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Issues in Korean Trade 1999: Trends, Disputes & Trade Policy

Junsok Yang · Hong-Youl Kim

**KOREA INSTITUTE FOR
INTERNATIONAL ECONOMIC POLICY**

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Executive Summary

This paper is a survey of some of the important issues in Korean trade during 1999. 1999 was an important year in Korean trade for several reasons. In 1999, Korea began its recovery from the Asian Financial Crisis, with its GDP growing by more than 10%. Much of the growth, especially in the latter half of the year, was due to a healthy export sector. Korea's exports to all major regions rose greatly. Korea's imports also rose greatly, but imports from some regions, such as Asia and North America, grew more quickly than imports from other regions such as Europe. The growth in exports was driven by such goods as semiconductors and automobiles. On the import side, the growth of imports was driven by increases in the imports of capital goods due to Korea's recovery from the Financial Crisis and the recession which followed.

Such growth in exports could not help but generate trade disputes between Korea and its trading partners, most notably the United States. While the bilateral trade disputes were not as serious as they had been in the 1980s, there were some notable issues in 1999, particularly with regard to steel, semi-conductors, pharmaceuticals, and movies.

While many of these trade dispute issues were being dealt with bilaterally between Korea and various complainant countries, the world was rapidly moving toward establishing common multilateral rules on trade, and 1999 was an important year in the multilateral trade arena as well. On November 30 1999, the WTO Ministerial Conference was held in Seattle. The Conference was to signal the beginning of a New Round of trade negotiations designed to further liberalize trade, as well as introduce multilateral rules with respect to several "New Issues". However, because of disagreements among member countries, the negotiations were "suspended," and except for certain "built-in agenda" issues, the negotiations will not resume until the members can attain a

wider agreement on various issues concerning the New Round negotiations.

Korea submitted 12 official position papers to the WTO on various topics concerning the New Round. These topics include agriculture, services, the anti-dumping agreement, market access for industrial goods, trade and investment, trade and competition policy, and transparency in government procurement.

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Issues in Korean Trade 1999: Trends, Disputes & Trade Policy

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I. Introduction

This paper is a survey of some of the important issues in Korean trade during 1999. 1999 was an important year in Korean trade for several reasons. In 1999, Korea began its recovery from the Asian Financial Crisis, with its GDP growing by more than 10%. Much of the growth, especially in the latter half of the year, was due to a healthy export sector. The growth in exports was helped by the recovery of the Asian economy, which, along with Korea, had been devastated in the Asian Financial Crisis, as well as the continuing growth in the American and European economies.

Such growth in exports could not help but generate trade disputes between Korea and its trading partners, most notably the United States. While the US steel sector was the most vocal in its denunciation of Korean exports, other sectors also complained about the increase in Korean exports, as well as what they perceived as import barriers in Korea. While the bilateral trade disputes were not as serious as they had been in the 1980s, there were some notable issues in 1999, in such sectors as steel, semi-conductors, pharmaceuticals, and movies.

While many of these trade dispute issues were being dealt with bilaterally between Korea and various complainant countries, the world

was rapidly moving toward establishing common multilateral rules on trade, and 1999 was an important year in the multilateral trade arena as well. On November 30 1999, the WTO Ministerial Conference was held in Seattle. The Conference was to signal the beginning of a New Round of trade negotiations designed to further liberalize trade, as well as introduce multilateral rules with respect to several "New Issues" dealing with trade, such as international investment, competition policy and trade facilitation. However, as is well known, due to disagreements among member countries, the negotiations were "suspended," and except for certain "built-in agenda" issues, the negotiations will not resume until the members can gain wider agreement on various issues concerning the New Round negotiations.

In this survey, we take a short look at each of the items listed above. In section II, we look at the various trends in Korean trade during the 1990s and in 1999 in particular. In section III, we look at some of the trade dispute issues which were important in 1999. In section IV, we look at Korea's official positions for the New Round negotiations as revealed in the proposals Korea submitted to the WTO. Finally, in section V, we look at some of the potential problems in Korean trade in the year 2000, and argue that Korea needs to maintain an open, competitive domestic market environment. It is hoped that the survey will give the reader a reasonably comprehensive introduction to the important trade issues for Korea during 1999.

II. Korean Trade in the 1990s and 1999

A. Overview

In 1999, Korea started to recover from the Asian Financial Crisis of 1997 and 1998. Korea's GDP grew by 10.7 percent in 1999 in contrast to a decline of 5.8% in 1998. The unemployment rate fell from a high of 9.3% (7.8% seasonally adjusted) in February 1999 to 4.8% in December 1999. Increased exports contributed greatly to this recovery. In addition, the economic recovery and the optimism about the future of Korea's economy resulted in a dramatic increase in imports in 1999.

As seen in Table II-1, Korea's overall exports fell by 2.8% in 1998, but they recovered substantially in 1999, rising by 8.6%. However, it should be noted that the improved performance took place mostly since the third quarter compared to the same periods in 1998. The export performance in the first half of 1999 was actually rather dismal, falling by 1.5% compared to the first half of 1998. While exports for the first months of 1999 were lackluster, they picked up considerable momentum in the latter part of the year, as the figures since June show vast improvements over the same periods in 1998. Korean exports to the US and Japan in particular increased greatly throughout 1999, rising by 29.2% and 29.6% respectively.

However, as with 1998, the real action took place on the import side. While the imports for 1998 fell by an incredible 35.5%, imports in 1999 showed a 28.4% increase over 1998. While imports did not return to the high levels of 1996 and 1997, they were considerably higher than the figures for 1998. Imports from US, Japan and China

**〈Table II-1〉 Korean Trade Statistics (1990–1999 Selected Years,
in millions of US dollars)**

| Year | Exports | Growth % | Imports | Growth % | Trade Balance | Current Account |
|---------|---------|----------|---------|----------|---------------|-----------------|
| 1990 | 65,016 | 4.2 | 69,844 | 13.6 | -4,828 | -2,003 |
| 1991 | 71,870 | 10.5 | 81,525 | 16.7 | -9,655 | -8,317 |
| 1992 | 76,632 | 6.6 | 81,775 | 0.3 | -5,144 | -3,943 |
| 1993 | 82,236 | 7.3 | 83,800 | 2.5 | -1,564 | 990 |
| 1994 | 96,013 | 16.8 | 102,348 | 22.1 | -6,335 | 3,867 |
| 1995 | 125,058 | 30.3 | 135,119 | 32.0 | -10,061 | -8,508 |
| 1996 | 129,715 | 3.7 | 150,339 | 11.3 | -20,624 | -23,005 |
| 1997 | 136,164 | 5.0 | 144,616 | -3.8 | -8,452 | -8,167 |
| 1998 | 132,313 | -2.8 | 93,282 | -35.5 | 39,031 | 40,558 |
| 1999 | 143,685 | 8.6 | 119,752 | 28.4 | 23,933 | n.a |
| 1999 1 | 9,260 | 2.9 | 8,629 | 15.3 | 631 | 2,202 |
| 1999 2 | 9,337 | -16.8 | 7,634 | -3.2 | 1,703 | 1,821 |
| 1999 3 | 11,657 | -2.9 | 9,304 | 12.3 | 2,353 | 2,170 |
| 1999 4 | 11,500 | -4.7 | 9,101 | 10.9 | 2,399 | 1,642 |
| 1999 5 | 11,423 | 1.0 | 9,456 | 24.6 | 1,967 | 2,287 |
| 1999 6 | 12,819 | 11.4 | 10,203 | 31.7 | 2,616 | 2,448 |
| 1999 7 | 11,751 | 17.2 | 9,777 | 37.9 | 1,974 | 2,703 |
| 1999 8 | 11,370 | 17.1 | 9,855 | 38.5 | 1,515 | 1,413 |
| 1999 9 | 11,966 | 11.3 | 10,127 | 39.6 | 1,840 | 2,430 |
| 1999 10 | 13,450 | 26.5 | 11,358 | 48.5 | 2,092 | 2,099 |
| 1999 11 | 14,197 | 21.7 | 11,730 | 40.9 | 2,467 | 2,365 |
| 1999 12 | 14,955 | 20.4 | 12,579 | 45.4 | 2,377 | n.a. |

Note: For annual figures, the growth rates are annual. For monthly figures, the growth rates compare that month's figures with the same month in 1998
n.a. = not available.

Source: KOTIS database, based on Korean Customs Clearance Figures, and the Bank of Korea.

The KOTIS database is maintained by the Korea International Trade Association (KITA).

increased notably, by 22.1%, 43.4% and 36.7% respectively.

The trade surplus in 1998 was US\$ 39 billion, the highest in Korean history. The trade surplus in 1999 was much lower, at \$23.9 billion. However, the surplus was still higher than any other year in Korean history, since Korea's highest trade surplus before the financial crisis was US\$ 8.9 billion in 1988. The trade surplus of 1999 was also a much healthier one than that of 1998, which had been due to a massive decline in imports coupled with only a slight decline in exports. The 1999 trade surplus was a result of a healthy rise in both exports and imports.

B. Korean Trade by Industry

The improvement in exports was concentrated on a few selected goods, most notably semiconductors. As the worldwide demand for semiconductors picked up and prices rose, the Korean industry quickly took advantage. Semiconductors made up about 13.1% of Korea's total exports in 1999, and their exports rose by 10.8% in 1999. Exports of other electronics and electrical goods, such as computers, wireless communications devices, and liquid crystal display (LCD) devices, also rose significantly. Overall, the export of electronic and electrical goods rose by 34.0% in 1999. LCDs showed a 74.0% increase, and also significant were the exports of wireless telecommunication devices, which increased by 133.9%, and parts for machines and equipment which rose by an astonishing 387.4%.

Automobile exports rose significantly as well, by 15.9%. A renewed marketing campaign by Hyundai in the United States, as well as the increased competitiveness resulting from the fall in the exchange rate, helped improve automobile exports. Auto exports to the US increased

by 95.4% in 1999.

For better or worse, the export of metals and metal goods fell by 13.3% in 1999. The increase in steel exports played a major part in creating much of the Korea–U.S. trade friction in 1998, and the reduction in steel exports has cooled down the friction somewhat, although U.S. manufacturers are still seeking protection against Korean steel exports. In January, 2000, The U.S. passed a safeguard measure for wire rods and line pipes, and Korea is the country expected to be most adversely affected by this measure.

On the import side, the increases were especially significant for capital goods, which rose by 39.3% in 1999, as opposed to falling by 36.1% in 1998. The increase in the import of capital goods is widely attributed to a growing sense of optimism in the Korean economy, which has set firms investing again. We should note, however, that while the import of capital goods has increased, it did not reach the high levels achieved in 1996 and 1997.

The import of consumer goods rose as well, by 27.5% in 1999. Excluding grains, the import of consumer goods rose by 38.1%, compared to falling by 45.0% in 1998. Some of the local press have criticized the “excessive” import of “luxury goods,” but the level of the import of consumer goods did not reach the highs of 1996 and 1997.

One note should be made about the export and import of semiconductors. Arguably, semiconductors have been the most important export item for Korea. However, Korea imports a significant amount of semiconductors as well. At the four digit HSK classification level, integrated circuits and micro-assemblies, which include most semiconductors, is the Korea’s largest export item and the second largest import item. The widely attributed reason is that Korea

produces mostly memory chips, and needs to import other types of semiconductors, such as central processing units (CPUs) and chips incorporating programs for various tasks. Such dependence on foreign sources for the higher value-added program chips has been pointed out as a weakness in Korea's trade structure.

C. Korean Trade by Region

During the 1980s when Korea and the US were going through a rough time in trade relations, many Korean commentators pointed out the desirability of expanding the market for Korean goods, to export more goods to non-US markets. As seen in Table II-3, whether through design or circumstance, the distribution of Korean trade has diversified since the 1980s. Before the Asian Crisis, more than 50% of Korea's exports went to other Asian countries, and more than 15% to ASEAN countries. In 1999, only 42.1% of Korea's exports were to Asia, and 10.2% to ASEAN countries. As usual, there is both an optimistic and a pessimistic interpretation of this development. The expanding geographical distribution may imply that Korean firms are engaged in more global strategies, concentrating on diversifying their markets rather than limiting themselves to a few selected markets. However, it can also mean that Korean goods can no longer compete in American markets due to low quality (perceived and real), lackluster marketing, and increasing costs.

We also see in Table II-3 that the geographical distribution of Korean imports have diversified as well, though not as much as exports. However, as seen in Table II-6, the US steadily remains one of Korea's two largest trading partners.

〈Table II-2〉 Industrial Composition of Korean Trade (in millions of US dollars)

| Exports | 1990 | 1996 | 1997 | 1998 | 1999 | 1999 I | 1999 II | 1999 III | 1999 IV |
|-------------------------|--------|---------|---------|---------|---------|-----------|------------|-------------|------------|
| Total Exports | 65,016 | 129,715 | 136,164 | 132,313 | 143,685 | 30,254 | 35,742 | 35,088 | 42,602 |
| Primary Goods | 3,288 | 9,084 | 9,893 | 10,463 | 6,386 | 1,873 | 2,001 | 1,041 | 1,417 |
| Manufactured Goods | 61,728 | 120,631 | 126,272 | 121,850 | 137,300 | 28,381 | 33,741 | 34,047 | 41,131 |
| Light Manufactures | 25,033 | 27,661 | 27,833 | 24,982 | 26,073 | 5,470 | 6,765 | 6,796 | 7,042 |
| Textiles | 14,670 | 17,713 | 18,346 | 16,532 | 17,081 | 3,492 | 4,449 | 4,558 | 4,581 |
| Heavy Manufactures | 36,695 | 92,970 | 98,438 | 96,868 | 111,227 | 22,912 | 26,975 | 27,251 | 34,090 |
| Electronics, Electrical | 17,816 | 42,468 | 42,647 | 39,685 | 53,163 | 11,363 | 12,434 | 12,975 | 16,390 |
| Semiconductors | 4,538 | 17,843 | 17,424 | 17,010 | 18,852 | 4,627 | 4,400 | 4,637 | 5,187 |
| Metals and Metal Goods | 4,237 | 6,056 | 6,801 | 7,973 | 6,908 | 1,537 | 1,715 | 1,783 | 1,874 |
| Automobiles | 2,128 | 10,463 | 10,678 | 9,943 | 11,169 | 1,975 | 3,138 | 2,811 | 3,245 |
| Ships | 2,799 | 7,125 | 6,518 | 8,007 | 7,489 | 1,247 | 2,003 | 1,241 | 2,999 |
| General Machinery | 1,775 | 5,407 | 5,292 | 5,277 | 5,486 | 1,169 | 1,388 | 1,388 | 1,540 |

| Imports | 1999 | | | | | | | | | |
|----------------------|--------|---------|---------|--------|---------|--------|--------|--------|--------|--|
| | 1990 | 1996 | 1997 | 1998 | 1999 | I | II | III | IV | |
| Total Imports | 69,844 | 150,339 | 144,616 | 93,282 | 119,752 | 25,567 | 28,760 | 29,759 | 35,666 | |
| For Export Use | NA | 48,631 | 50,596 | 45,067 | 55,884 | 12,287 | 13,188 | 13,731 | 16,678 | |
| For Domestic Use | NA | 101,709 | 94,020 | 48,215 | 63,868 | 13,280 | 15,572 | 16,027 | 18,989 | |
| Raw Material | 37,646 | 74,426 | 76,062 | 50,174 | 60,801 | 13,089 | 14,667 | 14,930 | 18,117 | |
| Oil | 6,386 | 14,432 | 17,772 | 11,241 | 14,783 | 2,612 | 3,095 | 3,732 | 5,353 | |
| Capital Goods | 25,477 | 59,227 | 53,097 | 33,909 | 47,226 | 10,039 | 11,086 | 11,857 | 14,244 | |
| Machinery | 9,579 | 17,653 | 13,471 | 6,519 | 7,642 | 1,580 | 1,910 | 1,796 | 2,356 | |
| Semiconductors | 4,093 | 10,544 | 12,888 | 12,246 | 16,130 | 3,842 | 3,772 | 4,093 | 3,498 | |
| Consumption Goods | 6,721 | 16,687 | 15,457 | 9,199 | 11,725 | 2,439 | 3,007 | 2,972 | 3,307 | |
| Grains | 1,623 | 3,164 | 2,481 | 2,059 | 1,868 | 447 | 469 | 443 | 510 | |

Source: KOTIS database based on Korean Customs Clearance Figures

NA = not available.

Exports to all major regions rose. A marked increase took place in exports to the United States. In 1998, exports to the United States rose by only 5.5%, which was very disappointing considering the devaluation of the won, from an average of 951 won per dollar in 1997 to 1399 won per dollar in 1998. However, in 1999, exports to the United States rose by 29.2% in 1999, despite the won having stabilized around a value of 1200 won for most of the year. The growth rate for exports to the European Union accelerated, having risen 7.7% in 1998, then 11.4% in 1999.

Especially significant was the rise in Korean exports to Asia. A major cause of the lackluster export performance in 1998 was the fact that more than half the Korean exports were taken by Asia before the financial crisis. Thus, when the financial crisis caused a massive recession throughout the Asian region, Korean exports could not recover, even with the currency depreciation, since most of the other Asian economies also suffered similar depreciation of their currencies. However, in 1999, Korean exports to Asia rose by 14.4%, compared to a fall of 16.0% in 1998. Korean exports to Japan rose by 29.6%, and exports to ASEAN countries in particular rose by 15.5% in 1999, whereas they had fallen by 17.1% and 24.7% respectively in 1998. While the Korean exports to Asia have not yet recovered to the high levels of 1997, and are not expected to do so until the Asian countries completely recover from the crisis, its growth in 1999 does signify that recovery has begun, not just for Korea, but for the rest of the Asian region as well. Thus, it bodes well for the future and provides the foundations for an optimistic outlook.

On the import side, imports from all major regions rose as well, though some regions did much better than others. Imports from the United States rose significantly. After falling by 32.3% in 1998, imports

from the United States in 1999 rose by 22.1%. Imports from Japan made a similar recovery, from a fall of 39.7% in 1998 to a gain of 43.4% in 1999. Imports from the European Union have not as of yet made a similar recovery, falling by 42.4% in 1998, but rising by only 15.6% in 1999.

Imports from the Asian region, including the ASEAN countries, have recovered as well. Imports from the Asian region rose by 41.3% in 1999, recovering from a fall of 35.7% in 1998. Imports from ASEAN in particular rose by 34.1% in 1999, after falling by 27.2% in 1998. Thus, imports from the United States, Japan and the Asian region have recovered to a level slightly below the 1997 levels. Imports from the European Union and Oceania have not yet made a similar recovery.

We note from Table II-4 on the composition of Korean imports, that the bulk of Korean imports are raw material and capital goods. However, Korea experienced a very high rate of growth for consumer goods in 1999.

The share in Korean exports and imports of Korea's top trading partners are listed in Table II-5 and II-6. Korea's largest trade partner, for both exports and imports, remains the United States. The United States took 20.5% of total Korean exports, and supplied 20.8% of the imports in 1999. The European Union, taken collectively, was Korea's second largest export partner, and Japan was the third, followed by China, Hong Kong and Taiwan. On the import side, Japan was the second largest player, followed by the EU, China, Saudi Arabia, and Australia.

