Resources | MOF | MTI MOAFF |
| (2) Textiles and Clothing | MTI | |
| (3) Agriculture | MOAFF | |
| (4) Rule-Making and Investment Measures <ul style="list-style-type: none"> • GATT Articles • MTN Agreements • Subsidies and Countervailing Measures • Safeguards • TRIMs | MTI | MOFA MOF |
| (5) GATT Institution <ul style="list-style-type: none"> • Dispute Settlements • Function of the GATT System • Final Act | MOFA | MTI |
| (6) TRIPs | Korea Industrial Property Office | MTI Ministry of Culture Ministry of Science and Technology |
| (7) Services | EPB | 17 Related ministries |

Source: Economic Planning Board.

3. Korea's Position on Major Negotiating Issues 8/

The following are Korea's positions on major negotiating issues. In tariff negotiations, Korea has already submitted a revised tariff offer containing a reduction of its average tariff rate by 33.5%, with a binding scope dramatically increased to 81 % from 23 %. Furthermore, Korea has shown its willingness to seriously consider the possibility of additional tariff cuts under certain terms and conditions, keeping in mind the sectoral tariff elimination approach proposed by the US.

However, Korea is particularly concerned with the relative lack of progress on one-third tariff reduction, as well as on the elimination of tariff peaks, which was mandated by the ministers at the Montreal midterm review of the Uruguay Round.^{9/} Korea believes that all participants should adhere more strictly to the traditional tariff cuts before seeking additional tariff reductions.

In the area of agriculture, Korea continues to emphasize that negotiations should strike a balance between legitimate interests of exporters and importers, recognizing differing levels of agricultural development of participating countries. Korea looks forward to a balanced framework for negotiation which sufficiently accommodates non-trade considerations, particularly with respect to major agricultural products such as rice, which are of vital interest to Korean farmers. Reform of trade in agriculture is certainly important for the success of the Uruguay Round, but in achieving this reform the vital interests of all participating countries should be properly considered.^{10/}

With respect to textiles and clothing, Korea has for a long time stressed the need to reach an agreement at the earliest date on the modality for the complete integration of textiles trade into GATT. Korea feels regret that the

position of importing countries is still very far from the Punta del Este mandate.^{11/} Korea continues to believe that an approach based on the Multifibre Arrangement (MFA) system is the only viable option and that any modality which implies continuation of -- or an abrupt change in -- the current trading system would be difficult to accept. Korea would also like to express its particular concern regarding the transitional safeguards system elaborated in the Chairman's text because it could nullify the gradual integration of textiles and clothing trade under GATT rules.^{12/} Korea would like to see strict conditions required for resorting to such safeguards. At the last July TNC meeting, Ambassador R. Ricupero from Brazil reminded all of the critical importance of the textiles and clothing trade to the developing countries by urging that textiles and clothing should be accorded their original political priority.^{13/} Here, the real political determination of the key advanced players is most necessary.

Turning to the rule-making area, Korea believes that participants should not feel that they are either making or gaining substantive "concessions," but rather seeking to create the best possible juridical framework for world trade that would be fair, transparent, objective and consistent. Korea has a keen interest in strengthening the rules and procedures regarding the calculation of dumping margins, determination of injury, and remedies thereto, in order to eliminate any possible use of antidumping actions as a means of protectionism. Korea hopes that the Uruguay Round agreement on antidumping should be able to discourage the use of arbitrary standards by advanced importing countries in determining dumping and injury. Antidumping is one of the few groups, however, in which a common negotiation text is not yet available. Korea believes that once the essential real political decisions are taken, a balance between improved disciplines and arrangements for anticircumvention can be struck.

Though a draft text on the comprehensive safeguard agreement has been produced, Korea finds it regrettable that there still seems to be a widespread fear that the most favored nation (MFN) principle may be compromised. Korea does not think that any selectivity proposal will secure wide support. Korea would like to urge that all participants reaffirm their commitment to the MFN principle as the guiding principle of safeguards. Once the MFN principle is adopted, all the other elements of the agreement can be negotiated on a more flexible basis.^{14/}

On a number of occasions, Korea has stressed that the widest possible participation in the final outcome should be the most important objective in the negotiations concerning the new areas. In order to assure the achievement of this objective, a more cautious approach should be taken than in other areas. The development dimension of developing countries should be accommodated in the final agreement. We should seek to lay a solid foundation upon which we can later build a more elaborate structure.

Korea believes that the final outcome of the services negotiation should achieve not only the comprehensive drafting of a general agreement (as well as sectoral annotations), but also a fairly substantial level of liberalization commitments from the largest possible number of participating countries.

Korea continues to emphasize that the general agreement should include a strong unconditional MFN provision as one of the general obligations and principles. In those service sectors and/or measures to which the immediate application of the unconditional MFN provision causes insurmountable difficulties, a derogation from the principle can be allowed, but only if such derogation is temporary. An example of this type of derogation is the existing set of bilateral arrangements regulating air and maritime transportation services.

As to labor mobility, Korea would like to consider a newly proposed approach which requires a multilateral commitment on the movement of certain types of personnel but leaves an option for negotiating a broader range of personnel movement. Korea also believes that in order to achieve the widest participation of developing countries in the services agreement, the principle of progressive liberalization based on individual countries' economic development should be appropriately reflected in the liberalization process.

Lastly, in the area of TRIPs, Korea stresses that there should be an agreement on certain mechanisms which will guarantee a balance between the rights and obligations inherent in the use of intellectual property. Korea also points out the importance of taking due account of existing international agreements as well as the public policy objectives underlying the national system of each participant.

III. The Impact of the Uruguay Round on the Korean Economy

As the Uruguay Round covers a wide spectrum of issues, including those of special interest as well as concern to Korea such as agriculture, textiles, antidumping, safeguards and services, the potential impact of the trade talks on the Korean economy could be vast. Assuming that substantial results are achieved in the Uruguay Round -- that is, the final package incorporates most of the initial objectives set by the ministers in 1986 -- we can analyze their impact on the Korean economy in the following way.^{15/}

In the short run, sectors to be liberalized as a result of the Uruguay Round will face some difficulties. With broadened market access through reduced tariffs and/or non-tariff barriers, domestic industries will face increased

foreign competition. The most problematic area for Korea is agriculture. A proposal by major exporting countries requires substantial reductions in three areas simultaneously: border measures, export subsidies, and domestic subsidies.^{16/}

For Korea, export subsidies pose no immediate problem. Korea is also willing to liberalize its agricultural markets. As a matter of fact, Korea decided not to invoke the GATT Article 18-Section B and is in the process of liberalizing importation of more than 273 agricultural, forestry, and fishery products by 1997.^{17/} However, the combination of subsidy reductions and rapid import liberalization will cause adjustment problems. The Korean agricultural sector is structurally weak, and still more than 16% of the total population relies exclusively on farm income.

Compared to advanced countries, Korea's service industries in general are structurally weak, due to the relatively small domestic market, underdeveloped technology, lack of sufficient R&D, and various regulatory distortions. Therefore, the liberalization of major service industries will cause difficulties in the respective domestic service industries. However, much of the potential hardships that may result from the implementation of the Uruguay Round final agreements will be somewhat diffused, as Korea has already opened up a number of its domestic service sectors, such as film distribution, insurance, advertisement, banking services, travel agency services, and maritime transportation markets.

Regarding the implementation of TRIMs agreements, Korea will not face serious difficulties, as many of the issues raised in the Uruguay Round have already been incorporated into Korea's foreign direct investment measures. Also, Korea will not face many problems in the implementation of intellectual

property right agreements, as it has already achieved substantial results in this area.

Another problem area would be the adaptation of GATT principles and rules into Korea's domestic trade-related laws, regulations, institutions and administrative guidelines. As a full-fledged member of a strengthened GATT system, Korea must assume new responsibilities and burdens. Korea will need to conduct a comprehensive and critical review of its domestic system to see if it is in conformity with GATT principles and regulations.^{18/} The revision of domestic laws, regulations and institutions will require major reform and may be somewhat difficult, as Korea's trade regime in the past has been biased toward export promotion. Furthermore, the need for market liberalization is not well understood by the general public, and hence there may be strong resistance to major reforms, particularly from the import-competing industries.