〈Table II-3〉 Geographical Distribution of Korean Trade (in millions of US dollars)

| Exports | 1999 | | | | | | | | | |
|----------------------|--------|---------|---------|---------|---------|--------|---------|----------|---------|--|
| | 1990 | 1996 | 1997 | 1998 | 1999 | 1999 I | 1999 II | 1999 III | 1999 IV | |
| Total Exports | 65,016 | 129,715 | 136,164 | 132,313 | 143,685 | 30,254 | 35,742 | 35,088 | 42,602 | |
| Asia | 24,639 | 65,744 | 68,530 | 57,539 | 65,833 | 14,024 | 15,925 | 16,124 | 19,760 | |
| Japan | 12,638 | 15,767 | 14,771 | 12,238 | 15,862 | 3,226 | 3,555 | 3,795 | 5,286 | |
| China | 585 | 11,377 | 13,572 | 11,944 | 13,685 | 2,877 | 3,398 | 3,383 | 4,027 | |
| ASEAN | 5,217 | 20,311 | 20,365 | 15,328 | 17,708 | 4,005 | 4,273 | 4,283 | 5,147 | |
| Middle East | 2,619 | 5,718 | 5,104 | 6,586 | 6,398 | 1,316 | 1,605 | 1,639 | 1,838 | |
| Europe | 12,001 | 21,395 | 24,817 | 28,749 | 26,091 | 5,727 | 6,908 | 6,026 | 7,431 | |
| EU | 10,003 | 15,325 | 16,864 | 18,171 | 20,241 | 4,152 | 5,124 | 4,729 | 6,236 | |
| Eastern Europe | 509 | 4,135 | 4,138 | 3,207 | 2,436 | 477 | 622 | 723 | 614 | |
| North America | 21,091 | 22,874 | 23,140 | 24,356 | 31,113 | 6,173 | 7,691 | 7,800 | 9,450 | |
| US | 19,360 | 21,670 | 21,625 | 22,805 | 29,475 | 5,838 | 7,280 | 7,376 | 8,980 | |
| Latin America | 2,102 | 8,961 | 8,668 | 8,867 | 8,645 | 1,819 | 2,230 | 2,009 | 2,587 | |
| Africa | 892 | 2,250 | 3,049 | 2,821 | 2,347 | 551 | 540 | 696 | 560 | |
| Oceania | 1,214 | 2,433 | 2,685 | 3,222 | 3,601 | 605 | 797 | 744 | 915 | |
| Industrial Countries | 45,299 | 57,288 | 60,034 | 63,721 | 72,792 | 15,092 | 18,081 | 17,397 | 22,222 | |
| Developing Countries | 19,717 | 72,427 | 76,130 | 68,592 | 70,894 | 15,162 | 17,661 | 17,691 | 20,380 | |

| Imports | 1990 | 1996 | 1997 | 1998 | 1999 | 1999 | 1999 | 1999 | 1999 |
|----------------------|--------|---------|---------|--------|---------|--------|--------|--------|--------|
| | | | | | | I | II | III | IV |
| Total Imports | 69,844 | 150,339 | 144,616 | 93,282 | 119,752 | 25,567 | 28,760 | 29,759 | 35,667 |
| Asia | 28,515 | 57,602 | 55,544 | 35,691 | 50,439 | 10,514 | 11,735 | 12,527 | 15,663 |
| Japan | 18,574 | 31,449 | 27,907 | 16,840 | 24,142 | 4,880 | 5,625 | 5,996 | 7,642 |
| China | 2,268 | 8,539 | 10,117 | 6,484 | 8,867 | 1,760 | 2,029 | 2,325 | 2,754 |
| ASEAN | 5,122 | 12,074 | 12,549 | 9,135 | 12,249 | 2,720 | 2,825 | 2,892 | 3,813 |
| Middle East | 6,188 | 15,080 | 17,279 | 11,417 | 14,695 | 2,494 | 2,981 | 3,966 | 5,254 |
| Europe | 10,501 | 26,244 | 23,688 | 14,281 | 16,579 | 3,640 | 4,333 | 4,032 | 4,575 |
| EU | 9,066 | 21,204 | 18,983 | 10,928 | 12,629 | 2,822 | 3,141 | 3,149 | 3,517 |
| Eastern Europe | 202 | 2,347 | 2,025 | 1,405 | 2,091 | 431 | 616 | 494 | 550 |
| North America | 18,408 | 36,029 | 32,726 | 22,378 | 26,715 | 6,251 | 6,783 | 6,569 | 7,112 |
| US | 16,942 | 33,305 | 30,122 | 20,403 | 24,922 | 5,839 | 6,311 | 6,119 | 6,654 |
| Latin America | 1,726 | 4,392 | 4,076 | 2,197 | 2,865 | 543 | 793 | 747 | 782 |
| Africa | 363 | 2,521 | 4,442 | 1,977 | 2,944 | 713 | 818 | 660 | 653 |
| Oceania | 3,201 | 7,404 | 6,846 | 5,302 | 5,486 | 1,405 | 1,310 | 1,253 | 1,518 |
| Industrial Countries | 49,760 | 98,666 | 89,436 | 57,538 | 71,022 | 15,807 | 17,455 | 17,437 | 20,323 |
| Developing Countries | 20,084 | 51,673 | 55,180 | 35,743 | 48,731 | 9,760 | 11,305 | 12,321 | 15,345 |

Source: KOTIS database based on Korean Customs Clearance Figures

〈Table II-4〉 Composition of Imports by Use

Total Imports (%)

| | 1988 | 1990 | 1992 | 1994 | 1996 | 1997 | 1998 | 1999 |
|---------------|------|------|------|------|------|------|------|------|
| Export Use | - | - | 31.5 | 31.7 | 32.3 | 35.0 | 48.3 | 46.6 |
| Domestic Use | - | - | 68.6 | 68.3 | 67.7 | 65.0 | 51.7 | 53.3 |
| Raw Material | 53.7 | 53.9 | 52.0 | 49.7 | 49.5 | 52.6 | 53.8 | 50.8 |
| Capital Goods | 36.7 | 36.5 | 37.7 | 39.7 | 39.4 | 36.7 | 36.4 | 39.4 |
| Consumption | 9.6 | 9.6 | 10.3 | 10.6 | 11.1 | 10.7 | 9.9 | 9.8 |

Source: KOTIS

〈Table II-5〉 Korea's Top 5 Export Partners and Their Share of Trade

| | 1990 | (%) | 1995 | (%) | 1996 | (%) | 1997 | (%) | 1998 | (%) | 1999 | (%) |
|---|-------|------|-------|------|-------|------|-------|------|-------|------|-------|------|
| 1 | US | 29.7 | US | 19.3 | US | 16.7 | US | 15.9 | US | 17.2 | US | 20.5 |
| 2 | Japan | 19.4 | Japan | 13.6 | Japan | 12.2 | (EU) | 12.4 | (EU) | 13.7 | (EU) | 14.1 |
| 3 | (EU) | 13.7 | (EU) | 13.0 | (EU) | 11.8 | Japan | 10.8 | Japan | 9.2 | Japan | 11.0 |
| 4 | HK | 5.8 | HK | 8.5 | China | 8.8 | China | 10.0 | China | 9.0 | China | 9.5 |
| 5 | Ger. | 4.4 | China | 7.3 | HK | 8.6 | HK | 8.6 | HK | 7.0 | HK | 6.3 |
| 6 | Sing. | 2.8 | Sing. | 5.3 | Sing. | 5.0 | Sing. | 4.3 | Tai. | 3.9 | Tai. | 4.4 |

Note: (EU) signifies what position the EU would be in, and its share of total Korean exports, if the EU were considered as one entity.

HK = Hong Kong, Ger. = Germany, Sing. = Singapore, Tai. = Taiwan

D. Korean Trade with Major Trading Partners

1. United States

Throughout the post-Korean War period, the US has remained one of Korea's two largest trading partners.¹⁾ Since 1980, the US has

1) The other being Japan.

〈Table II-6〉 Korea's Top 5 Import Partners

| | 1990 | (%) | 1995 | (%) | 1996 | (%) | 1997 | (%) | 1998 | (%) | 1999 | (%) |
|---|-------|------|-------|------|-------|------|-------|------|-------|------|-------|------|
| 1 | Japan | 26.6 | Japan | 24.1 | US | 22.2 | US | 20.8 | US | 21.9 | US | 20.8 |
| 2 | US | 24.3 | US | 22.5 | Japan | 20.9 | Japan | 19.3 | Japan | 18.1 | Japan | 20.2 |
| 3 | (EU) | 12.1 | (EU) | 13.5 | (EU) | 14.1 | (EU) | 13.1 | (EU) | 11.7 | (EU) | 10.5 |
| 4 | Ger. | 4.7 | China | 5.5 | China | 5.7 | China | 7.0 | China | 7.0 | China | 7.4 |
| 5 | Aus. | 3.7 | Ger. | 4.9 | Ger. | 4.8 | SA | 4.9 | Aus. | 4.9 | SA | 4.7 |
| 6 | China | 3.2 | SA | 4.0 | SA | 4.4 | Aus. | 4.1 | SA | 4.7 | Aus. | 3.9 |

Note: (EU) signifies what position the EU would be in, and its share of total Korean imports, if the EU were considered as one entity.

Ger. = Germany, Aus. = Australia, SA = Saudi Arabia

steadfastly remained the largest importer of Korean goods. As seen in Table II-9, in the period between 1980 and 1995, the US has been the second largest exporter to Korea, and since 1996, the US has been the largest exporter to Korea. While in the 1980s, Korea had run up a sizable net trade surplus with the US, in the 1990s, the situation has reversed. Before the Asian Financial Crisis, the US ran a sizable bilateral trade surplus with Korea. As seen in Table II-8, Korea was the fifth largest exporter to the US, and the eighth largest market for American exports in 1997 before the Asian Financial Crisis. In 1998, Korea's positions dropped to ninth place for both American exports and imports, but in 1999, Korea roughly regained the prior positions, as Korea was the sixth largest market for American exports, and eight largest market for American imports.

The bulk of imports from the United States were capital goods, used for investment. Compared to Korea's total figures in Table II-4, percentages of consumption goods, and goods for domestic use are higher for American imports. At the four digit HSK level, electronic

integrated circuits and micro-assemblies were the largest import and export item for Korea-US trade. Other popular Korean export items included automobiles, automatic data processors, and wireless transmission apparatus. In addition to integrated circuits, Korea imported corn, machines and mechanical appliances (non-household, "not specified elsewhere - mostly capital goods), and telephone apparatus.

〈Table II-7〉 Korean Trade and Korean-US Trade 1980-1999:
Selected Years (millions of US dollars)

Korean Data

| | 1975 | 1980 | 1985 | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 |
|----------------------|--------|--------|--------|--------|---------|---------|---------|---------|---------|
| Total Exports | 5,081 | 17,505 | 30,283 | 65,015 | 125,058 | 129,715 | 136,164 | 132,313 | 143,685 |
| Exp. To US | 1,536 | 4,374 | 10,754 | 19,360 | 24,131 | 21,670 | 21,625 | 22,805 | 29,474 |
| Total Imports | 7,274 | 22,291 | 31,136 | 69,844 | 135,119 | 150,339 | 144,616 | 93,282 | 119,752 |
| Imp. From US | 2,082 | 5,638 | 6,489 | 16,942 | 30,404 | 33,305 | 30,122 | 20,403 | 24,922 |
| Trade Balance | -2,193 | -4,787 | -898 | -4,828 | -10,061 | -20,624 | -8,452 | 39,031 | 23,933 |
| Kor-US Trade Balance | -546 | -1,264 | 4,265 | 2,418 | -6,272 | -11,635 | -8,497 | 2,402 | 4,552 |

Data: KOTIS, based on Korean Customs data

US data

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|----------------------|----------|----------|----------|----------|----------|----------|-----------|
| Total US Exports | 464,858 | 512,411 | 582,077 | 622,814 | 687,598 | 680,474 | 692,821 |
| Exp. To Korea | 14,776 | 18,028 | 25,411 | 26,582 | 25,067 | 16,538 | 22,954 |
| Total US Imports | 580,469 | 663,746 | 743,500 | 791,313 | 870,213 | 913,885 | 1,024,766 |
| Imp. From Korea | 17,123 | 19,658 | 24,184 | 22,667 | 23,159 | 23,939 | 31,262 |
| Trade Balance | -115,610 | -151,335 | -161,423 | -168,499 | -182,615 | -233,411 | -331,945 |
| US-Kor Trade Balance | -2,347 | -1,630 | 1,227 | 3,915 | 1,908 | -7,401 | -8,308 |

Data: KOTIS, based on Dept. of Commerce (US) data, Customs Clearance Basis.

Note: There are substantial differences between the trade figures of the two countries due to differences in calculation, definitions, and that exports are calculated at f.o.b price, while imports are calculated at c.i.f. price.

〈Table II-8〉 Korea's Position in the US Trade

| | 1980 | 1985 | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 |
|--------------------------------------|------|------|------|------|------|------|------|------|
| Korean Share in Total US Imports (%) | 1.7 | 3.5 | 3.5 | 4.4 | 4.3 | 3.6 | 2.4 | 3.3 |
| Korean Share in Total US Exports (%) | 2.1 | 2.9 | 3.7 | 3.3 | 2.9 | 2.7 | 2.6 | 3.0 |
| US Export Trade Partner Rank | 15 | 7 | 7 | 5 | 5 | 5 | 9 | 6 |
| US Import Trade Partner Rank | 11 | 8 | 6 | 8 | 8 | 8 | 9 | 8 |

Data: Dept. of Commerce (US)

〈Table II-9〉 US Position in Korean Trade

| | 1980 | 1985 | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 |
|--------------------------------------|------|------|------|------|------|------|------|------|
| US Share in Total Korean Exports (%) | 26.3 | 35.6 | 29.8 | 19.3 | 16.7 | 15.9 | 17.2 | 20.5 |
| US Share in Total Korean Imports (%) | 21.9 | 20.8 | 24.3 | 22.5 | 22.2 | 20.9 | 21.9 | 20.8 |
| Korean Export Trade Partner Rank | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Korean Import Trade Partner Rank | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |

Data: KOTIS, based on Korean Customs Data

〈Table II-10〉 Industrial Composition of Korea-US Trade
(in millions of US dollars)

Exports

| | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 |
|------------------------------|--------|--------|--------|--------|--------|--------|
| Total | 19,360 | 24,131 | 21,670 | 21,625 | 22,805 | 29,475 |
| Primary Goods | 234 | 199 | 210 | 211 | 189 | 206 |
| Chemical Products | 223 | 343 | 360 | 500 | 624 | 643 |
| Plastic, Rubber, Leather | 980 | 713 | 672 | 656 | 699 | 759 |
| Non-Metal Mined Goods | 213 | 276 | 230 | 329 | 561 | 740 |
| Fibers and Textiles | 3,950 | 2,715 | 2,457 | 2,747 | 3,109 | 3,335 |
| Consumer Goods | 3,507 | 1,152 | 958 | 854 | 781 | 834 |
| Steel, Metal Products | 1,666 | 1,468 | 1,341 | 1,391 | 2,157 | 1,866 |
| Electric & Electronic Goods | 5,786 | 13,536 | 11,870 | 10,909 | 10,446 | 14,660 |
| Machinery & Transport Equip. | 2,579 | 3,504 | 3,335 | 3,781 | 3,989 | 6,163 |
| Miscellaneous Goods | 221 | 225 | 218 | 228 | 249 | 269 |

Imports

| | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Total | 16,942 | 30,404 | 33,305 | 30,122 | 20,403 | 24,922 |
| Agricultural, Forestry, Fishery | 3,765 | 4,937 | 5,287 | 4,120 | 2,881 | 3,144 |
| Mined Products | 443 | 660 | 1,115 | 1,218 | 1,194 | 937 |
| Chemical Products | 3,664 | 5,313 | 5,399 | 4,895 | 3,036 | 3,830 |
| Fibers and Textiles | 123 | 265 | 312 | 293 | 164 | 178 |
| Steel, Metal Products | 1,269 | 1,804 | 1,582 | 1,430 | 884 | 1,010 |
| Machinery & Transport Equip. | 4,472 | 9,172 | 10,097 | 7,681 | 4,046 | 4,865 |
| Electric & Electronic Goods | 2,950 | 7,658 | 8,879 | 9,990 | 8,011 | 10,589 |
| Miscellaneous Goods | 257 | 594 | 634 | 496 | 188 | 368 |

Source: KOTIS Database

〈Table II-11〉 Composition of Imports from the United States by Use (%)

| | 1988 | 1990 | 1992 | 1994 | 1996 | 1997 | 1998 | 1999 |
|---------------|------|------|------|------|------|------|------|------|
| Export Use | - | - | 26.9 | 26.8 | 23.6 | 28.4 | 43.6 | 40.8 |
| Domestic Use | - | - | 73.1 | 73.2 | 76.4 | 71.6 | 56.4 | 59.2 |
| Raw Material | 45.2 | 44.4 | 36.8 | 33.8 | 29.3 | 29.9 | 30.9 | 27.0 |
| Capital Goods | 40.8 | 42.1 | 49.7 | 53.4 | 54.7 | 56.0 | 55.7 | 59.8 |
| Consumption | 14.0 | 13.2 | 13.5 | 12.8 | 16.0 | 14.2 | 13.3 | 13.1 |

〈Table II-12〉 Current Korean Exports to the US under Trade Restriction (in millions of US dollars)

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Tot.Exp | 21,404 | 20,991 | 19,360 | 18,599 | 18,090 | 18,138 | 20,553 | 24,131 | 21,670 | 21,625 | 22,805 |
| Restrict. | 4,238 | 4,425 | 3,994 | 3,597 | 2,895 | 4,506 | 5,401 | 6,859 | 5,290 | 4,748 | 5,767 |
| % | 19.3 | 19.7 | 20.6 | 19.3 | 16.0 | 24.8 | 26.3 | 28.4 | 24.4 | 22.0 | 25.3 |

Source: Wang and Na (1997), KITA (1999)

2. The European Union

The EU, taken as a single entity, was Korea's second largest export market and the third largest import supplier. The most popular Korean export items to EU were automobiles, electronic integrated circuits and cruise ships. Exports of cruise ships rose by 101.8% in 1999, prompting accusations from the EU that Korea was unfairly subsidizing its shipbuilding industry using funds from the IMF. Exports of transmission apparatus for telecommunications and radio, and parts & accessories for machines grew by 239.9% and 340.5% respectively. Koreans imported electronic integrated circuits and micro-assemblies, gold, and photographic equipment and apparatus.

〈Table II-13〉 Industrial Composition of Korea-EU Trade
(in millions of US dollars)

Exports

| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 I | 1999 II | 1999 III | 1999 IV |
|-------------------------|--------|--------|--------|--------|--------|-----------|------------|-------------|------------|
| Total Exports | 16,319 | 15,325 | 16,864 | 18,171 | 20,241 | 4,152 | 5,124 | 4,728 | 6,236 |
| Light Manufactures | 2,672 | 2,688 | 2,778 | 3,391 | 3,158 | 650 | 938 | 797 | 774 |
| Clothing | 567 | 543 | 591 | 600 | 718 | 112 | 186 | 240 | 179 |
| Heavy Manufactures | 13,453 | 12,420 | 13,838 | 14,484 | 16,867 | 3,453 | 4,141 | 3,868 | 5,407 |
| Chemicals | 712 | 615 | 841 | 903 | 812 | 194 | 173 | 211 | 235 |
| Metal Goods | 745 | 407 | 414 | 1,122 | 670 | 180 | 181 | 148 | 163 |
| Machinery | 1,096 | 1,007 | 1,089 | 1,345 | 1,542 | 339 | 394 | 356 | 453 |
| Electronics, Electrical | 4,648 | 4,753 | 6,146 | 6,111 | 7,706 | 1,747 | 1,682 | 1,830 | 2,448 |
| Passenger Car | 1,975 | 2,121 | 2,337 | 2,646 | 2,888 | 569 | 843 | 685 | 791 |
| Shipbuilding | 910 | 1,153 | 1,758 | 1,006 | 2,024 | 142 | 505 | 366 | 1,010 |

Imports

| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 I | 1999 II | 1999 III | 1999 IV |
|-----------------------|--------|--------|--------|--------|--------|-----------|------------|-------------|------------|
| Total Imports | 18,198 | 21,204 | 18,983 | 10,928 | 12,629 | 2,822 | 3,140 | 3,145 | 3,517 |
| Raw Material | 6,220 | 6,409 | 5,751 | 3,297 | 4,192 | 893 | 1,060 | 1,032 | 1,207 |
| Textiles | 507 | 539 | 429 | 164 | 242 | 43 | 62 | 69 | 69 |
| Chemicals | 2,359 | 2,342 | 2,324 | 1,649 | 2,034 | 464 | 520 | 493 | 556 |
| Iron and Steel | 721 | 889 | 580 | 352 | 449 | 85 | 83 | 100 | 182 |
| Capital Goods | 9,334 | 11,247 | 9,470 | 5,867 | 6,168 | 1,332 | 1,424 | 1,578 | 1,834 |
| Machinery | 6,063 | 6,996 | 5,289 | 3,198 | 2,297 | 706 | 732 | 779 | 651 |
| Electric, Electronics | 1,874 | 2,414 | 3,023 | 1,928 | 2,177 | 441 | 525 | 558 | 653 |
| Consumption Goods | 2,644 | 3,548 | 3,762 | 1,764 | 2,269 | 597 | 656 | 538 | 476 |

Source: Bank of Korea

3. Japan

Japan is Korea's 3rd largest export market, and 2nd largest import supplier (considering the EU as a single entity). Korea is Japan's 4th largest export market, behind the US, Taiwan and China, and third largest import supplier behind the US and China. (Japanese statistics do not consider the EU as a single entity). At the 4 digit HSK classification level, the most popular Korean exports to Japan were processed petroleum oil, electronic integrated circuits and micro-assemblies, automatic data processors, and liquid crystal displays (LCDs). Automatic data processors and LCD exports to Japan grew by 522.7% and 267.0% respectively in 1999.

Korea's most popular imports from Japan were electronic integrated circuits and micro-assemblies, machines and mechanical appliances (mostly construction or manufacturing appliances, not household

appliances), diodes and transistors, flat-rolled steel and cathode tubes. The imports of machines and mechanical appliances grew by 136.4% in 1999.

〈Table II-14〉 Industrial Composition of Korea-Japan Trade
(in millions of US dollars)

Exports

| | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 |
|------------------------------|--------|--------|--------|--------|--------|--------|
| Total | 12,638 | 17,049 | 15,767 | 14,771 | 12,238 | 15,862 |
| Primary Goods | 2,103 | 2,428 | 2,431 | 2,213 | 1,863 | 2,198 |
| Chemical Products | 496 | 852 | 773 | 933 | 723 | 770 |
| Plastic, Rubber, Leather | 479 | 640 | 654 | 546 | 429 | 574 |
| Non-Metal Mined Goods | 631 | 1,063 | 1,897 | 1,865 | 1,357 | 2,322 |
| Fibers and Textiles | 3,011 | 2,626 | 2,065 | 1,456 | 1,322 | 1,513 |
| Consumer Goods | 813 | 769 | 622 | 453 | 386 | 468 |
| Steel, Metal Products | 1,898 | 2,527 | 2,040 | 2,180 | 1,862 | 1,673 |
| Electric & Electronic Goods | 2,479 | 5,166 | 4,342 | 4,121 | 3,263 | 5,394 |
| Machinery & Transport Equip. | 486 | 872 | 849 | 925 | 967 | 858 |
| Miscellaneous Goods | 242 | 106 | 95 | 80 | 66 | 91 |

Imports

| | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Total | 18,574 | 32,606 | 31,449 | 27,907 | 16,840 | 24,142 |
| Agricultural, Forestry, Fishery | 197 | 351 | 306 | 303 | 141 | 270 |
| Mined Products | 164 | 233 | 239 | 248 | 217 | 240 |
| Chemical Products | 3,782 | 6,226 | 5,859 | 5,416 | 3,679 | 4,840 |
| Fibers and Textiles | 724 | 751 | 668 | 606 | 355 | 448 |
| Steel, Metal Products | 1,912 | 3,434 | 3,304 | 3,117 | 2,264 | 2,971 |
| Machinery & Transport Equip. | 6,140 | 11,458 | 11,582 | 8,970 | 3,936 | 5,911 |
| Electric & Electronic Goods | 5,362 | 9,801 | 9,113 | 8,915 | 6,087 | 9,195 |
| Miscellaneous Goods | 292 | 351 | 377 | 332 | 161 | 266 |

Source: KOTIS Database

〈Table II-15〉 Composition of Japanese Imports by Use
(in millions of US dollars)

Imports

| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 I | 1999 II | 1999 III | 1999 IV |
|----------------------|--------|--------|--------|--------|--------|-----------|------------|-------------|------------|
| Total Imports | 32,606 | 31,449 | 27,907 | 16,840 | 24,142 | 4,879 | 5,624 | 5,996 | 7,642 |
| For Export Use | 11,581 | 10,882 | 10,489 | 8,941 | 11,966 | 2,479 | 2,746 | 3,010 | 3,732 |
| For Domestic Use | 21,026 | 20,566 | 17,418 | 7,899 | 12,176 | 2,401 | 2,879 | 2,986 | 3,908 |
| Raw Material | 10,648 | 10,140 | 9,425 | 6,618 | 8,606 | 1,830 | 2,061 | 2,118 | 2,595 |
| Oil | 11 | 0 | 0 | 13 | 14.8 | 15 | 0.2 | 0 | 0 |
| Capital Goods | 20,105 | 19,648 | 16,954 | 9,375 | 14,245 | 2,798 | 3,255 | 3,546 | 4,644 |
| Semiconductors | 3,036 | 3,119 | 3,178 | 2,518 | 3,547 | 707 | 797 | 945 | 1,097 |
| Consumption Goods | 1,853 | 1,660 | 1,528 | 848 | 1,290 | 251 | 307 | 330 | 403 |
| Grains | 0.5 | 0.5 | 0.5 | 0.03 | 0.4 | 0.6 | 0.2 | 0 | 0 |

Source: KOTIS database based on Korean Customs Clearance Figures

4. China

Since Korea began trading relations with China in the early 1980s, China has rapidly become one of Korea's major trading partners. China was Korea's 4th largest export market, and 4th largest import supplier in 1999. According to the IMF Direction of Trade Statistics,²⁾ Korea was China's 5th largest export market, and 5th largest import supplier (if the EU is considered as one entity). At the 4 digit HSK classification level, the top Korean export item to China was processed petroleum oil, cathode tubes and valves, and ethylene polymers. The exports of cathode tubes rose by 109.3% in 1999. Other notable export items include steel and various chemicals.

On the import side, Korea imports raw material, agricultural goods and simple manufactured items from China. Among Korea's biggest import items from China were coal, diodes, parts for office equipment,

2) Using Jan. 1999 - Aug. 1999 Data.

automatic data processors and fish. The imports of automatic data processors rose by 368.7%, diodes by 131.2%, and fish by 111.9%. As can clearly be seen, the Korea–China trading relationship is growing rapidly.

〈Table II-16〉 Industrial Composition of Korea–China Trade
(in millions of US dollars)

Exports

| | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 |
|------------------------------|------|-------|--------|--------|--------|--------|
| Total | 585 | 9,144 | 11,377 | 13,572 | 11,944 | 13,685 |
| Primary Goods | 13 | 197 | 203 | 247 | 199 | 180 |
| Chemical Products | 102 | 2,156 | 2,175 | 2,687 | 2,667 | 2,925 |
| Plastic, Rubber, Leather | 22 | 843 | 1,045 | 1,144 | 944 | 991 |
| Non-Metal Mined Goods | 51 | 785 | 1,216 | 2,039 | 1,718 | 1,844 |
| Fibers and Textiles | 171 | 1,826 | 2,291 | 2,592 | 1,961 | 2,159 |
| Consumer Goods | 5 | 187 | 290 | 314 | 253 | 311 |
| Steel, Metal Products | 89 | 912 | 1,080 | 1,249 | 1,452 | 1,511 |
| Electric & Electronic Goods | 98 | 926 | 1,334 | 1,736 | 1,567 | 2,599 |
| Machinery & Transport Equip. | 29 | 1,237 | 1,652 | 1,473 | 1,106 | 1,061 |
| Miscellaneous Goods | 28 | 73 | 91 | 91 | 76 | 104 |

Imports

| | 1990 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---------------------------------|-------|-------|-------|--------|-------|-------|
| Total | 2,268 | 7,401 | 8,539 | 10,117 | 6,484 | 8,867 |
| Agricultural, Forestry, Fishery | 600 | 856 | 1,134 | 1,604 | 1,003 | 1,320 |
| Mined Products | 344 | 816 | 1,117 | 1,411 | 855 | 802 |
| Chemical Products | 521 | 1,098 | 1,105 | 1,008 | 668 | 1,009 |
| Fibers and Textiles | 469 | 1,775 | 1,754 | 1,835 | 1,114 | 1,442 |
| Steel, Metal Products | 239 | 1,556 | 1,455 | 1,840 | 764 | 955 |
| Machinery & Transport Equip. | 31 | 158 | 282 | 320 | 384 | 258 |
| Electric & Electronic Goods | 21 | 735 | 1,186 | 1,566 | 1,442 | 2,673 |
| Miscellaneous Goods | 43 | 407 | 505 | 532 | 254 | 408 |

Source: KOTIS Database

〈Table II-17〉 Composition of Chinese Imports by Use

| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 I | 1999 II | 1999 III | 1999 IV |
|----------------------|-------|-------|--------|-------|-------|-----------|------------|-------------|------------|
| Total Imports | 7,401 | 8,539 | 10,117 | 6,484 | 8,867 | 1,760 | 2,029 | 2,324 | 2,754 |
| For Export Use | 2,603 | 2,800 | 3,432 | 2,961 | 3,819 | 770 | 898 | 1,020 | 1,133 |
| For Domestic Use | 4,798 | 5,738 | 6,685 | 3,523 | 5,048 | 991 | 1,132 | 1,305 | 1,620 |
| Raw Material | 5,177 | 5,212 | 5,786 | 3,308 | 4,056 | 812 | 917 | 1,101 | 1,225 |
| Oil | 231 | 463 | 713 | 312 | 61 | 18 | 13 | 18 | 10 |
| Capital Goods | 644 | 1,096 | 1,503 | 1,600 | 2,609 | 506 | 609 | 674 | 818 |
| Machinery | 45 | 92 | 108 | 57 | 83 | 17 | 17 | 22 | 25 |
| Semiconductors | 45 | 89 | 167 | 263 | 569 | 125 | 143 | 141 | 159 |
| Consumption Goods | 1,580 | 2,231 | 2,828 | 1,577 | 2,202 | 440 | 503 | 549 | 708 |
| Grains | 24 | 62 | 506 | 369 | 208 | 61 | 27 | 25 | 94 |

Source: KOTIS database based on Korean Customs Clearance Figures

E. Korean Trade Competitiveness

One of the consequences of the Financial Crisis was an inevitable increase in exports to the US and a decline in imports. The capital flight depreciated the value of the Korean won greatly, from 902 won at the end of August 1997, to a low of nearly 2000 won in January 1998, before stabilizing around the value of 1200 won in 1999. The average won-dollar rate in 1998 was 1399 won per dollar, while the average rate for 1999 was 1189 won per dollar.

The depreciation, combined with a decrease in wages due to the recession and structural adjustment following the Financial Crisis, increased the competitiveness of Korean exports considerably. Table II-18 calculates the productivity-based effective wage index for the Korean industry, and compares it with similar figures from Japan and

the United States. As seen, when calculated in dollars, and taking account of the increased productivity of labor, the wage level in Korea in the first half of 1999 is only about half of the level of 1990. The productivity-based effective wage of the United States has remained relatively steady in the 1990s, while Japan's increased greatly, then fell somewhat in 1999, though still remained higher than the levels in 1990. Thus, compared to these countries, Korea has gained a substantial labor cost advantage.

〈Table II-18〉 Productivity-Based Effective Wage

| | 1990 | 1993 | 1995 | 1997 | 1998 | 1999 I | 1999 II |
|---------------------------|-------|-------|-------|-------|--------|--------|---------|
| ULC (Kor) | 100.0 | 111.8 | 115.7 | 107.9 | 99.0 | 94.2 | 88.0 |
| Exch Rate (won/\$) | 707.8 | 802.7 | 771.3 | 951.3 | 1401.4 | 1207.5 | 1190.3 |
| Real Effect. Wage (Korea) | 100.0 | 98.6 | 106.2 | 80.3 | 50.0 | 55.2 | 52.3 |
| Real Effec. Wage (Japan) | 100.0 | 122.1 | 161.9 | 121.9 | 115.6 | 126.3 | 130.1 |
| Real Effec. Wage (US) | 100.0 | 103.0 | 101.0 | 97.1 | 97.6 | 96.4 | 96.5 |

Notes: ULC = Unit Labor Cost = (Nominal Wage Index / Nominal Productivity Index) \times 100

ULC is in terms of the home currencies; the won in case of Korea.

Real Effect. Wage = Real Effective Wage = ULC measured in dollars, then converted to index.

All indices converted to 1990 basis: (1990 = 100)

Data Sources: Quarterly Productivity Review (Korea), Author's Calculation

Such changes in productivity and cost made itself felt in Korea's exports. In addition, the worldwide "deflation" of 1998 and early 1999 also made itself felt in Korea's imports. Table II-19 lists the unit price and the volumes of trade for various goods. While we can see that the value of exports fell slightly in 1998, the volume of trade actually increased. In 1999, the unit price of exports stabilized, and the volume increased continuously. Note the unit value of electronics fell to less

than half of what it was in 1995. Much of this decline is due to the fall in the unit value of semiconductors whose 1999 value had fallen as low as 12.6% of the value in 1995. Since semiconductors make up 13% of Korean trade, the fluctuations in the value of semiconductors cannot help but to affect the value of Korean exports greatly. It is worth noting that the unit values of other electrical and electronic goods (not reported in Table II-19) did not deviate much from the general trend shown by other Korean exports in Table II-19.³⁾

The increased volume of exports, accompanied by the fall in prices, caused some significant trade problems, most notably in steel. Table II-19 shows that the volume of exports for metal goods increased significantly even while the unit value for exports fell. While much of the fall in the unit export value can be traced to the depreciation of the currency, the recession and the credit crunch, US manufacturers argued that Korea, as well as other Asian countries undergoing the financial crisis, were dumping their steel output on the American markets. We shall examine the problem in more detail later on.

In 1999, Korean exports showed better performance, especially in the latter half of the year. Much of the recovery is due to the fact that the fall in the prices of exports seems to have stabilized for some of Korea's most important export items. As seen in Table II-19, after falling significantly, the unit values of electronics and motor vehicles

3) It is also worth noting that while the unit value of Korean semiconductor exports fell since 1995, the unit value of foreign semiconductors imported into Korea had grown to 121.3 in November 1999. (1995 = 100). However, the volume of semiconductor imports have grown as well, to 143.8 in November 1999, (1995 = 100). Thus, while Korea may be known as a "powerhouse" semiconductor manufacturer, the semiconductor trade flows show a somewhat different story.

rose slightly in the second half of 1999. The increase in the prices of semiconductors was especially helpful, since semiconductors comprised about 13.1% of Korea's total exports in 1999.

In terms of export items, especially significant were the large increases in the exports of motor vehicles, transmission apparatus (which includes cellular phones), and liquid crystal displays. The list of the top ten Korean export items in recent years can be found in the Appendix.

The real action in the trade account, however, took place on the import side. In 1998, imports fell by 35.3%. As Korean firms faced a recession, higher import prices, as well as a credit crunch, due partially to the restructuring of the banking sector, they restrained themselves from restocking their inventories of raw material and intermediate goods. However, while much of the fall in imports can be attributed to the recession resulting from the Asian Crisis and the depreciation of the won, the fall in Korean import was also due to the worldwide "deflation" in the prices of raw materials. As seen in Table II-19, while the volume of the imports of raw materials and capital goods did fall, it did not fall as much as the unit values. In fact, in terms of volume, the fall in the imports of raw material was somewhat small. However, the falling prices, along with a slight fall in import volume, greatly reduced the value of Korean imports.

In 1999, imports rose significantly as Korean firms, which had depleted their inventories of raw materials and intermediate goods in 1998, started restocking. Also, as the Korean economy recovered, the imports of capital goods and consumption goods increased greatly, as indicated in Table II-19. In all, total imports rose 28.4% in 1999, and the increase in imports was due in substantial part to increases that took place in the importation of capital goods.