The overall impact of the Uruguay Round on the Korean economy, however, should be positive, though gains and losses will be differentially distributed among industries. There could be tremendous impetus to the economy from a strengthened multilateral trade system. First, greater market access through reduction of tariffs and non-tariff barriers in the markets of Korea's trading partners will expand Korean exports. Even in the area of agriculture, if the Japanese agricultural market is opened, Korea will have a competitive edge over a number of Japanese agricultural items. Also, the lifting of the MFA will help increase Korea's textiles and clothing exports, Korea's traditional area of strength.

Market liberalization will also have a positive effect on service sectors such as construction, civil aviation, and maritime transportation in which Korea could enjoy a comparative advantage. It is also important to note that the

greater benefits of the liberalization of the service industries will go to the manufacturing sectors which use services as one of their production factors. These manufacturing sectors will have access to more advanced and better quality services at more competitive prices. This will eventually enhance the Korean industries' overall competitiveness.

Therefore, if only the structural weakness of the service industries and demands for domestic protection are taken into consideration, Korea will lose all the potential positive benefits, such as expansion of export opportunity, increased consumer welfare, enhanced productivity in those industries which heavily use services as an input, opportunity for high technology transfers, avoidance of bilateral trade friction, and most importantly, enhancing competitiveness of domestic industries through foreign competition.

A strengthened multilateral trading system under the new GATT system will establish added disciplines for using antidumping and countervailing measures. These new guidelines will benefit Korean export industries, particularly the electrical, electronics, steel and textiles industries, which have been the frequent targets of these instruments of advanced importing countries.

Another benefit of the successful conclusion of the Uruguay Round negotiations will be the strengthened dispute settlement system under GATT auspices. A new multilateral system with a strengthened dispute settlement procedure will discourage the arbitrary use of unilateral actions such as Section 301 of the US Trade Act of 1988. Korea can thus rely on multilateral channels rather than unilateral or bilateral negotiations, which have put Korea at a disadvantage in past trade disputes.

Most importantly, the ultimate benefits of market liberalization will go to

Korean consumers, whose welfare will be increased. However, not only has there been a lack of understanding of this aspect of liberalization by the Korean public, but such trade and competitiveness benefits have not reached the Korean consumers in the past due to high import barriers. Further market liberalization and changes in people's perceptions are needed if these benefits are to be fully realized by Korean consumers.

IV. Tasks Facing Korea

There are two major tasks facing the Korean government in relation to the Uruguay Round negotiations. First, Korea needs to participate as actively as possible in all negotiation areas in the final phase of the trade talks. Second, Korea needs to begin to prepare for the implementation of the final results of the Uruguay Round in the coming years. With regard to the first task, considering that Korea ranks among the top world traders, its major work is to secure its main interests, analyze the implications for the Korean economy, and involve the appropriate ministries and domestic industries.

As to the second task, the Korean government must prepare to carry out market access commitments. For example, Korea must prepare to reduce its tariff rates, increase the number of tariff concession items and eliminate non-tariff barriers such as quantity restrictions. Korea must also liberalize its service industries according to its initial commitments made at the GATT negotiations. In addition, the Korean government must undertake domestic reforms of relevant laws, regulations and institutions, in accordance with the rules and principles agreed upon in the Uruguay Round.

The Korean government must also prepare complementary policy reforms. As implementation of the results of the negotiations may cause short-term

distortions or difficulties in the economy, complementary measures which will cushion the process need to be introduced. For those industries which face difficulties in the short run, such as the agricultural sector and some service industries, Korea may need to provide assistance to reduce short-term problems caused by industrial restructuring. Incentives for R&D investments, as well as labor training programs, safeguards, antidumping and countervailing measures, and regional development assistance, could be the policy options. However, these measures should all be within the boundary of multilateral rules.

As already mentioned, market liberalization will have the positive benefit of enhancing Korea's international competitiveness and technology level. However, to maximize the benefits that can be derived from these processes, the government may need to eliminate or revise current protective measures and regulations that hinder competition.

Another area for complementary reform is Korea's Fair Trade Act. As foreign investment flows increase and the service markets become increasingly liberalized, the use of restrictive business practices -- such as the creation of monopolies or cartels and predatory dumping by multinationals -- can grow. Thus, the Korean government needs to prepare an adequate institutional framework which can regulate these types of restrictive business practices.