〈Table II-19〉 Unit Value and Volume Indices of Korean Trade (1995 = 100)
Unit Value Indices of Exports

| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 I | 1999 II | 1999 III | 1999 IV |
|-----------------------|-------|-------|-------|------|------|-----------|------------|-------------|------------|
| Total Exports | 100.0 | 86.8 | 79.0 | 63.0 | 61.6 | 60.1 | 59.6 | 61.2 | 65.4 |
| Raw Material and Fuel | 100.0 | 110.2 | 104.3 | 74.4 | 89.1 | 66.8 | 80.0 | 97.1 | 111.4 |
| Light Manufacturing | 100.0 | 96.0 | 91.5 | 80.4 | 77.3 | 76.2 | 77.0 | 76.9 | 79.0 |
| Heavy Manufacturing | 100.0 | 81.5 | 72.6 | 56.1 | 54.0 | 53.8 | 52.2 | 53.0 | 57.0 |
| Chemical Products | 100.0 | 83.2 | 78.4 | 60.4 | 60.0 | 53.8 | 57.0 | 61.1 | 68.9 |
| Iron and Steel | 100.0 | 90.5 | 85.7 | 72.0 | 68.5 | 67.7 | 67.1 | 67.7 | 71.5 |
| Machinery | 100.0 | 103.9 | 97.2 | 71.5 | 69.5 | 67.1 | 69.9 | 69.4 | 72.0 |
| Electronics | 100.0 | 63.3 | 52.9 | 37.3 | 35.3 | 36.6 | 32.6 | 33.6 | 38.0 |
| Semiconductors | 100.0 | 43.0 | 31.7 | 17.1 | 14.8 | 17.2 | 12.6 | 12.9 | 16.7 |
| Passenger Cars | 100.0 | 97.9 | 90.0 | 78.8 | 79.0 | 78.4 | 78.0 | 79.3 | 80.2 |

Volume Indices of Exports

| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 I | 1999 II | 1999 III | 1999 IV |
|-----------------------|-------|-------|-------|-------|-------|-----------|------------|-------------|------------|
| Total Exports | 100.0 | 117.5 | 134.7 | 160.5 | 179.8 | 155.2 | 185.3 | 180.0 | 197.8 |
| Raw Material and Fuel | 100.0 | 120.6 | 160.4 | 215.4 | 191.1 | 183.4 | 185.9 | 189.0 | 203.1 |
| Light Manufacturing | 100.0 | 111.9 | 121.3 | 132.9 | 126.4 | 118.1 | 137.6 | 123.9 | 125.8 |
| Heavy Manufacturing | 100.0 | 125.9 | 146.6 | 180.4 | 222.6 | 180.8 | 226.1 | 226.6 | 255.6 |
| Chemical Products | 100.0 | 119.3 | 149.2 | 187.1 | 196.6 | 192.3 | 186.3 | 201.9 | 201.5 |
| Iron and Steel | 100.0 | 94.7 | 116.3 | 154.9 | 151.1 | 137.1 | 156.5 | 157.2 | 154.9 |
| Machinery | 100.0 | 104.5 | 120.8 | 162.1 | 194.8 | 172.0 | 200.9 | 189.2 | 213.0 |
| Electronics | 100.0 | 171.3 | 210.9 | 267.3 | 427.6 | 322.3 | 429.0 | 450.7 | 512.6 |
| Semiconductors | 100.0 | 174.9 | 238.6 | 400.3 | 513.4 | 432.1 | 575.9 | 567.1 | 508.5 |
| Passenger Cars | 100.0 | 128.6 | 146.3 | 158.1 | 181.8 | 124.6 | 205.2 | 188.4 | 208.7 |

Trade Indices and Terms of Trade

| | | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 I | 1999 II | 1999 III | 1999 IV |
|---------------------------------|---------|-------|-------|-------|-------|-------|-----------|------------|-------------|------------|
| Value Index | Exports | 100.0 | 102.0 | 106.5 | 101.1 | 110.7 | 93.3 | 110.4 | 109.9 | 129.4 |
| | Imports | 100.0 | 110.8 | 105.7 | 66.1 | 85.2 | 72.1 | 81.4 | 84.5 | 102.9 |
| Unit Value Index | Exports | 100.0 | 86.8 | 79.0 | 63.0 | 61.6 | 60.1 | 59.6 | 61.2 | 65.4 |
| | Imports | 100.0 | 95.9 | 89.7 | 74.9 | 74.8 | 69.8 | 70.9 | 75.8 | 81.8 |
| Volume Index | Exports | 100.0 | 117.5 | 134.7 | 160.5 | 179.8 | 155.2 | 185.0 | 179.8 | 197.8 |
| | Imports | 100.0 | 115.6 | 117.8 | 88.3 | 114.0 | 103.3 | 114.8 | 111.6 | 125.8 |
| Net Barter Terms of Trade Index | | 100.0 | 90.5 | 88.1 | 84.2 | 82.4 | 86.0 | 84.0 | 80.6 | 80.8 |
| Income Terms of Trade Index | | 100.0 | 106.3 | 118.7 | 135.1 | 148.2 | 133.6 | 155.6 | 145.1 | 158.2 |

Unit Value Indices and Volume Indices for Imports

| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 I | 1999 II | 1999 III | 1999 IV |
|-------------------------------|-------|-------|-------|-------|-------|-----------|------------|-------------|------------|
| Unit Value Indices of Imports | | | | | | | | | |
| Total Imports | 100.0 | 95.9 | 89.7 | 74.9 | 74.8 | 69.8 | 70.9 | 75.8 | 81.8 |
| Consumer Goods | 100.0 | 103.4 | 87.4 | 76.6 | 68.9 | 70.4 | 69.4 | 66.8 | 68.7 |
| Raw Material | 100.0 | 98.7 | 94.6 | 73.8 | 75.2 | 64.6 | 69.8 | 77.5 | 87.4 |
| Capital Goods | 100.0 | 88.6 | 83.4 | 76.9 | 77.1 | 79.5 | 74.3 | 76.5 | 77.8 |
| Volume Indices of Imports | | | | | | | | | |
| Total Imports | 100.0 | 115.6 | 117.8 | 88.3 | 114.0 | 103.3 | 114.8 | 111.6 | 125.8 |
| Consumer Goods | 100.0 | 133.5 | 154.1 | 105.3 | 128.9 | 123.6 | 142.1 | 120.6 | 129.9 |
| Raw Material | 100.0 | 107.5 | 113.3 | 95.1 | 117.5 | 113.5 | 118.2 | 114.9 | 124.2 |
| Capital Goods | 100.0 | 122.6 | 113.7 | 73.4 | 103.9 | 82.9 | 100.6 | 104.5 | 128.4 |

Notes: Unit Value Index (chained) is directly computed through the Paasche formula, while Volume Index is indirectly derived through division of the Value Index by the Unit Value Index.

Source: Bank of Korea

F. Outlook for the Year 2000

The outlook for trade in the year 2000 is mixed. In December, 1999, the Korean Development Institute forecast that the economy will grow by 7.8% in 2000, that merchandise exports will rise by 10.3%, to US\$ 159 billion, and that merchandise imports will rise by 23.3%, to US\$ 142 billion, with a resulting trade surplus of US\$ 17 billion. While the forecast surplus is lower than those of 1998 and 1999, the figure is still higher than any other year in Korea's history. The Korean Government had estimated in early December that Korea's trade surplus in 2000 will be \$15 billion.

However, in January 2000, oil prices started rising rapidly, and also the Korean consumption and investment rose more quickly than estimated. Thus, Korea unexpectedly experienced a trade deficit of \$ 391 million even though the exports rose by 31.6% compared to January of 1999. The Government has since lowered its estimate of Korean trade surplus in 2000 to \$12 billion, but it remains uncertain whether Korea can manage even that figure.

The outlook for Korean exports remains reasonably optimistic. Exports of semiconductors, electronic goods, and automobiles are expected to lead the increase in Korean exports. The recovering Asian market bodes well for Korea's exports, as demand from these markets should rise. Also, except for the possibility that the rise in oil prices in 2000 may cause a recession in the US and EU, there do not seem to be any significant reasons why exports to the United States and other advanced markets should fall in the near future.

On the import side, the continuing recovery will drive up Korean imports. Additionally, as the Korean economy continues to recover, and as the restructuring of the Korean economy continues, the won

is expected to appreciate moderately, thereby reducing the price competitiveness of Korean exports somewhat. However, the increased productivity from the restructuring should be enough for Korea to maintain competitiveness overall. However, if the oil prices continue to rise as they did in early 2000, it is doubtful that Korea can achieve the trade surplus estimates made by KDI or the Government.

There still remain some structural problems in the economy which may significantly affect Korean trade in 2000. Korea has not yet fully recovered from the Financial Crisis, and its financial sector remains weak. Also, the corporate reforms, especially the *chaebol* reforms, have only just begun, since most of the *chaebols* will need years to work out their debt problems, and even the reformed *chaebols* have not yet shown that they can adapt to the more competitive and transparent environment. Problems in either of these areas may cause a downturn in the Korean economy through a domestic recession, or a loss of foreign investor confidence, which may cause more problems in the financial sector. Such downturns would cause exports and imports to fall considerably, and may wipe out the gains made in 1999.

As for trade friction between the major trading partners, because the Korean export of steel has fallen in 1999, the trade friction in the steel industry is likely to calm down, though it is not likely to disappear completely. The U.S. steel industry has been granted a safeguard measure against the imports of wire rods and line pipes, and the industry is still seeking a stronger protection mechanism against imports. However, the urgency and justification has weakened considerably due to reduced imports from Asia and other regions. In addition, the American and European automobile manufacturers are beginning to complain that the sales of foreign automobiles in Korea have not risen significantly even though the economy is rebounding.

We shall examine such bilateral trade friction issues in Part III of this paper.

As the WTO negotiations on agriculture and services begin, trade friction in these areas is likely to increase, especially since these are areas where Korea is accused of still maintaining significant trade barriers against foreign imports. We will examine the official positions that Korea took in the 1999 WTO Ministerial Conference in Part IV of this paper.

1999 was a year of recovery for Korea, following the Asian Financial Crisis and the devastating recession which followed. Unlike 1998, where the export performance was disappointing, 1999 displayed a solid growth in exports. Imports also showed a healthy degree of growth, as Korean firms began to restock their inventories and invest as the economy started to recover.

The year 2000 promises a continuation of the recovery. The downsizing by the major exporting firms in 1998 and 1999, as well as the depreciation of the currency, have restored the competitiveness of Korean manufacturers. Also, the continuing rebound of the Korean economy has increased consumer optimism, driving consumption, including import consumption, upwards. While Korea's economy has not yet completely recovered from the Financial Crisis, it has taken a major step toward full recovery. If Korea successfully manages its reforms in 2000, and if the world economic situation remains stable, the Korean economy will be more competitive than it has ever been, and both exports and imports should show a healthy increase.

III. Korean Bilateral Trade Disputes in 1999

A. Overview

The aftermath of the Asian Financial Crisis played an important role in trade friction issues in 1998 and 1999. As we have already mentioned, the lowered value of the won and the lower labor costs have greatly increased the competitiveness of Korean exports.

Also in 1998 and early 1999, due to the domestic recession, individual Korean firms were strapped for cash and struggling under high debt. Furthermore, because of a large drop in domestic consumption, Korean firms looked to exports as the only way out of their difficulties. Such emphasis on exports played a role in intensifying trade friction in such areas as steel, semiconductors, and textiles.

The economic restructuring due to the Asian Financial Crisis has become a trade problem itself. Because of the view, especially prevalent in America, that the Korean government unfairly protects and subsidizes Korean exporters, the American businessmen, Congress and Government have been vocal in worrying about the possibility that Korea will use funds from the IMF, and other international sources, to “unfairly” subsidize Korean exporters. Citing such worries, foreigners have criticized some aspects of the Korean economic restructuring programs, and have been very vocal about the way Korea should restructure its economy. So far, much of the foreign advice has generally been heeded, and the US Congress and the Government seem to be satisfied with Korean restructuring, but some discontent, especially among Congressmen in districts with large steel, automobile and semiconductor industries, still exists.

〈Table III-1〉 Current Trade Restrictions against Korean Goods by Country and by Types of Measure
(as of the End of Nov. 1999)

| | Anti-Dumping | | Countervailing Duties (CVD) | Safeguards | Total |
|---------------|----------------|--------------|-----------------------------|---------------|----------------|
| | | AD with CVD | | | |
| United States | 23 (5) | 5 (2) | | 2 (2) | 25 (7) |
| Canada | 7 (1) | | | | 7 (1) |
| Mexico | 1 (-) | | | | 1 (-) |
| Argentina | 2 (-) | | | 1 (-) | 3 (-) |
| Colombia | | | | 1 (1) | 1 (1) |
| Chile | | | | 1 (1) | 1 (1) |
| EU | 13 (6) | 1 (1) | 1 (1) | | 14 (7) |
| Turkey | 4 (3) | | | | 4 (3) |
| Russia | | | | 1 (-) | 1 (-) |
| Poland | | | | 1 (1) | 1 (1) |
| South Africa | 9 (4) | | | | 9 (4) |
| Egypt | 1 (-) | | | | 1 (-) |
| Thailand | 1 (-) | | | | 1 (-) |
| Indonesia | 2 (1) | | | | 2 (1) |
| Malaysia | 2 (-) | | | | 2 (-) |
| India | 9 (5) | | | 4 (1) | 13 (6) |
| China | 3 (2) | | | | 3 (2) |
| Taiwan | 2 (-) | | | | 2 (-) |
| Philippines | 1 (1) | | | | 1 (1) |
| Australia | 5 (3) | | | | 5 (3) |
| New Zealand | 2 (-) | | | | 2 (-) |
| Total | 87 (31) | 5 (2) | 1 (1) | 11 (6) | 99 (38) |

Source: KITA (2000), current up to end of November, 1999.

Numbers in parentheses are number of cases under investigation as of end of November, 1999. The totals include the cases under investigation

〈Table III-2〉 Current Trade Restrictions against Korean Goods by
Country and Industry
(as of the End of Nov. 1999)

| | Steel | Electrical App, Electronics | Petrochemi- cals | Textiles | Others | Total |
|---------------|---------------|-----------------------------------|---------------------|---------------|---------------|----------------|
| United States | 14 (4) | 4 | 4 (2) | 1 (1) | 2 (-) | 25 (7) |
| Canada | 6 (1) | | | | 1 (-) | 7 (1) |
| Mexico | | | | 1 (-) | | 1 (-) |
| Argentina | | 2 (-) | | 1 (-) | | 3 (-) |
| Colombia | | | | | 1 (1) | 1 (1) |
| Chile | | | | | 1 (1) | 1 (1) |
| EU | 2 (1) | 6 (2) | 2 (1) | 2 (2) | 2 (1) | 14 (7) |
| Turkey | | 1 | | 3 (3) | | 4 (3) |
| Poland | | | | 1 (1) | | 1 (1) |
| Russia | | | | | 1 (-) | 1 (-) |
| South Africa | 1 (-) | 1 (1) | 2 (1) | 1 (-) | 4 (2) | 9 (4) |
| Egypt | | | | | 1 (-) | 1 (-) |
| Thailand | 1 (-) | | | | | 1 (-) |
| Indonesia | 2 (1) | | | | | 2 (1) |
| Malaysia | | | 1 (-) | | 1 (-) | 2 (-) |
| India | | 1 (1) | 10 (4) | 2 (1) | | 13 (6) |
| China | 1 (1) | | 1 (1) | | 1 | 3 (2) |
| Taiwan | 2 (-) | | | | | 2 (-) |
| Philippines | | | 1 (1) | | | 1 (1) |
| Australia | 1 (1) | | 4 (2) | | | 5 (3) |
| New Zealand | | 2 (-) | | | | 2 (-) |
| Total | 30 (9) | 17 (4) | 25 (12) | 12 (8) | 15 (5) | 99 (38) |

Source: KITA (2000), current up to end of November 1999.

Numbers in parentheses are number of cases under investigation as of end of November, 1999. The totals include the cases under investigation.

〈Table III-3〉 New Import Restrictions Invoked by Korea's Trading Partners in 1999

(Current up to November 30, 1999)

| | Country | Item | Type of Restriction |
|----|---------------|---|---------------------|
| 1 | United States | Steel Wire Rod | Safeguard |
| 2 | | Cut-to-Length Steel Plate | Anti-dumping |
| 3 | | Acrylonitrile Butadiene Rubber | Anti-dumping |
| 4 | | Shadow Mask | Anti-dumping |
| 5 | | Polyester Staple Fiber | Safeguard |
| 6 | | Welded Stainless Steel Pipes | Anti-dumping / CVD |
| 7 | | Structural Steel Beams | Anti-dumping |
| 8 | | Expandable Polyesterne | Anti-dumping |
| 9 | Canada | Reinforced Steel (Bars and Rods) | Anti-dumping |
| 10 | Argentina | Synthetic Filament Textiles | Safeguard |
| 11 | Colombia | Commercial Vehicles | Safeguard |
| 12 | Chile | Tires | Safeguard |
| 13 | EU | Videotape on Reels | Anti-dumping |
| 14 | | Synthetic Fibers of Polyester | Anti-dumping, CVD |
| 15 | | Malleable Cast Iron Tube or Pipe Fittings | Anti-dumping |
| 16 | | Cathode-Ray Color TV Picture Tube (14 inches) | Anti-dumping |
| 17 | | Hair Brush | Anti-dumping |
| 18 | | Electric Weighing Scale | Anti-dumping |
| 19 | | PET CHIP | Anti-dumping / CVD |
| 20 | Poland | Synthetic Textiles | Safeguard |
| 21 | South Africa | Tire Tubes for Automobiles | Anti-dumping |
| 22 | Indonesia | Steel Pipes | Anti-dumping |
| 23 | India | Polyester Fibers | Safeguard |
| 24 | | NaCN (sodium cynide) | Safeguard |
| 25 | | Phenol | Safeguard |
| 26 | | Acetone | Safeguard |
| 27 | | Optical Fiber | Anti-dumping |
| 28 | | Oxo Acholols | Anti-dumping |
| 29 | | EPR | Anti-dumping |
| 30 | China | Polyester Film | Anti-dumping |
| 31 | | Cold-Rolled Stainless Steel | Anti-dumping |
| 32 | Philippines | Polypropylene Resin | Anti-dumping |
| 33 | Australia | L-LDPE | Anti-dumping |
| 34 | | PVC | Anti-dumping |
| 35 | | Structural Bolts | Anti-dumping |

Source: KITA

Finally, some Asian countries have begun to erect trade barriers against Korean imports. Because of the Asian Financial Crisis, the pressure to increase protectionist measures have been strong in the Asian countries hit by the Financial Crisis, and the instances of anti-dumping measures against Korean imports grew in 1998 and 1999. However, the protectionist measures by Asian countries should ease as the Asian economy recovers from the Crisis. Tables III-1 and III-2 summarize the current trade restrictions against Korean goods, while Table III-3 lists the trade restrictions imposed on Korean exports by Korea's various trading partners.

Meanwhile, Korea also implemented several anti-dumping measures and one safeguard measure in 1999. Table III-4 lists the recent trends in Korean anti-dumping and safeguard measures, while Table III-5 lists the new anti-dumping and safeguard measures taken by Korea in 1999.

〈Table III-4〉 Recent Trends in Korean Anti-Dumping and Safeguard Measures Investigations Requested (1987. 7 - 1999.12)

| | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | Tot. |
|----|----|----|----|----|----|----|----|----|----|----|----|----|----|------|
| AD | - | 2 | 1 | 1 | - | 3 | 4 | 2 | 3 | 10 | 11 | 4 | 6 | 47 |
| SG | 1 | 2 | 7 | 5 | 4 | 3 | - | 3 | 1 | 3 | - | 1 | 1 | 31 |

Note: AD = Anti-dumping Measures, SG = Safeguard Measures, Tot. = Total

Status of Investigations (1987. 7 - 1999. 12)

| | Measure Imposed | Request Withdrawn or Refused | No Domestic Injury Found | Under Investigation | Total Cases |
|----|-----------------|------------------------------|--------------------------|---------------------|-------------|
| AD | 32 | 7 | 8 | 3 | 47 |
| SG | 20 | 8 | 2 | 1 | 31 |

Types of Measures Imposed (1987. 7 - 1999. 12)

| AD | | | | | SG | | | |
|------------------|----------------------------------|----------------|-------|------|-----------------|---------------------------|-------------------------|------|
| Price Negotiated | Quantity Restrictions Negotiated | Tariff Imposed | Other | Tot. | Tariff Increase | Quantitative Restrictions | Administrative Guidance | Tot. |
| 5 | 1 | 18 | 8 | 32 | 10 | 4 | 6 | 20 |

Source: MOCIE Korean Trade Commission Website

〈Table III-5〉 Korean Anti-Dumping and Safeguard Measures Initiated in 1999

| | Goods Affected | Countries Affected |
|----|---|-----------------------------|
| AD | Compound Sizing Agent for Spun Yarn | Japan |
| | Non-Refillable Disposable Pocket Lighters | China |
| | Pre-Sensitized Printing Plate | Netherlands |
| | Aluminum Body and End | Taiwan |
| | Alkaline Manganese Batteries | Singapore, China, Japan, US |
| | Sodium Carbonate | China |
| SG | Garlic | China, US, Japan, etc. |

Source: MOCIE, Korean Trade Commission Website

B. Current Trade Disputes by Item

Now we examine some recent problems in individual industries. It is striking that the same industries continually cause trade disputes. On the Korean export side, the most notable problems have taken place in the steel, shipbuilding and semiconductor industries. There have been some relatively minor problems in textiles and automobile industries, which may develop into serious problems later on, but for now seem quiet. On the Korean import side, there were substantial

problems in beef distribution, government procurement, and pharmaceuticals, and there were also problems with movie imports (screen quotas) and taxes on alcoholic spirits. There are also signs that genetically modified agricultural products may become a problem. We now take a short look at each of these industries.

1. Steel

Arguably, the American steel industry has been the American industry most affected by the Asian Crisis, and has been responsible for most of the increase in Korea's trade disputes with its trading partners. In Table III-6 we list the current trend of Korean steel exports to the US. As can be seen, while the value of Korean exports has grown considerably, it represents a minuscule part of the total increase in American steel imports.

〈Table III-6〉 Korean-US Steel Trade (in millions of US dollars)
US Steel Imports

| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 1/4 | 1999 2/4 | 1999 3/4 | 1999 4/4 |
|----------------------------|--------|--------|--------|--------|--------|-------------|-------------|-------------|-------------|
| Iron and Steel | 12,285 | 13,123 | 13,689 | 16,262 | 12,904 | 2,932 | 3,171 | 3,333 | 3,468 |
| Articles of Iron and Steel | 9,307 | 9,527 | 10,467 | 11,795 | 11,949 | 2,814 | 2,933 | 3,062 | 3,140 |

Source: KOTIS, based on US Customs Data

Korean Steel Exports to US

| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 1/4 | 1999 2/4 | 1999 3/4 | 1999 4/4 |
|----------------------------|------|------|------|------|------|-------------|-------------|-------------|-------------|
| Iron and Steel | 428 | 432 | 499 | 1032 | 759 | 187 | 184 | 193 | 195 |
| Articles of Iron and Steel | 559 | 513 | 542 | 703 | 694 | 150 | 184 | 180 | 180 |

Source: KOTIS, based on Korean Trade Data

American Steel Imports from Korea

| | 1995 | 1996 | 1997 | 1998 | 1999 | 1999 1/4 | 1999 2/4 | 1999 3/4 | 1999 4/4 |
|-------------------------------|------|------|------|------|------|-------------|-------------|-------------|-------------|
| Iron and Steel | 421 | 427 | 480 | 959 | 758 | 218 | 184 | 180 | 176 |
| Articles of Iron and Steel | 519 | 487 | 500 | 649 | 662 | 154 | 166 | 169 | 172 |

Source: KOTIS, based on US Customs Data

The American steel industry has had a long history of complaining about foreign imports, and of obtaining protection from imports. The desire for protection seems to be especially acute in the case of large integrated mills. Michael O. Moore characterizes the steel industry's strategy in obtaining trade protection as follows:

"A common aspect of these episodes has been that the integrated steel sector has secured intervention outside the normal administrative protection (AP) procedures of US trade law. The standard steel industry approach is to use, or threaten to use, the relatively nondiscretionary AD and CVD processes as a lever to obtain an agreement providing some degree of US price stability. First, integrated steel producers (often with close cooperation of the [United Steelworkers]) file massive petitions under US trade remedy laws, especially AD and CVD petitions. Such petitions have particular appeal for the steel industry because foreign practices have made successful litigation likely. Parallel to the trade remedy cases, congressional supporters of the steel industry propose quota legislation inconsistent with the General Agreement on Tariffs and Trade (GATT). Before the quasi-judicial AP process can grind to completion and prior to final votes on the legislation, the executive branch will urge the steel industry to accept a negotiated settlement with foreign exporters, usually a VRA. In essence, the rules-based AP procedures have been utilized as a credible threat to force political settlements on trade disputes."⁴⁾

In many respects, the steel trade friction of 1998 and 1999 followed a similar pattern. The steel industry, integrated steel mills in particular, filed various AD and CVD petitions while some members of Congress introduced a steel import quota bill which was clearly against WTO rules and principles. The bill passed the US House of Representatives, but did not pass the US Senate. The US government has negotiated reduced imports with Russia, and has urged Japan, Korea and Brazil to reduce steel exports to “pre-crisis” levels. The US government has also implemented two major plans to help the steel industry weather the crisis.

In 1999, steel imports in the US fell significantly compared to 1998. The US steel industry, however, is still maintaining that it needs increased levels of protection from foreign competition, and has been arguing strongly for tougher anti-dumping and safeguard measures. In February 2000, President Clinton signed a safeguard measure on imports of wire rods and welded line pipes. The measure was aimed at Japan, South Korea, Brazil and Germany, but according to *Inside US Trade*, Korea is expected to be the country hardest hit by the safeguard measure.

However, Moore, as well as other observers of the steel industry point out that the real enemy of the integrated steel mills is not foreign competition, but American mini-mills. Even though the integrated steel industry underwent extensive restructuring in the 1980s and 1990s, it lags behind the mini-mills in productivity. In addition, while the US steel industry complains of Asian overcapacity, if we compare the output and capacity utilization ratios, the US steel industry itself seems to have added substantial amounts of capacity in 1997 and 1998.⁵⁾

4) Michael O. Moore (1996) p.74-75

5) Using July 1998 data from the American Iron and Steel Institute, When

One of the odd ironies of the Korean and American steel industries is that while Korea seemingly has an advantage in integrated steel mills, the US has an advantage in mini-mill production. The financial problems of Hanbo Steel, as well as Kia Motors, which foreshadowed Korea's Financial Crisis, stemmed from these conglomerates venturing into mini-mill steel production, which turned out to be heavily unprofitable, and plunged both conglomerates into bankruptcy.

The US currently is investigating, or has already ruled on several AD cases dealing with Korean steel. In July, Korea sent a case to the WTO alleging that the US has used unfair and inconsistent methods to calculate the dumping margins on stainless steel plates.

2. Semiconductors

The semiconductor industry is an interesting one for the Korea-US trade relationship. In the latter half of the 1990s, semiconductors were one of Korea's largest export item to the US as well as one of the largest import items. The reason usually given is that Korea produces relatively low-tech memory chips, while the US produces relatively high-tech processors and program chips. In the past, the US industries have accused Korea of subsidizing and building up the production capacity of Korean semiconductor manufacturers. As stated above, similar claims of government-led capacity building have been made in the steel and automobile industries. In 1992, the US found

we compare the output figures, US raw steel output has gone up by 5.6% in the first seven months of 1998, compared to the first seven months of 1997. However, the rate of capability utilization has gone down from 90.6 to 88.7 for the first seven months of the year.

that Korean firms had dumped semiconductors on the US market, and imposed antidumping measures on Korean DRAMs. In 1995, the US Dept. of Commerce, in the *Final Results Third Review of the Korean DRAM Case*, found that the Korean firms had not dumped their imports for the past three years. The US, however, refused to eliminate the anti-dumping measures. Korea, believing the refusal to be contrary to the WTO rules, brought the DRAM case to the WTO. In turn, the WTO ruled that some aspects of the US anti-dumping ruling were not justified under Article 11.2 of the Anti-Dumping (AD) Treaty, and recommended that the US bring the relevant DOC Regulations and the *Final Results Third Review*, "into conformity" with the AD Treaty. The US was obligated to make the necessary changes by November 1999.⁶⁾ The United States changed the wording of the regulation in question, but maintained the anti-dumping measures on Korean semiconductors. Korea announced in February 2000, that it is planning to seek a review from the WTO, charging that the United States had not followed the new guidelines when it kept in place the anti-dumping measure.

In 1998, there was an interesting new aspect to the friction in the semiconductor industry, as the US anti-trust authorities became involved in the Korea-US semiconductor trade. During the early summer of 1998, Korean companies, reacting to the low prices of

6) According to the US document submitted to the WTO: "In Section 351.222 (b)(2)(i)(C) of the new regulation, Commerce deleted the "not likely" standard and replaced it with a requirement that the Secretary of Commerce consider "whether the continued application of the antidumping duty order is necessary to offset dumping." In other words, Commerce incorporated the "necessary" standard of Article 11.2 directly into its regulations"

semiconductors worldwide, reduced their production. There were some rumors that the US competition authorities were investigating the action to see whether it violated the US competition laws.⁷⁾ Then, later that year, as part of Korea's restructuring efforts after the Asian Financial Crisis, the Koreans pursued a strategy of a "Big Deal" in the semi-conductor industry. Namely, the second largest Korean semiconductor manufacturer, Hyundai Electronics, took over the third largest manufacturer, LG Semicon. This merger made the merged firm the largest semiconductor manufacturer in the world, and gave the new firm a 20% share of the world market in memory chips. There were Korean news reports stating that the US Federal Trade Commission(FTC) was worried about the possible anti-competitive effects in the US markets. The FTC has since made it known that at the present time, they have no objection to the merger.

However, this attitude caused some confusion among Korean observers. American critics of the Korean semiconductor industry claimed that intense and excessive competition between chipmakers, due largely to the overcapacity of the Korean firms, had driven the price down to "too-low" a level. Thus, it seemed to many Koreans that a "Big Deal" which would increase chip prices by reducing competition was exactly what the Americans wanted.

7) By US laws, reduction of output is legally allowed if the business circumstances warrant it, but a reduction of output by collusion between firms to raise prices is not allowed. Thus, the question became whether each company reduced their output individually in reaction to market forces, or whether the companies colluded to raise prices.

3. Automobiles

While the Americans usually consider the automobile issue as a “market access” problem for American exports, the Koreans generally consider it as an “export dispute” problem for Korean exports, because the US retaliatory action will involve establishing market barriers for Korean exports. This difference in interpretation is telling, since it shows the Korean suspicion that much of the American displeasure over market access in Korea is “really” an excuse to reduce Korean exports to the US.

The Korean automobile market has long been a contentious issue for the US and Korea. The foreign share of the Korean automobile market is less than one percent, having fallen to 0.26% in 1999.⁸⁾ The American position is that various formal and informal market barriers cause an artificially low market share of foreign automobiles in the Korean market, and a “normal” market share would be around 10%.⁹⁾ The US initiated the Super 301 procedures in 1997, and the bilateral negotiations were completed in October 1998, resulting in a Memorandum of Understanding (MOU) where Korea promised to lower some of what the US considered were trade barriers.¹⁰⁾

8) According to US and European automobile manufacturers, foreign imports took 0.83% of the Korean automobile market in 1996, 0.70% in 1997, 0.36% in 1998 and 0.26% in 1999. The same report states that 10315 imported cars were sold in 1996, 8138 in 1997, 2075 in 1998 and 2401 in 1999.

9) Foreign share in the Japanese automobile market in 1996 was about 6%.

10) Korea agreed to reduce the number of engine-size classifications on all automobiles sold in Korea, and reduce the tax rates on the automobiles with large engines. There were also some agreements dealing with taxes, technical standards, and import procedures.

Given the Asian Financial Crisis, it was unlikely that the foreign market share of the Korean automobile market would rise in the near future, and this expectation may have played a crucial role in the resolution of the Section 301 case. However, as the Korean economy recovers, and motor vehicle exports to the US increases, the complaints by American automobile manufacturers are expected to increase. Already, there are reports that American manufacturers are not satisfied with how Korea is carrying out the MOU. On January 31, 2000, the European Automobile Manufacturers Association and the US Automotive Trade Policy Council held a press conference, complaining that Korea's automobile market is still closed to imports, and argued that the government should use the Seoul Auto Show in May, 2000 to change the anti-import public attitudes in Korea.

However, there will be a new element in the future analysis of the Korean automobile market. In the past, Korea had in place the Import Diversification Policy which effectively banned the importation of automobiles from Japan. This policy was eliminated on June 30, 1999, and Koreans are now allowed to import Japanese cars. Thus, the foreign share of the Korean automobile market is expected to increase. If the increase in share is large enough, it may effectively weaken the arguments of the US automobile manufacturers that the foreign share is too low.

4. Shipbuilding

In November 1999, Several European Industry Ministers accused Korean shipbuilders of receiving subsidies from the Korean government. They unanimously called for:

- The European Commission to immediately engage Korea in

constructive consultations with a view to halt the unfair competition,

- Industry, Member States and the European Commission to seek for as much detailed information as possible of the alleged anti-competitive behavior in order to take appropriate action under the WTO,
- EU Member States to urge the IMF and the World Bank to continue to investigate whether the conditions and assumptions under which the IMF-led rescue packages are given, are fully respected, and
- EU Member States and the European Commission to pursue the establishment of a level playing field for the sector in the appropriate international fora, including the OECD, in order to enforce, without any delay, fair competition laws.

In February 2000, the US Shipbuilders have asked the USTR and the US government to join the EU in calling for an investigation into the Korean shipbuilding industry.

5. Textiles and Color TV

In April 1999, the US ITC initiated investigations into polyester staple fiber imports from Korea and Taiwan. The currency depreciation following the Asian Financial Crisis, as well as the current difficulties in the textile and clothing market in the US, seem to have triggered the industry request for the investigation.

In 1998, Korea and the US agreed to dismiss the WTO case concerning Korean color TV exports. In 1983, the US found Korea guilty of dumping TV receivers, and imposed anti-dumping penalties. During the periodic reviews, the US found that one of the Korean

manufacturers did not engage in dumping activities for six years. However, the US did not withdraw the anti-dumping penalty for this manufacturer, and Korea took the case to the WTO. However, the US withdrew the AD penalties on this manufacturer on August 1998, and both sides agreed to stop the WTO case before a decision was issued.¹¹⁾ It is noteworthy that while the US withdrew the anti-dumping decision on the Korean TV maker, several US news reports emphasized the TV maker's announcements that it would not export Korean-made TVs. Rather, it would export TVs made in Mexican factories.

6. Screen Quotas

When Korea and the US tried to negotiate a Bilateral Investment Treaty (BIT) to increase American direct investment in Korea, the biggest roadblock turned out to be the Korean Screen Quota for domestic movies. Under the current Korean law, Korean movie theaters must show Korean movies for 106 days out of each year.¹²⁾ Under the "model" US BIT, such screen quotas would not be allowed, and the US insisted that Koreans eliminate or reduce the screen quota.¹³⁾ Considering that the total value of Korea's imports of foreign movies in 1996 was only \$86 million, it seems strange that such a small area

11) The AD penalties on other Korean manufacturers were removed as part of the sunset review in 1998.

12) The law formally states 146 days, but allows the regional government to reduce the quota by 40 days. Nearly all regional governments are using the reduction provision.

13) Under the current interpretation of the "model" BIT, screen quotas would be considered as a domestic content requirement. The model BIT forbids domestic content requirement on the firms in which US firms invest.

of trade would hold up an investment agreement potentially worth billions of dollars.¹⁴⁾ But screen quotas enjoyed a surprising amount of support from Korean citizens who viewed movies not as a commercial product, but rather a cultural icon which must be protected from the "onslaught" of American commercial movies.

In 1999, the Korean movie industry experienced its best year in decades, and Korean films took 36.1% of the total Korean box office receipts, thanks in large part to the film "Shiri," a thriller based on the cold war between North and South Korea. Whether the new vitality of the Korean film industry will be used as a justification for dismantling the screen quota, or as proof that the screen quota had been effective in developing the Korean movie industry remains to be seen.

7. Pharmaceuticals

Pharmaceuticals have been somewhat of a "stealth" issue in Korea-US trade relations. The US government and the American pharmaceutical industry have been complaining about the Korean market; and the National Trade Estimate reports, as well as the Special 301 Reviews, have repeatedly cited problems with the Korean market for years, but the problem has yet not exploded as in the steel or automobile sectors.

The US pharmaceutical industry complains that Korea maintains complex certification and testing procedures which go beyond protecting public health, and discriminates against imported drugs; and that the Korean government does not maintain adequate security

14) FDI inflow from US to Korea in the first eleven months of 1999 was estimated at \$3.5 billion. (Registration basis).

procedures for proprietary information submitted by US companies during the certification and testing process. The American industry also complains that Korean authorities often allow the manufacture of drugs by Korean companies which violate patents held by American manufacturers, and that the Korean National Health Insurance discriminates against foreign drugs by maintaining a discriminatory reimbursement mechanism for domestic and foreign drugs.

The Korean government has responded by modifying many aspects of the certification and import procedures. Korea has also modified some elements of the reimbursement mechanism for the National Health Insurance. However, the US pharmaceutical industry believes these modifications to be insufficient, and the USTR is pursuing further modifications to the relevant regulations. The government had asked a "pharmaceutical task force" to study the reimbursement mechanism for the National Health Insurance. This task force consisted of eight non-governmental organizations including the American Chamber of Commerce, the European Chamber of Commerce, Korean consumer group, and Korean pharmaceutical and insurance industry representatives. Their recommendations are currently under consideration.

In January 2000, the Pharmaceutical Research and Manufacturers Association (PhRMA) asked the USTR to place Korea on the priority watch list in the Special 301 report for inadequate protection of intellectual property; most notably the inadequate protection of clinical test trials data by the Korean government, and inappropriate interagency coordination between the Korean Food and Drug Administration and the Korea Industrial Patent Office.

Also, PhRMA has asked the USTR to launch a Super 301 investigation of the Korean pharmaceutical market claiming that it has lost over \$500 million in revenues due to trade barriers in Korea.

Among their complaints are discrimination and non-national treatment related to reimbursement pricing by Korean government, policies encouraging the substitution of brand-name foreign drugs with generic Korean drugs, and duplicative testing procedures for imported drugs.

8. Beef

Korea has long resisted opening the markets for agriculture, fishery and forestry products, especially the rice and beef markets. These markets are extremely sensitive politically, and advocating liberalization in these markets is considered political suicide in Korea. After a GATT decision in 1989 and the Uruguay Round negotiations, Korea agreed to a beef import quota (with gradually reducing tariff rates) until 2000. In January 2001, beef imports would be liberalized, subject only to a tariff, which would fall to 40% by 2004.¹⁵⁾ Furthermore, an increasing percentage of beef under the quota would be subject to a "Simultaneous Buying and Selling (SBS) System" which bypasses the official beef importer "supergroups".¹⁶⁾

Due to the Asian Financial Crisis, Korea in 1998 did not fill the quota. The US and other beef exporting countries wanted Korea to commit to purchasing the unfilled amount in 1999, as well as

15) In 1999, the tariff rate for beef stands at 42%.

16) Under the current distribution system, a certain percentage of the beef import quota is sold through the SBS system, which is somewhat akin to an open auction. The rest are imported by importer "supergroups", some of whom are Korean agricultural cooperatives, or groups with important interest in Korean agriculture. Some beef exporters complain that the supergroups are only interested in "cheap" grades of beef, thus lowering the quality of beef imported into Korea.

increasing the percentage of imports subject to the SBS system, reducing the tariff rate, and changing the distribution system for beef. Currently, Korea maintains a separate distribution system for domestic and imported beef, arguing that if the same distribution system is used for domestic and imported beef, the sellers are likely to disguise imported beef for domestic beef, which usually fetches a higher price. The government also maintains a markup rate for imported beef. Korea refused the beef exporters' demands.

The US brought the separate distribution system issue to the WTO in Feb. 1999, arguing that using a different distribution channel and imposing a markup is inconsistent with Korea's WTO obligations and reduces sales of imported beef. In the same complaint, the US also cited certain provisions of Korea's domestic beef subsidy. The case is currently under consideration by the WTO.

In addition, beef exporters from the United States, Australia, and New Zealand have also complained about the high tariff rates for imported beef.