All Koreans have a major stake in the Uruguay Round. However, Korea's business leaders should play a key role in gaining the full benefits of the Round and its consequent increased multilateral trading opportunities. The private sector, in cooperation with the government, needs to focus on development of innovative and high-technology products, expansion of R&D investments, exploration of new export markets, and improvement of managerial efficiency. It is equally important for the Korean public to form the right

perspective on the Uruguay Round. More specifically, liberalization and internationalization of the Korean economy should be viewed as an opportunity to cope with internal and external challenges as well as to step up the development of the economy.

V. Major Difficulties Faced by Korea in the Uruguay Round

At the Brussels' ministerial meeting held in December 1990, an impasse in the agricultural negotiation eventually led to the breakdown of the Uruguay Round negotiations. Initial evaluations of the meeting placed the major responsibility for the failed trade talks on the European Community, Japan and Korea.^{19/} In particular, Korea, which had benefitted greatly from the free trading environment provided by the GATT system, was severely criticized for contributing to the breakdown of the trade talks.

Despite of this negative evaluation of Korea's participation in the meeting, it should be noted that Korea's basic policy stance has been one of helping to bring about the successful completion of the Uruguay Round at all costs. This position was mandated by the President of the Republic of Korea to the chief negotiator of the Korean delegation for the Brussels' ministerial meeting. Korea's attitude taken at the agricultural negotiation was simply a sincere reflection of the complex social, political as well as economic difficulties involved in liberalizing the domestic agricultural market. Perhaps it was Korea's mistake at the Brussels' meeting not to realize the potential impact that a standstill in the agricultural negotiation would have on the overall negotiating process. Thus, criticism of Korea's role in the agricultural negotiation is somewhat warranted. However, the most direct cause of the breakdown of the multilateral trade talks must be attributed to the uncompromising stance of the EC, on the one hand, and the US and the Cairns group, on the other, over

agricultural issues.20/

Under these circumstances, one of the fundamental reasons why Korea's role at the meeting was negatively evaluated was that there is a tremendous gap between foreign countries' perception of Korea and Korea's view of itself. Foreign countries view Korea as being already at the threshold of advanced country status, while Korea still sees itself as a developing country. Perhaps the more correct view would be something in between. In any case, this type of perception gap has made Korea's position at the negotiations extremely difficult, especially when Korea tries to play the role of intermediary between advanced and developing countries. Also, as mentioned in the earlier section, Korea's lack of experience in multilateral trade negotiations has provided additional difficulties in handling the intermediary role.

Korea faced further difficulties in the negotiations due to the excessively large number of negotiation areas. As seen in the previous section, five major ministries are responsible for the Uruguay Round negotiations. If other related government organs are included, there are close to 20 ministries involved in the negotiating process. Therefore, when there are conflicts between negotiation areas, coordination of the different ministries and setting priority between issues become quite difficult. Although the Steering Committee is supposed to handle this type of coordination, it has proven to be extremely difficult.

Another problem faced by Korean negotiators during the Uruguay Round was a lack of understanding by the general public of the negotiation issues, even until the middle of 1990. In particular, the importance of the multilateral trading system was not well understood in Korea, while difficult negotiation areas such as agriculture and services became overly emphasized. To a certain extent, the lack of understanding of the Korean public regarding the negotiation

issues and processes has limited the government's ability to take a balanced approach.

Policy research institutes such as the Korea Institute for International Economic Policy (KIEP) have tried to educate the general public regarding the overall objective as well as individual negotiation issues of the Uruguay Round through various channels such as lectures and seminars. The last two years seem to have provided a good opportunity for the Korean people to learn that although market liberalization may cause short-term discomforts, there are also great long-term benefits. They are also learning that Korea cannot keep exporting without opening its markets to foreign goods. Most importantly, they now understand better that the real benefit of liberalization goes to the consumers themselves.

Finally, it would be useful to briefly discuss the relationship between bilateral and multilateral negotiations. Korea's experiences show that participation in the multilateral trade negotiations has been made difficult by the bilateral negotiations which were simultaneously conducted between Korea and the US. For example, one of the goals of the Uruguay Round has been to establish a general framework for multilateral rules for trade in services, which includes progressive liberalization as one of the basic principles. However, bilateral negotiations between Korea and the US have resulted in the opening of Korea's film distribution, life insurance, travel agency and advertisement markets, while the Uruguay Round negotiations on trade in services were underway. Now, due to the MFN principle, these markets have to be opened to all countries rather abruptly. Thus, bilateral negotiations have preempted a more progressive liberalization process from taking place in these industries and have tended to undermine the effectiveness as well as the credibility of the multilateral trade negotiations.