9. Government Procurement

In the 1999 National Trade Estimate Report, the USTR expressed general satisfaction with Korea's government procurement system. However, there were a few aspects of the system which the US was not satisfied with, the most serious being the procurement system for the Incheon International Airport Corporation (IIAC, formerly known as the Korea Airport Construction Authority (KOACA)). In February, 1999, the US brought this case to the WTO, complaining that IIAC was violating the WTO Government Procurement Agreement (GPA) by requiring the supplier to have manufacturing facilities in Korea,

and to partner with domestic firms in order to participate in tendering procedures. In addition, the US complained of the absence of access to challenge procedures,¹⁷⁾ and bid deadlines less than 40 days as specified in the GPA in IIAC's procurement regime. Korea's position is that IIAC is an independent government corporation which is not covered by the GPA because it is not included in the GPA concession list for government corporations. The US position is that IIAC is effectively a subordinate agency of the Ministry of Construction and Transportation, thus covered by the GPA. The case is currently under consideration by the WTO.

10. Liquor Tax

In 1998, Korea lost the liquor tax case at the WTO. As a result, Korea must equalize the liquor taxes on soju, a cheap domestic liquor,¹⁸⁾ and whiskey by Feb. 1, 2001. Currently the tax rate on soju is 35%, while the rate on whiskey (on both domestic and foreign whiskey – not the import tariff) runs at 100%. The rate at which to equalize the two spirits is becoming a controversial political issue. The government had initially proposed that the rate on soju be raised to 100%, but this plan met with intense opposition in the National Assembly, which resisted the tax increase. Also, the beer breweries have joined the fight as well. Since beer is taxed at 130%, the breweries have begun a

17) Note that this applies only to IIAC. The 1999 NTE Report took a somewhat favorable view toward the central government's complaint and challenge mechanism.

18) The price of soju in 1999 (including taxes) ran about 700 won (60 cents – for the least expensive variety) for 360ml. An inexpensive domestic whiskey ran about 30,000 won (\$25) for 500ml.

political and popular campaign to reduce the tax rate to a level comparable to soju and whiskey. In February 2000, the rate for soju and whiskey was equalized at 72%. The tax rate for beer will be reduced gradually from 130% to 100%.¹⁹⁾

11. Genetically Modified Organisms

Until the latter half of 1999, genetically modified organisms (GMOs) had not been a serious issue in Korea.²⁰⁾ Most Koreans did not realize that a proportion of the agricultural products imported from the US had been genetically modified. However, the trade dispute between US and Europe over GMOs, and actions by domestic and foreign consumer groups and environmental groups have made Koreans more aware of GMOs used in foods, and the demand for labeling is beginning to grow. In November, 1999 when a consumer group in Korea announced that much of the imported soybeans used in tofu was genetically modified, tofu sales dropped to less than half its usual volume,²¹⁾ and the Korean press and consumers started to argue loudly for labelling genetically modified foodstuff. Because the US is holding a very strong position against such labeling, and because it has become such a sensitive issue worldwide, there is a possibility that the GMO

19) It is also interesting to note that since the financial crisis, foreign companies own, or have a major stakes in all of the major Korean beer breweries

20) The 1999 US NTE Reports state that "Labeling standards are not yet required for genetically modified organisms, mainly because the average consumer has not yet identified this issue as significant."

21) The sales are expected to recover, though it will probably remain lower than it had been before the announcement.

issue will worsen in the near future.

C. Other Issues

1. WTO Disputes

As stated above, in 1999, Korea was involved in three WTO cases. Korea instituted one case against the United States on U.S. anti-dumping procedures. Korea alleged that the United States utilized an inconsistent and unfair method to calculate the dumping margins for steel. On the other hand, Korea was sent to the WTO on two separate cases; the first, by the United States and Australia, involves the Korean import system for beef. Korea maintains a separate distribution channel for domestic and imported beef, and the two complainants allege that Korea uses the separate distribution systems to discriminate against imported beef. The Korean position is that the separate distribution system is necessary to prevent imported beef from illegally being sold as more expensive domestic beef. The second case was again brought by the United States, and involves procurement by the Korean Airport Construction Authority (KOACA).²²⁾ The United States alleges that IIAC is a government agency under the control of the Ministry of Construction and Transportation and, thus, covered by the WTO Government Procurement Agreement (GPA). According to the United States, the procurement practices of IIAC violate conditions set forth in the GPA. Korea maintains that IIAC is an independent entity not covered by the GPA. All three cases are, as of this writing, under

22) KOACA transformed into Incheon International Airport Corporation(IIAC) in February, 1999.

review by WTO panels.

2. Free Trade Areas

In 1999, Korea took its first step in forming a free trade area (FTA) with some of its trading partners. Korea has begun formal negotiations with Chile to form an FTA. Negotiations are expected to last until December 2000. In March 2000, Korea has also announced that it will formally explore a possible FTA with Mexico. Korea has also expressed interest in forming a FTA with Japan, as well as some other Asian countries, but so far, such there has been no official exchange between governments other than expressions of interest and informal agreements on mutual exploration of the topic.

3. Import Diversification Program

Korea took several important trade liberalizing measures in 1999, the most significant of which was the complete elimination of the Import Diversification Program (IDP). The IDP was initiated in 1978 to protect the Korean market specifically from Japanese imports. As one of the conditions for joining the OECD, the IDP was scheduled to be eliminated by the end of 1999. However, when the Financial Crisis hit, Korea promised the IMF to step up the elimination of the IDP by six months. Thus, as of July 1, 1999, imports of such Japanese goods as automobiles, home electronics and cameras were liberalized, subject to the same constraints as imports from any other country. So far, the importation of most of the liberalized goods has increased significantly, though not at as excessively high a rate as some critics had feared.

4. Japanese Cultural Goods

Additionally, the importation of cultural goods from Japan has been liberalized to a limited degree. Previously, the importation of most Japanese cultural goods had been almost completely banned. However, beginning in 1998, some of the restrictions were removed and further liberalization took place in 1999. Thus, currently, Japanese films that have won awards from major foreign film festivals can be imported and live performances of Japanese music have been allowed for under the continuing liberalization measures. However, imports of Japanese music discs, animated films, and general films are still banned. The government plans to liberalize these items in stages over the next several years.

5. Anti-Import Bias

The Korean government has also started to address the problem of anti-import sentiments and frugality campaigns by the Korean public. All of Korea's major trading partners have stated that such public sentiment acts as a *de-facto* trade barrier against foreign goods. While they acknowledge that the government cannot, and should not, control grass-roots public campaigns, they want the government to stop reinforcing such sentiments through tax audits of conspicuous import consumers and through public education campaigns. Thus, the Korean government has stopped such practices, and has started a new education campaign which emphasize the desirability of "rational consumption," including rational consumption of imports, which can help improve the welfare of Korean consumers and the Korean economy by introducing competition and innovation.

6. Some Unresolved Issues

Foreign agricultural exporters continue to complain about the high level of tariffs and sometimes complex customs and inspection procedures. They also complain about health and safety standards which they claim are not scientifically based. American software programmers have complained that protection of software in Korea is still inadequate. In addition, as the negotiations in the WTO on services and agriculture continues, there are bound to be complaints about Korea's customs procedures and regulations on services and agriculture.

Also, as the Korean economy recovers, trade friction stemming with Korea's imports are expected to heat up. Already, the American and European automobile manufacturers have started to argue that Korea still maintains trade barriers on foreign automobiles.

Finally, the year 2000 is an election year in the United States, and the election is expected to be close. The Democratic Party seems to be heavily dependent on organized labor for support, and recently the American labor unions have taken a somewhat protectionist position. While such political circumstances seem to imply a worsening of trade friction between the US and Korea, it must also be noted that the United States is in the midst of an unprecedented economic boom. Thus, the relatively high growth and low unemployment in the United States is keeping the pressure on trade low. However, the trade friction may intensify quickly if the American boom cycle ends.

IV. Korea's Position in the WTO New Round

A. Overview

A new round of trade negotiations for the WTO was to have begun in December 1999. The WTO Ministerial Conference, held in Seattle between November 31 and December 2 ("The Seattle Ministerial,") was to signal the beginning of negotiations not only on the "built-in agenda" of agriculture and services, but also negotiations on the further reduction of tariffs for industrial goods, tariff exemption for information technology goods, extension of tariff exemptions for trade over the internet; and various "new issues" such as trade facilitation, transparency of government procurement, and investment.

However, several parties which oppose various aspects of the WTO staged a wide protest in Seattle, disrupting much of the work schedule. These groups included American labor unions which feared that trade would mean less jobs for their union members, environmental groups which feared that the WTO rules would override national environmental standards, and non-governmental groups from developing countries who feared the advanced countries would impose their trade agendas while ignoring the concerns of the poor countries.

On the night of December 3, the ministers announced that they could not settle on an agenda during the Ministerial in Seattle. Thus, the negotiations would be suspended, and would restart at an agreeable time in the future. While the protestors declared that the breakdown in negotiations was due to their efforts, the protests actually played only a minor role. The major reasons for the breakdown can be summed up as follows:

- Because of the complexity of the issues involved, as well as the controversy over the election of the new leader of the WTO, there was not enough preparation before the Ministerial Conference.
- Considering the complex set of issues involved in the new round of negotiations and the lack of preparations, there was not enough time for negotiations during the Ministerial Conference to come to an agreement on the agenda.
- There were a few issues such as the “multifunctionality of agriculture” and the reconsideration of the Anti-Dumping Agreement which the advanced countries could not agree on for domestic political reasons.
- Many of the smaller less advanced countries were excluded from important negotiations, and they refused to merely follow the negotiations passively.

While negotiations for the “built-in agenda” of agriculture and services, as well as negotiations for a few relatively non-controversial issues have already begun in 2000, the negotiations for the more controversial issues are not expected to start in earnest until later in 2000, or perhaps in 2001. It may be instructive, at this time, to review the official positions that Korea held during the Seattle Ministerial, on various issues. Since the negotiations were “suspended,” most countries are expected to maintain similar points of view on various issues in the later negotiations to those they held in the Seattle Ministerial.

Over the course of 1999, Korea submitted twelve position papers to the WTO, nine on its own, and three jointly with other countries. The position papers were written on the fields of:

- Services (WT/GC/W/169, submitted 12 April, 1999)

- Agriculture (WT/GC/W/170, submitted 12 April, 1999)
- Proposal on Regional Trade Agreements (WT/GC/W/171, submitted 16 April 1999)
- Organization and Management of the Work Programme (WT/GC/W/230, submitted on 2 July, 1999 with Argentina, Chile, Costa Rica, Czech Republic, Hungary, Mexico, Morocco, New Zealand, Singapore, Switzerland, Thailand, Uruguay and Hong Kong, China)
- Agreement on Implementation of Article VI of GATT 1994: Proposal under Paragraph 9(a)(i) of the Geneva Ministerial Declaration (Anti-Dumping) (WT/GC/W/235/Rev.1, submitted 12 July, 1999)
- Trade and Investment (WT/GC/W/267, submitted 20 July, 1999)
- Market Access for Industrial Goods (WT/GC/W/284, submitted 28 July, 1999)
- Trade and Competition (WT/GC/W/298, submitted 6 August, 1999)
- Trade Facilitation (WT/GC/W/309, submitted 2 September, 1999)
- Guidelines and Procedures for Negotiation on Services (WT/GC/W/325, distributed on 21 September 1999, with Hong Kong, China and Norway)
- Proposal for Separate Negotiation Group on Fishery and Forestry Products (WT/GC/W/368, submitted on 7 October, 1999)
- Transparency in Government Procurement (WT/GC/W/385, distributed on 9 November 1999 with Hungary, Singapore, and the United States)

Below, we will summarize Korea's position and preference on the scope and modalities on the New Round, then we shall summarize

Korea's position as reported in each of the position papers.

B. Korea's Position on Individual Issues

1. Scope and Modality

When the Uruguay Round ended in 1994, many of the issues pertaining to agriculture and services remained unresolved. Thus, the members agreed to pursue these issues again some years after the signing of the Uruguay Round. These issues, along with some minor issues whose negotiations were also deferred, are often referred to as the "built-in agenda" for the New Round.

It is not much of a secret that agriculture is a very sensitive issue in Korea. In fact, there have been many comments in the general Korean press that Korea had "lost" the Uruguay Round because the agriculture market was opened "too much." Given the popular sentiments against too-rapid opening of the agriculture market and the relative weaknesses in the Korean services sector, the Korean government decided to pursue a comprehensive round, which would encompass many issues, not just the pre-determined "built-in agenda" of agriculture and services. Under a comprehensive round, various countries can give and take various aspects of market openness, so the WTO agenda can more accurately reflect the wishes of the member countries.

Korea, along with most of the other members of the WTO, also favored setting a reasonable time limit for the New Round negotiations. The popular consensus among the members was three years. There was some movement among a few of the members for an "early harvest," where some of the negotiations, which could be completed

quickly, would be allowed to be completed earlier than the more contentious negotiations. Korea was willing to let some issues be completed earlier under an early harvest if there was a "consensus" among members.

2. Services

Korea submitted the following suggestions in its position paper:

1) The next negotiation should cover all services sectors.

No service sectors should be a priori excluded from negotiations, and all sectors should be covered in the negotiations.

2) The scope of MFN (Most Favored Nation) exemptions should be progressively reduced.

While GATS allows for MFN exemptions under certain conditions, the scope of these exceptions should be progressively narrowed. The members should establish clearer criteria to review the current MFN exemptions and further extend the applicability of the MFN principle to trade in services.

3) Appropriate recognition should be given to autonomous liberalization measures.

Autonomous liberalization measures should be recognized in negotiations so that countries will have a strong incentive to unilaterally initiate liberalization measures. Granting recognition in

negotiations to autonomous liberalization measures can ensure that policy reforms are not unnecessarily postponed in anticipation of reciprocal trade concessions at some point in the future. Article XIX:3 of the GATS provide justification within GATS for such initiative.²³⁾

4) The next negotiations should address the challenges of electronic commerce

In order to facilitate trade in services in electronic commerce, the new negotiations should address the possible effects of electronic commerce on trade in services, and its effects on the scope of national commitments.

5) The current work on rule making should be concluded promptly.

At the latest, the negotiations should be completed by the conclusion of the next round. Members should also develop common disciplines for domestic regulations as soon as possible on the basis of the results on the Working Party on Professional Services for the accountancy sector. Members should complete the task of eliminating competition distorting elements and maximize the benefits of liberalizing trade in services by developing effective rules on subsidies and government procurement for services as early as possible. Finally, an efficient set of rules on emergency safeguard measures to prevent, or remedy,

23) Article XIX:3 of GATS states (in part):

“Negotiating guidelines shall establish modalities for the treatment of liberalization undertaken autonomously by Members since previous negotiations”

serious injury should be established at the beginning of the Round.

3. Agriculture

For Agriculture, Korea made the following suggestions:

1) The basic framework of the Agreement on Agriculture should be maintained so that the reform process can move forward in a consistent manner.

Article 20 of the Agreement on Agriculture provides that the next negotiation shall take into account several factors, including *inter alia*, the experience of implementing the commitments for reducing support and protection, the effects of reduction commitments on world trade, non-trade concerns and special and differential treatment to developing countries.

In order to carry out the reforms on a consistent basis, Members must refrain from bringing radical changes to the Agreement and seek to maintain its key elements. The following elements are particularly important to Korea:

- For Market Access, the key elements of tariffication mechanism such as tariff equivalents, tariff quotas, and special safeguards.
- For Domestic Support, the underlying spirit of establishing amber, green and blue boxes and their integral elements such as total AMS, relevant criteria and *de minimus* level.

2) In pursuing the reforms, a flexible and gradual approach should be taken to ensure the participation of all the countries.

While the Agreement on Agriculture introduced a set of disciplines into agricultural trade, they did not fully reflect the unique nature of agriculture, and some Members had considerable difficulties in implementing their agreements. Ensuring the participation of all Members is essential and, thus, Members must take a flexible and gradual approach that can accommodate the special nature of agriculture.

In Korea's view, the following areas call for a more flexible and gradual approach:

- For Market Access, tariff reductions and TRQ administration;
- For Domestic Support, reductions in total AMS and criteria for green box measures.

3) In order to achieve a balance of interests among Members, provisions on non-trade concerns and special and differential treatment for developing countries should be strengthened.

The Agreement on Agriculture does not fully take into account the non-trade concerns and special requirements of small-scale subsistence agriculture. Thus, the balance is tipped against developing countries and importing countries.

To alleviate the difficulties of the developing countries and importing countries, Korea makes the following suggestions:

- Non-trade concerns, especially the multifunctionality of agriculture and food security should be fully taken into account in continuing the reform process;
- Ways to make the provisions on special and differential treatment of developing countries more operational should be devised. In particular, more attention should be given to the important role

that governments can play in achieving this goal.

- Disciplines against arbitrary export restrictions should be developed.

4. Regional Trade Agreements

Regional Trade Agreements (RTAs) are a prominent exception to the Most Favored National Treatment principle of the WTO, and the number of RTAs have proliferated since the signing of the GATT. By some estimates, more than 50 percent of world trade takes place within the framework of RTAs. Since Article XXIV of GATT and Article V of GATS,²⁴⁾ which covers RTAs, did not fully take into account the

24) Article XXIV of GATT states (in part):

5. Accordingly, the provisions of this Agreement shall not prevent, as between the territories of contracting parties, the formation of a customs union or of a free-trade area or the adoption of an interim agreement necessary for the formation of a customs union or of a free-trade area; Provided that:

(a) with respect to a customs union or an interim agreement leading to a formation of a customs union, the duties and other regulations of commerce imposed at the institution of any such union or interim agreement in respect of trade with contracting parties not parties to such union or agreement shall not on the whole be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to the formation of such union or the adoption of such interim agreement, as the case may be;

(b) with respect to a free-trade area, or an interim agreement leading to the formation of a free-trade area, the duties and other regulations of commerce maintained in each of the constituent territories and applicable at the formation of such free-trade area or the adoption of

rapid growth of RTAs, Korea proposed the following:

such interim agreement to the trade of contracting parties not included in such area or not parties to such agreement shall not be higher or more restrictive than the corresponding duties and other regulations of commerce existing in the same constituent territories prior to the formation of the free-trade area, or interim agreement as the case may be; and

(c) any interim agreement referred to in sub-paragraphs (a) and (b) shall include a plan and schedule for the formation of such a customs union or of such a free-trade area within a reasonable length of time.

Article V of GATS states (in part):

1. This Agreement shall not prevent any of its Members from being a party to or entering into an agreement liberalizing trade in services between or among the parties to such an agreement, provided that such an agreement:

(a) has substantial sectorial coverage and/or

(b) provides for the absence or elimination of substantially all discrimination in the sense of Article XVII, between or among the parties in the sectors covered under subparagraph (a) through:

(i) elimination of existing discriminatory measures and/or

(ii) prohibition of new or more discriminatory measures, either at the entry into force of that agreement or on the basis of a more reasonable timeframe except for measures permitted under Articles XI, XII, XIV and XIV bis.

4. Any agreement referred to in paragraph 1 shall be designed to facilitate trade between the parties to the agreement and shall not in respect of any Member outside the agreement raise the overall level of barriers to trade in services within the respective sectors or subsectors compared to the level applicable prior to such an agreement.

Korea suggests that Members review the WTO rules on RTAs in order to clarify and strengthen them if necessary.

An indicative list of areas of particular interest to Korea is as follows:

- Developing yardsticks for “substantially all of the trade” (as stated in Article XXIV of the GATT) and “substantial sectoral coverage” (as stated in Article V of GATS).
- Establishing the scope of “other regulations of commerce” and “other restrictive regulations of commerce” (as stated in Article XXIV of the GATT)
- Developing ways to measure “levels of duties and other regulations of commerce” (as stated in Article XXIV of the GATT) and “levels of barriers” (as stated in Article V of GATS)
- Developing disciplines on preferential rules of origin
- Clarifying the notification requirements
- Considering the strengthening of the examination of RTAs’ operations
- Considering the relationship between Article XXIV of the GATT and Article V of GATS
- Considering the relationship between the WTO provisions relating to RTAs and other WTO Agreements

5. Organization and Management of the Work Programme

This document, which Korea submitted together with Argentina, Australia, Chile, Costa Rica, Czech Republic, Hungary, Mexico, Morocco, New Zealand, Singapore, Switzerland, Thailand, Uruguay and Hong Kong, gives an indication of Korea’s preference vis-à-vis

the scope, structure, time-frames and modalities of the WTO negotiations in the New Round.

The document gave the following proposal:

That Ministers launch at Seattle a round of multilateral trade negotiations aimed at the progressive liberalization of trade in goods and services and the improvement and, when agreed, further development of WTO rules in a way that achieves an overall balance of the interests of all Members. This round shall end no later than three years after it begins. The negotiations shall be launched, conducted and concluded in the form of a single undertaking. Ministers will meet half-way through the round to assess progress and at the end of the round to agree on the results. Between ministerial conferences, the General Council will meet in special sessions to direct the negotiations.

As stated in the proposal, Korea did not object to a single undertaking and a three year time frame for negotiations. However, the document also stated that:

The Seattle Ministerial could thus acknowledge the possibility of early results. A mid-term review of progress in the round could take decisions, if warranted, on whether any early results could be applied by Members provisionally until the conclusion of the round. Any early results shall be treated as a single undertaking.

Such flexibility allows the possibility of an "early harvest," the early settlement of some issues which may not be very controversial. The United States was particularly interested in the early harvest of

such issues as "ITA-II" (Information Technology Agreement II which would eliminate tariffs on the trade of some information technology goods) and Transparency in Government Procurement.

6. Anti-Dumping Agreement

The following is the gist of Korea's proposal on the Agreement on Implementation of Article VI of GATT 1994:

While Korea believes that the WTO Anti-Dumping Agreement is generally an improvement over the Tokyo Round Code, there remain ambiguities which may cause distortions and invite abuse by the countries which impose anti-dumping measures. The use of anti-dumping measures has increased greatly in recent years, due in part to the remaining ambiguities in the Anti-Dumping Agreement. Thus, Korea believes that the Agreement should be reviewed and amended to clarify the ambiguities and reduce the size of the "grey areas" that permit a wide range of conflicting interpretations.

The Committee on Anti-Dumping Practices launched the Ad-hoc Group on Implementations which has produced and adopted several recommendations for the Committee, and these recommendations should be taken into account to improve the Agreement. Also, the Agreement should take into account the recent changes in the world trade environment such as the increased cross-border activities of multinational enterprises, regional trade agreements, the creation of harmonised rules of origin, and how the transfer of production facilities to developing countries affects the way multilateral anti-dumping rules function. Thus, Korea proposes the following:

Because a review of the Anti-Dumping Agreement will necessitate

an appropriate multilateral setting and probably intense negotiations, Korea believes that the next round of multilateral trade negotiations would be the ideal forum to deal with such review.

At this stage, Korea's proposal is twofold:

- Negotiations for reviewing the Anti-Dumping Agreement should be conducted in the new round, with a view to preventing abuse of the anti-dumping measures as well as reflecting changes in the world trade environment, thereby achieving a new balance of interests among all Members.
- Among the various areas to be tackled, Korea proposes that at least in the areas of initiation of investigation and review procedures, further clarification be made and new disciplines be established to avoid unnecessary trade obstacles caused by unjustified anti-dumping actions.

7. Trade and Investment

The gist of Korea's proposal on Trade and Investment is as follows:

While there is a network of bilateral and regional investment arrangements, which are effective to some degree on creating a favorable climate for foreign investment, the existing network has some fundamental limitations. The discrepancies in the disciplines imposed by these arrangements are sometimes mutually incompatible, and may make the world investment environment more complicated and distort investment flows. Multilateral rules on investment can serve as an institutional mechanism that is effective in resolving such problems

and promoting foreign direct investment (FDI) Korea proposed that negotiations aimed at establishing WTO rules on investment in the form of a stand-alone multilateral agreement, and that the agreement should contain the following objectives and key elements:

- Objectives:

- Negotiations should aim at establishing WTO rules on investment in the form of a stand-alone multilateral agreement. The agreement should be harmonized, if necessary, with the investment-related provisions of existing WTO agreements such as the GATS, TRIMs and TRIPs.
- The Agreement should aim at facilitating the flow of international investment through enhanced transparency and predictability. However, such a goal should be reconciled with the host country's right to set its own policies, in particular the development policies of developing countries.

- Key elements:

- Scope

- The Agreement should focus on FDI, since the WTO is not an appropriate forum for tackling the issue of short-term capital flows. In a similar context, caution should be applied in dealing with portfolio investments in light of the implications for financial security.

- Investment liberalization and protection

- The fundamental WTO principles of most-favored-nation treatment and national treatment should be the guiding principles of the Agreement. At the pre-establishment phase, however, a

bottom-up (positive list) approach can be considered.²⁵⁾ Once a company is established locally, national treatment should be granted with limited exceptions.

- The Agreement should establish a reasonably high standard of investment protection by consolidating key elements of protection included in a variety of existing bilateral and regional arrangements. However, the Agreement should preserve the host country's right to regulate according to its unique economic situation as long as the regulations are compatible with the Agreement.

- Transparency

- Rules on transparency should be developed and included as a core component of the Agreement. The Agreement should also include provisions for technical assistance to aid countries desiring to enhance the overall level of transparency of their investment regime.

- Performance requirements and investment incentives

- The Agreement should address the concerns about performance requirements and investment incentives with a view to minimizing their distortive effects. On the other hand, their potential value as a domestic tool should not be overlooked. Transparency in the host country's related laws and regulations could be a minimum requirement to this end.

25) GATS allows each Member country to list which service sectors would be covered by the GATS agreement. This approach is called the "positive list" approach.

- Dispute settlement procedures
 - The existing WTO dispute settlement procedures should be applied to the Agreement. In view of the inter-governmental nature of the WTO system, the Agreement should focus on disputes between WTO Members, to the exclusion of State-investor disputes.

- Development dimension
 - Approximately 40 percent of the world's FDI is invested in developing countries, and more than 10 percent of FDI flows from developing countries, signifying their importance in developing countries. Therefore, the Agreement should reflect the interests of developing countries and development should be an integral part of the Agreement.

8. Market Access for Industrial Goods

Korea supported the negotiations for further liberalization in the trade of industrial goods. Korea's proposal included the following elements:

- Tariff negotiations should, in principle, cover all industrial items. However, certain items such as fishery and forestry products, require special treatment.²⁶⁾
- The objectives of the tariff reduction for the new round should be set at similar levels to those of the Tokyo Round or the

26) Unlike most countries, Korea and Japan classify fishery and forestry goods with agricultural goods rather than industrial goods.

Uruguay Round. The scope of tariff bindings should be widened to enhance the predictability of tariff rate changes.

- Members should tackle the problems related to tariff structure. Tariff peaks should be substantially lowered, and ways to avoid tariff escalation should be devised during negotiations.
- The decision to abolish nuisance tariffs should be left to the discretion of the individual Member. If nuisance tariffs are to be eliminated, Members may be reluctant to reduce tariffs since lowered tariffs may become nuisance tariffs.
- Tariff reductions should take the form of a formula cut approach, since an item-by-item or sectoral approach²⁷⁾ is more likely to lead to an imbalance of interest among Members. The formula cuts should be designed so that: High tariffs and tariff peaks are lowered by all Members; there is a general reduction of tariff rates for all products; tariff escalation is eased; and is easy to apply.
- Credit should be granted for autonomous lowering of both bound and applied tariffs,²⁸⁾ since it will provide Members with an incentive to not intentionally postpone reductions in tariff rates.
- Bound rates should remain the basic rates for tariff negotiations, since the spread between the bound rate and the applied rate is often the result of autonomous liberalization.

27) Formula cut approach implies a cut in the tariff rate according to a negotiated, fixed formula. An item-by-item or sectoral approach implies cuts in tariff rate following an item-by-item, or sectoral negotiations.

28) Applied tariff rates are the tariff rates actually used to compute tariffs. Bound rates are the rates that a Member has pledged in the WTO, and represents the highest tariff rate that the Member will charge for that item. Thus, the actual rate may be lower than the bound rate.

- Non-tariff barriers (NTBs) should also be subject to the new negotiations. The transparency of NTBs is an especially important issue.
- If complete and immediate elimination of NTBs is not possible due to technical problems, the negotiations should at least introduce regulatory measures that will enhance the transparency and predictability of the NTBs.
- Negotiations on increased market access must imperatively address the needs of the Least Developed Countries (LDCs) Practical support measures are called for to improve the market access of the LDCs in the major global markets.

9. Trade and Competition

Korea proposed beginning negotiations on a multilateral framework for competition policy to provide a level playing field securing legal stability, predictability and transparency in world trade and foreign investment, thereby lowering transaction costs for individual firms.

The objective of the negotiation should be to establish a basic framework of binding principles and rules on competition policy and promoting cooperation among WTO Members in relation to competition cases, while striving to achieve a balance between competition policy and other economic and social policy objectives.

The key elements of the negotiation should include:

- Core principles and rules:²⁹⁾

29) Parts of the comments on Core principles and rules come from WT/WGTCP/W/133.

- The WTO principles of non-discrimination and transparency could function as cornerstones for other principles and rules of the Framework. The applications and rules should be confined to areas where international trade and/or foreign investment are affected; and they should not be applied to business practices that have domestic effects only.
- It is necessary to ensure that the non-discrimination principle should be observed in the enforcement of competition law. Discrimination against foreign enterprises under a Member's regulatory framework could be subject to the WTO dispute settlement procedures.
- However, discrimination in the enforcement of competition law may not be subject to the WTO dispute settlement procedures until a pattern of discriminatory practices has been established as a result of continuing such practices. It would be difficult to apply the non-discrimination principle in a uniform manner on a case-by-case basis because the structures of the relevant markets, the behavior of concerned enterprises, and the substantive provisions of competition laws and their interpretation vary from case to case.
- Transparency would be greatly enhanced by requiring each Member to clearly set the scope of sectoral exclusions and establish inquiry points where foreign enterprises can get information on the domestic competition law and its application.
- To encourage transparency, Members should notify, without undue delay, their decisions on competition policy, as well as provide public access to information on legislative developments and statistics dealing with competition policy.
- Substantive provisions should include rules on

- Adoption of Competition Law and Establishment and Maintenance of Competition Authorities
 - Prohibition of Hard-Core Cartels
 - Preventing Abuse of Market Dominance or Monopolistic Position
-
- International Cooperation
 - Modalities for international cooperation on competition policy should be included in the framework. Prior notification of competition law enforcement that may incur costs for other WTO Members, coordination among concerned WTO Members in cases where more than two jurisdictions are engaged in anti-trust investigation, and exchanges of non-confidential information are modalities that can be considered.
-
- Development Dimension
 - Grace periods differentiated according to the level of a Member's economic development, exemptions to certain obligations, waivers, reservations and technical assistance should be considered.
-
- Dispute Settlement Procedures
 - The Framework should include a dispute settlement mechanism that reflects the specificities of competition law.

10. Trade Facilitation

Korea believes that there is a need to develop a WTO framework for trade facilitation. To this end, Korea proposed the following:

- Review of existing WTO Agreements related to trade facilitation
 - WTO Agreements such as the Agreement on Import Licensing Procedures and the Agreement on Rules of Origins should be amended or revised to facilitate commercial exchanges. Such activities should be done in close coordination with other organizations such as the World Customs Organization,

- Development of New Rules in relation to trade facilitation
 - Simplification and modernization of customs procedures
 - Use of electronic media and Electronic Data Interchange (EDI)
 - Technical Cooperation and technical assistance to build capacity in developing countries
 - Transparency of rules and regulations on trade and customs procedures, and the development of a database available to all Members.

11. Guidelines and Procedures for Negotiation on Services

Korea, along with Hong Kong and Norway, submitted a proposal for guidelines and negotiation procedures on Services negotiations designed to strike a balance to avoid being either too bogged down or limited in scope. The proposal makes the following suggestions:

- Objectives:
 - A relatively short, open set of guidelines would be appropriate, with any new negotiating mandate being inclusive rather than exclusive. Such guidelines should allow Members to raise any issues they deem appropriate within a given negotiating area. The final results of the negotiations would be by consensus.

- While it is a matter for Members to discuss and agree whether all three of the areas under question (Specific Commitments, Rule-making, Reviews by the Council for Trade in Services) should be included in any Negotiating Guidelines, if such guidelines were agreed, the guidelines should have a clear structure which distinguished between the three different areas of negotiations.

- Specific Commitments:
 - For sectoral coverage, the negotiating guidelines should specifically provide for all sectors and modes to be included.
 - Modalities on how to include consideration for autonomous liberalization and special treatment of least developed countries should be spelt out in the text of the guidelines. The guidelines should also spell out the way both these broad provisions will be given effect.
 - Negotiations on further liberalization should lead to an expansion of the sectoral coverage of a schedule, and/or the elimination of previously scheduled limitations in sectors already inscribed. Such liberalization can take the form of request/offer procedures or a formulae/model approaches. If a formula approach is to be used, exactly what approach should be used is best left to the negotiations. It should be sufficient to refer to the Negotiating Guidelines with regard to the possibility of using such approaches, in addition to the traditional request/offer procedure.
 - The negotiating guidelines should also provide for the possibility to address any substantive issues of a sectoral or modal nature that require multilateral discussion.
 - The annex on MFN exemptions stipulates two provisions; the

first is for a review of the exemptions, which must be conducted within five years upon the entry into force of the WTO agreements, and the second being that exemptions will be subject to renegotiations in the subsequent trade liberalizing rounds. These two provisions could be identified separately or jointly in any Negotiating Guidelines.

- On Rule-Making, a mandate already exists for continuing the work on the development of multilateral rules under the current provisions of the GATS in areas of Domestic Regulation, Safeguards, Government Procurement, and Subsidies. There may be advantages if these rule making issues were included in the Negotiating Guidelines.
- The text of the GATS should undergo a technical review and a deeper review. Negotiating Guidelines should make clear that such reviews would focus on ensuring the legal consistency and improving the clarity of the Agreement, and not in any way be aimed at changing the structure of the GATS or the specific commitments already scheduled.
- The Negotiating Guidelines should make clear that the scheduling for work on technical issues undertaken by the Committee on Specific Commitments be synchronised with the negotiations of the New Round.
- The Council on Trade in Services is mandated to undertake three reviews: MFN exemptions, The Air Transport Annex, and the Understanding on Accounting Rules. The Council should make a decision on whether these reviews should be considered as part of the negotiations and included in the Negotiating Guidelines. These reviews are somewhat different in nature to the negotiation of specific commitments and the rule-making

issues, and the decision on whether to include these reviews should take careful account of the sort of work that needs to be done.

12. Fishery and Forestry Products

While a few countries, such as Korea and Japan, classify fishery and forestry products as agricultural products, many other countries classify fishery and forestry products as manufactured products. Korea believes that fishery and forestry products have special characteristics different from other industrial goods, and the fishery and forestry sectors perform unique social and environmental functions. However, these special considerations have not been taken fully into account at multilateral fora. Thus, Korea proposed that there should be a separate negotiation group on fishery and forestry products. More specifically, Korea's proposal stated that:

Considering the unique nature of fishery and forestry products and the functions they perform, Korea proposes that a separate negotiation group for these products be set up during the next negotiations. In so doing, the important peculiarities of the sectors will receive more appropriate attention that will allow them, first, to be dealt with in a comprehensive manner and, second, to strike a balance of interests between importing and exporting countries.

Korea believes that the elements below warrant the creation of a separate negotiating group. These elements should be given due consideration by the WTO Members in the process of further liberalizing trade.

These elements include:

For Fish and Fishery Products:

- Sustainable Management:

- Member countries need to review the prospect of capacity to produce fish and fishery products in a sustainable way.
- The review should be based on data and survey produced by relevant international organizations such as the FAO.
- Overfishing needs to be properly controlled, and aquaculture ought to be encouraged.
- Unlike other industrial sectors, the government's role in sustainable resource management needs to be fully recognized
- Distinctions should be made between subsidies that lead to excessive fishing capacity and subsidies which contribute to conservation of fishery resources.

- Public Function

- Maintaining relevant fishery activities is essential for the viability of the communities which are related to national cohesion
- Fishery products constitute a significant part of the diet for some countries and regions. Thus, ensuring a stable supply and maintaining an appropriate level of local production are crucial. Therefore, certain forms of government activities or functions with respect to rural viability and a stable food supply are need in the fishery sector.

- Market Access

- A balance of interests between exporting and importing countries, taking into consideration the need for their conservation and unique functions, as well as the expansion of trade, must be struck.

- Trade liberalization in the fishery sector must accommodate each country's different circumstances, taking into account the consequences on self-reliant poor fishermen and undesirable social difficulties.

For Forestry Products:

- Sustainable management and environmental protection
 - Forestry resources should be managed systematically and effectively from a long-term perspective.
 - Both exporting and importing countries should make concerted efforts for sustainable management of limited forestry resources.
 - International trade rules should reflect the reality that the forested land area has been shrinking due to excessive logging and farming, and that the destruction of forests has disastrous effects on all ecosystems.
- Public functions
 - Forestry resources provide a variety of public benefits such as conservation of land and water sources, prevention of land erosion, as well as various health and recreational functions.
 - In certain areas, governments have been subsidizing the development of artificial forests or re-forestation projects. Government transfers designed to promote sustainable forest management should be seen in a different light than the subsidies which cause over-lumbering and resource depletion, or subsidies on industrial goods.
- Market Access
 - The goals and direction of the negotiations should be set in a

way which balances the interests of timber exporting and importing countries by assessing the impact that market opening will have on sustainable forest management, and the impact of export restraints on free trade.

13. Transparency in Government Procurement

Several Members, including Korea, the EU and the United States, have been pursuing a multilateral agreement on Transparency in Government Procurement. While the WTO maintains an agreement on government procurement, it is a plurilateral agreement, which means that only Members who have voluntarily signed the Government Procurement Agreement (GPA) are subject to the provisions of the Agreement. The GPA is based on the principles of non-discrimination and national treatment, and there are various regulatory measures designed to guarantee those principles as well as the transparency of the government procurement process.

Some WTO Members have shown reluctance in joining the GPA at this time. However, because government procurement is such a large part of the global economy,³⁰⁾ most members believe that some multilateral agreement on government procurement is necessary. As a first step, the WTO have been investigating the possibility of establishing an Agreement on Transparency in Government Procurement, designed to make the Members' government procurement processes transparent, thus reducing the possible scope for bribery and corruption.

30) Estimates state that the size of government procurement ranges between 10% to 20% of that country's GDP.