VI. Concluding Remarks

Knowing the importance of the Uruguay Round for the world trading system and its implications for the Korean economy, the Korean government has been fully committed to strengthening the multilateral trading system, and therefore has tried to carry its share of responsibility to achieve a successful conclusion to the Round. However, due to its inexperience in multilateral trade negotiations and lack of negotiating capacity, Korea's ability to participate in the Round has been understandably limited. Furthermore, overestimation of Korea's economic status by the international community along with a lack of understanding of the importance of the Round by the Korean people have made participation in multilateral trade talks especially difficult for Korean negotiators. Nevertheless, Korea will continue to actively push for successful conclusion of the trade talks in the final phase of the Round. At the same time, Korea will pay special attention to the implementation of the final results of the Uruguay Round.

A successful conclusion of the Round, however, requires constructive efforts of all participating countries, particularly from major players over important issues such as agriculture. The agriculture negotiating group must find a way to accommodate free trade principles with the reality of agriculture in the respective countries. Furthermore, the developed countries which have so far dominated the negotiations should accommodate the interests of developing countries in issues such as textiles and clothing, antidumping, safeguards, etc. Equally important is that developing countries should take a cooperative attitude toward new issues such as services, intellectual property rights, and trade-related investment measures.

The world economy is now at a crossroad. The coming months will

determine whether the world economy will be unified behind a strengthened multilateral trading order or move toward regional economic blocs characterized by bilateral or unilateral trade relations. It has been often said that a small package could be worse than no agreement. However, an indefinite delay, while insisting on an "almost-all-or-nothing" approach, would be no better. The collective determination and concerted action of all participating countries, particularly political resolution among major advanced countries are required now more than ever in this final stage of negotiations.

Endnotes

- 1/ For the new negotiating structure adopted by the TNC in April 1991, see GATT (1991a).
- 2/ Mr. Dunkel's statement, made at the TNC meeting held in July 1991, is summarized in GATT (1991b).
- 3/ Recently, there seem to be quite a number of people who express the rather pessimistic view that the Uruguay Round may not be completed before the US Presidential election, which will be held in November 1992. If this is really the case, achieving a "big" package would become rather a remote possibility.
- 4/ This paper is not based on academic research but on the personal views of the author arising from his involvement in the Uruguay Round for the past two years as an advisor to the Korean government.
- 5/ It should be noted that both Korea's trade and current accounts turned into deficits from 1990. As of the end of August 1991, Korea's trade account deficit has reached more than 8 billion US dollars.
- 6/ The average annual rate of Korea's dependence on trade during 1980-1989 is about 65%.
- 7/ See endnote 1/.
- 8/ Korea's more detailed positions on each individual negotiation issue are summarized in KIEP (1990).
- 9/ For the results of the midterm meeting, see GATT (1989).
- 10/ Korea's positions in the agricultural negotiation are summarized in KREI (1991). See also Choe (1991) for a Korean economist's view on the agricultural negotiation.
- 11/ See GATT (1986) for the Ministerial Declaration on the Uruguay Round.
- 12/ See GATT (1990a) for the Chairman's text on textiles and clothing. See

Yamazawa (1991) for the suggestions made for the negotiations on textiles and clothing.

- 13/ See GATT (1991b) for Ambassador Ricupero's Statement.
- 14/ For useful suggestions made for the safeguards negotiation, see Schott (1990).
- 15/ Schott (1990) discusses the basic results required for a "big" package agreement.
- 16/ GATT (1991c) summarizes compactly the options for the various issues pending in the agricultural negotiations.
- 17/ Korea has already submitted its first liberalization plan for the period 1992-1994, which includes 131 agricultural, forestry, and fishery products. Korea will submit its second liberalization plan for the period 1995-1997 by 1994, which will cover another 142 agricultural, forestry, and fishery products.
- 18/ The Korean government has already started a comprehensive review of all trade-related laws, regulations and institutions. A complete report is expected to come out early next year.
- 19/ See Herald Tribune, December 8-9, 1990.
- 20/ See Financial Times, December 8-9, 1990.

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