Korea, along with the United States and various other Members, has sought to finalize the Agreement on Transparency in Government Procurement for signing at the Seattle Ministerial. To this end, several Members, including Korea, had engaged in intense negotiations before the Ministerial in order to finalize the text prior to the Ministerial. In November, Korea, with Hungary, Singapore, and the United States, submitted a draft proposal for an Agreement on Transparency in Government Procurement. A full description of the Agreement is outside the scope of this paper, but the Agreement dealt specifically with transparency, and did not address the liberalization of government procurement-related trade.³¹⁾ Furthermore, there remained disagreement among the four countries which submitted the proposal, and there were some sections whose text could not be finalized. Therefore, there remained many options and incomplete wording ("square brackets") in the text.

C. Preliminary Results of the Negotiations

Obviously, some of the Korean proposals proved controversial while others were supported by most Member countries.

On Scope and Modalities, there were little serious disagreements among Members. Most Members favored a three year limit on negotiations, as well as including a set of diverse issues in the negotiating agenda, though there were strong disagreements on which issues were to be included. Most Members favored a single undertaking, where all decisions would be adopted as a package at

31) Though it would affect trade, since transparency would require any trade restrictions to be transparent in nature.

the end of the negotiations.

On Services, there was relatively little disagreement. No service sector or mode would be excluded a priori from negotiations, and any autonomous liberalization undertaken since the conclusion of the Uruguay Round would be given consideration during the New Round negotiations.

On Agriculture, there were two problems which could not be fully reconciled. The more serious was the problem of export subsidies. US as well as other major agricultural exporters demanded a fast reduction and repeal of export subsidies for agricultural goods as well as quick reduction in tariff to a level comparable to manufactured goods. EU, Japan and other food importers took a strong stance against such rapid liberalization. The second, relatively less important, but still controversial issue, concerned the "multifunctionality" of agriculture. While some Members such as Korea and Japan insisted that multifunctional role of agriculture in the national economy must be considered when dealing with market liberalization in agricultural goods, food-exporting Members complained that the term "multifunctionality" was too vague, and may allow inappropriate market barriers. When the negotiations broke down, the Members were trying to define what types of considerations "multifunctionality" referred to.

On Anti-Dumping, some Member countries, most notably the United States, vehemently opposed the renegotiation of the Anti-Dumping Agreement, though they did favor a limited negotiation on implementation of the Anti-Dumping Agreement. This issue was one of the most controversial during the Seattle Ministerial Conference.

The inclusion of further tariff reductions for industrial goods, as well as a further study and clarification of WTO rules dealing with Regional Trade Arrangements were relatively uncontroversial.

However, the inclusion of investment also proved to be a somewhat controversial, with the recent failure of the Multilateral Agreement on Investment (MAI) in the OECD. While Korea was enthusiastic about including investment in the New Round,³²⁾ some Member countries were extremely reluctant to include investment in the New Round agenda given that the MAI negotiations broke down only a few months before the Seattle Ministerial.

Similarly, most Members were reluctant to add competition policy in the New Round Agenda. Many developing countries, as well as some advanced countries, were reluctant to include competition policy as a negotiation issue in the New Round since only a few Members have a fully developed set of competition laws to begin with. Thus, when the negotiations broke down, the Members were leaning toward continuing studies on trade and investment as well as trade and competition policy in the respective working groups rather than including these issues in the New Round Agenda.

Korea did not receive much support for a separate negotiation group on fishery and forestry products with the exception of Japan, since these sectors are not as politically sensitive for other Members. There were some complaints by environmental groups that such a separate negotiation group may lead to weaker environmental standards in fishery and forestry products.

While there was a relatively wide agreement that transparency in government procurement should be an issue in the New Round negotiations, there was a sharp disagreement on whether to include further market liberalization in government procurement as well. Most

32) Korea had already implemented substantial investment liberalization measures as a result of the Asian Financial Crisis.

developing countries were strongly against dealing with market opening in government procurement in the New Round.

V. Prospects and Policy Implications

1998 and 1999 had been difficult years for Korea, due to the Financial Crisis and the resulting recession. 1998 was one of the worst years in Korea's modern economic history as the economy experienced a negative growth in real terms. Furthermore, despite a large depreciation of the won, Korean exports fell by 2.8% in value. Some of the reasons behind the fall in exports were that: Much of Korea's export markets were negatively affected by the Asian Financial Crisis; and even in the advanced markets not affected by the Crisis, foreign buyers did not have enough confidence in the Korean economy and Korean companies to buy goods from Korea. However, because Korea's imports also fell by 35.5%, Korea experienced the highest trade surplus in its history of \$39 billion. This trade surplus could not be considered "healthy," since it was due to drop in exports and imports, implying a general reduction in trade volume. Also, it is noteworthy that in terms of volume, Korean exports had actually rose in 1998, but because of the fall in the unit value of export items, the total value of Korea's exports had fallen as well.

Such decrease in prices, coupled with an increase in export volume caused various trade disputes with Korea's trading partners. Also, the fall in Korean imports due to the Financial Crisis and the recession which followed, made Korea's trading partners concerned that Korea would close its market for foreign imports, especially for foreign consumer goods. Finally, there was some worry that Korea would generally accept a protectionist attitude, both domestically and in multilateral trade fora such as the WTO.

1999 was a year of recovery for Korean economy, and it proved

most of the worries was unfounded. Korean exports as well as imports increased greatly, and Korea was able to maintain a trade surplus of \$23.9 million, with a healthy increase in both exports and imports. There were increases in both the volume of trade and the unit value of exports, signifying that Korea was exporting more goods, and receiving higher prices for those goods. Furthermore, in 1998 and 1999, Korea opened and liberalized much of its domestic market for foreign goods and investment, reducing worries that Korea would turn protectionist. Finally, Korea offered proposals for the New Round trade negotiations which were, in general, wide-ranging, and oriented toward openness and more global trade. While there were some trade disputes in 1999, they were mostly problems which continued from 1998 or before, and there were relatively few new trade disputes.

2000 bodes similar prospects. Korea should see increases in both exports and imports. As Asian economies recover from the Financial Crisis, Korea's exports to those regions should increase. Also, as Korea's economy continues to recover, Korean imports from abroad should increase as well. Furthermore, the world-wide phenomena of "deflation" which lowered the export prices for goods from Korea and elsewhere seems to have stabilized, so that, for the most part, the export prices of goods will be stable in 2000.

There are, however, some possible problems on the horizon. In early 2000, the world oil prices have risen greatly, thus increasing the value of Korean imports. Furthermore, there are worries that the increasing oil prices will delay or even reverse the Asian recovery, and end the economic boom in the United States and Europe. Such slowdown, if it occurs, will obviously affect Korea's exports negatively. Already, the increases in Korean imports, due to higher oil prices and higher imports are affecting Korea's economy. In December 1999, the

Government had previously announced that it expected a trade surplus of \$15 million. In January 2000, the Government adjusted the estimate to \$12 million, and there are some doubts that even that amount will be realized.

While the increasing oil price is the most conspicuous factor in the increase of Korean imports in 2000, there are more subtle factors influencing Korea's imports. The Korean press has already commented on the increase of imported "luxury" goods and its negative effect on Korea's trade surplus. Foreign exporters may interpret such comments as beginnings of a new anti-import "frugality campaign," worsening trade disputes between Korea and its trading partners.

However, much of the increase in Korean imports is actually driven by increases in the imports of capital goods. With any economic recovery, there is bound to be increases in investment. Furthermore, because of recent deregulation and policy initiatives, many Koreans are forming "venture" companies, which is further increasing Korea's investment. Such increases in investments are the main causes of increases in the imports of capital goods. While increases in investment are generally considered desirable, it is also worth remembering that some of the main reasons for Korea's economic problem were the practice of over-investment, and investment into unprofitable business areas. Thus, Koreans should make sure that these new investments are not due to mere over-enthusiasm from the economic recovery and the recent deregulation, but are warranted by the medium and long-term economic environment and prospects.

Finally, there is the ongoing process of Korea's financial and corporate restructuring. Even though much of the most difficult problems have been dealt with, some major problems still remain, such as the restructuring of the Investment-Trust Companies, the

second-round restructuring of the commercial banks, and the ongoing restructuring of the *chaebols*. While it is doubtful that major problems will occur, if the restructuring encounters serious difficulties, foreign confidence in Korea, as well as the actual economy itself will suffer, and exports and imports may fall.

While there are currently no serious trade friction problems in the near horizon, there are some disturbing factors which may significantly affect Korea's bilateral trade disputes in 2000. The first is the higher oil prices. If these higher oil prices lead to a global economic slowdown or a recession, it will surely increase the incidences of trade friction between Korea and its trading partners. The second factor is the US Presidential Elections. While all of the major American presidential candidates have stated that they support free trade, some major political groups have taken distinctly anti-trade positions, most notably labor unions and environmental groups. Because the 2000 election is expected to be very close, the influence of these anti-trade groups may be magnified, which would also worsen trade friction between Korea and the US.

Another factor is the suspended New Round negotiations as well as the ongoing "Built-in-Agenda" negotiations in the WTO. Because the Seattle Ministerial Conference could not agree on a wide-ranging agenda, the negotiations are currently in progress only for the built-in-agenda issues of agriculture and services. However, because the negotiations are only taking place in those two fields, there is not expected to be much progress until the Ministers can meet again to agree on a much wider agenda for the New Round negotiations. Meanwhile, in order to strengthen their negotiating positions, various countries may intensify activities in trying to protect their markets or open the markets of their trading partners both bilaterally and

multilaterally. Since Korea is thought to have relatively closed agricultural and services markets, if there are such bilateral pressures to open these markets, Korea is bound to be one of the targets of such pressure.

In order to prepare for the possible problems listed above, the Korean Government must maintain an open, competitive domestic economic environment so that Korean and foreign companies can compete fairly and enthusiastically in the domestic market. While maintaining openness will not solve all the potential problems in Korean trade, it will minimize many of them. For example, maintaining an economic environment which encourages competition among domestic and foreign companies can greatly help Korean companies' productivity and competitiveness, not only in the Korean domestic market, but in foreign export markets as well. Furthermore, it will reduce the occurrence of bilateral trade disputes by emphasizing that the Korean government no longer actively interferes in the Korean domestic markets. Finally, Korea should continue its efforts to make its positions on trade known in the multilateral trade fora, so that when the New Round negotiations are restarted, the Korean views can be appropriately reflected in the negotiation agenda. Maintaining an open, competitive domestic economy will help Korea's case and strengthen Korea's position in the New Round negotiations.

Appendix: Korean Exports by Goods (4 digit HSK classification basis; in millions of US dollars)

| | 1993 | | | | | | |
|----|---|------------------|----------------------------------|------------------|--|---------------------------------|------------------|
| | Exports | | Imports | | | | |
| | Exports | Imports | Exports | Imports | | | |
| | Total | 51,811 (26.4) | Total | 82,236 (7.3) | Total | 83,800 (2.5) | |
| 1 | Motor Cars | 3,336 (21.4) | Petroleum Oils (Crude) | 3,688 (-0.4) | IC | Petroleum Oils (Crude) | 9,151 (-4.2) |
| 2 | IC | 2,785 (59.9) | IC | 2,660 (48.5) | Motor Cars | IC | 4,168 (-11.6) |
| 3 | Footwear with Outer Soles of Rubber, Plas- tic etc. | 2,490 (39.9) | Helicopters, Aircraft | 1,216 (299.3) | Cruise Ships | Petroleum Oils (Processed) | 2,650 (21.1) |
| 4 | Auto Data Proc | 1,864 (63.5) | Coal | 1,150 (17.8) | Synthetic Fabrics | Coal | 1,710 (7.2) |
| 5 | Synthetic Fabrics | 1,684 (15.6) | Machines and Mech. Appliances | 987 (222.5) | Auto Data Proc | Machines, Mech Appliances | 1,666 (29.3) |
| 6 | Apparel and Cloth- ing Acc. | 1,619 (28.7) | Raw Hides, Skin | 912(18.9) | Petroleum Oils (Processed) | Helicopters, Aircraft | 1,457 (-8.3) |
| 7 | Cruise Ships | 1,540 (53.1) | Wood in the Rough | 900 (36.0) | TV Receivers | Petroleum Gases | 1,383 (19.4) |
| 8 | Radio Receivers | 1,501 (21.9) | Auto Data Proc | 787 (67.8) | Flat-rolled Non-alloy Steel (Hot rolled) | Auto Data Proc | 1,185 (13.4) |
| 9 | TV Receivers | 1,421 (18.4) | Cotton | 718 (39.6) | Video Recorder, Playback | Wood in the Rough | 1,183 (28.8) |
| 10 | Video Recorder, Playback | 1,322 (46.8) | Unwrought Aluminum | 609 (103.9) | Radio Receiver | Iron Ores and Con- centrates | 888 (0.8) |

| | 1998 | | | | 1999 | | | |
|----|---|------------------|--------------------------------|-------------------|--------------------------------------|------------------|---|------------------|
| | Exports | | Imports | | Exports | | Imports | |
| | Total | | Total | | Total | | Total | |
| 1 | IC | 16,169 (0.2) | Crude Petroleum Oils | 11,241 (-36.8) | IC | 17,891 (10.7) | Petroleum Oils (Crude) | 14,783 (31.5) |
| 2 | Motor Cars | 8,604 (-7.1) | IC | 10,560 (-3.8) | Motor Cars | 9,969 (15.9) | IC | 13,762 (30.3) |
| 3 | Cruise Ships | 6,945 (7.7) | Gold | 4,512 (-30.8) | Auto. Data Proc. | 7,157 (57.8) | Gold | 3,358 (-25.6) |
| 4 | Gold | 6,695 (8.7) | Processed Petroleum Oils | 2,306 (-30.2) | Cruise Ships | 6,656 (-4.2) | Petroleum Gases | 3,003 (33.8) |
| 5 | Auto. Data Proc. | 4,537 (-14.6) | Petroleum Gases | 2,244 (-36.8) | Petroleum Oils (Processed) | 5,452 (25.7) | Petroleum Oils (Processed) | 2,733 (18.5) |
| 6 | Petroleum Oils (Processed) | 4,336 (-15.0) | Coal | 2,205 (-6.8) | Transmission App (Telecom, Radio) | 4,205 (133.9) | Auto Data Proc. | 2,266 (121.6) |
| 7 | Synthetic Fabric | 3,642 (-21.1) | Diodes, Transistor | 1,272 (-13.4) | Synthetic Fabric | 3,373 (-7.4) | Machines and Mechan- ical Appliances | 1,968 (74.7) |
| 8 | Cathode Tubes, Valves | 2,471 (-4.9) | Machines, Mech Ap- pliances | 1,127 (-65.6) | Parts to Machines & Equip. | 3,169 (387.4) | Diodes, Transistors | 1,947 (53.1) |
| 9 | Transmission App (Telecom, Radio) | 1,768 (39.8) | Auto Data Proc. | 1,022 (-54.5) | Cathode Tubes, Valves | 3,094 (25.2) | Coal | 1,942 (-11.9) |
| 10 | Flat Rolled Iron & Non-Alloy Steel (hot rolled) | 1,547 (16.8) | Maize | 911 (-27.2) | Gold | 2,954 (-55.9) | Parts for Machines, Equipment | 1,837 (122.1) |

Note: The number within brackets represents the annual percentage change of that item.

| | 1995 | | 1997 | | | | |
|----|--------------------------------|-------------------|---|----------------------------|------------------|------------------------------------|-------------------|
| | Exports | Imports | Exports | Imports | | | |
| | Total | 125,058 (30.2) | 135,119 (32.0) | Total | 136,164 (3.7) | Total | 144,616 (-3.8) |
| 1 | IC | 16,795 (68.4) | Petroleum Oils (Crude) 10,809 (21.8) | IC | 16,133 (13.3) | Petroleum Oils (Crude) | 17,772 (23.1) |
| 2 | Motor Cars | 7,243 (62.0) | IC | Motor Cars | 9,264 (1.9) | IC | 10,972 (25.5) |
| 3 | Cruise Ships | 5,409 (10.9) | Machines and Mechanical Appliances 4,374 (62.8) | Cruise Ships | 6,451 (-7.7) | Gold | 6,517 (16.2) |
| 4 | Synthetic Fibers | 5,038 (16.1) | Petroleum Oils (Processed) 3,727 (23.3) | Gold | 6,159 (16.0) | Petroleum Gases | 3,549 (22.5) |
| 5 | Electrical Parts for Machinery | 4,420 (88.3) | Gold | Auto Data Proc | 5,310 (12.8) | Petroleum Oils (Processed) | 3,305 (-23.5) |
| 6 | Auto. Data Proc. | 3,956 (41.3) | Petroleum Gases | Petroleum Oils (Processed) | 5,099 (38.6) | Machines and Mechanical Appliances | 3,273 (-27.7) |
| 7 | Gold | 2,431 (328.5) | Auto Data Proc. | Synthetic Fabrics | 4,620 (-6.2) | Coal | 2,366 (2.6) |
| 8 | Petroleum Oils (Processed) | 2,291 (42.5) | Coal | Cathode Tubes, Valves | 2,599 (16.4) | Auto Data Proc. | 2,248 (-11.0) |
| 9 | TV Receivers | 1,901 (11.9) | Other Aircrafts | TV Receivers | 1,588 (-29.4) | Diodes, Transistors | 1,469 (14.7) |
| 10 | Cathode Tubes, Valves | 1,730 (40.0) | Unwrought Aluminum | Knitted, Crochet Fabrics | 1,445 (30.2) | Cathode Rays, Valves | 1,317 (-8.3) |

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國文要約

1999년도 한국 경제는 아시아 금융위기에서 벗어나 10% 대의 고도성장을 이룩한 경기회복의 한 해였다. 이러한 경기회복의 배경에는 수출확대가 크게 기여한 것으로 평가되고 있는데, 특히, 아시아와 북미 지역으로의 반도체, 자동차 수출이 크게 기여하였다. 그러나 경기회복에 따른 시설투자 증가로 자본재 수입이 급증하고, 경기상승에 대한 기대감으로 소비재 수입 또한 증가하였다.

급격한 경기회복과 수출증가는 주요 교역대상국과 통상마찰의 증가로 표출되었다. 특히 미국과는 철강, 반도체, 의약품, 동영상 등의 분야에서 통상마찰이 심화되어 왔는데, 현재 이들 분야에 대한 통상마찰은 양자간 또는 다자간 협상을 통해서 해결하고자 노력하고 있다.

한편, 이러한 양자 통상마찰에서 비롯되는 문제점을 해결하기 위해 무역은 점점 다자간 규범체제로 강화되는 경향을 보이고 있다. 1999년 11월에는 시애틀에서 WTO 각료회의가 개최되어 신통상 이슈를 비롯해 무역자유화를 위한 새로운 협상이 진행된 바 있다. 비록 회원들간의 의견차이로 협상이 결렬되었지만, 향후 회원국간 의견이 광범위하게 수렴되면 협상은 다시 진행될 것으로 예상된다. 한국도 뉴라운드와 관련하여 농산물, 서비스, 반덤핑, 공산품 시장접근, 무역과 투자, 무역과 경쟁정책 정부조달 투명성 등 12개 분야에 대한 공식 제안서를 WTO에 제출하는 등 뉴라운드 협상에 적극적으로 참여하였다.

본 자료는 1999년도 한국 무역의 특징을 분석하고, 최근의 통상 현안을 정리하였으며, 향후 진행될 다자간 협상에서 한국의 통상전략을 제안하였다.

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