

TRADE POLICY REVIEW

REPUBLIC OF KOREA

Report by the Government

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Government of Republic of Korea is attached.

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I. KOREA IN THE GLOBAL TRADING SYSTEM

1. Korea strongly supports the rules-based multilateral trading system of the WTO. Since its accession to the GATT in 1967, Korea has learned firsthand that embracing an open and strong multilateral trading system is the best means to achieving economic growth and development. With a total value of trade equivalent to two-thirds of its GDP, Korea also believes that further trade liberalization through the WTO offers the best chance for promoting greater openness in world trade, which will in turn create greater opportunities for further economic growth and development not just for Korea, but also for all other WTO Members.

2. As one of the greatest beneficiaries of the open multilateral trading system, Korea has put that belief into practice and thus remains fully committed to the global effort to promote freer trade. As in the past multilateral trade negotiations, Korea is playing an active and constructive role in the ongoing Doha Development Agenda (DDA) negotiations. Korea has tabled over 70 submissions with a view to promoting further liberalization and strengthening the rules and disciplines of the WTO system for the mutual benefit of both developed and developing countries.

3. While Korea's belief in the primacy of the multilateral trading system in safeguarding a freer global trading environment remains firm, it has recently been engaged in parallel efforts to utilize regionalism as a means to reinforce the liberalization efforts on the multilateral level. Korea's first-ever Free Trade Agreement (FTA) with Chile entered into force on 1 April 2004, and negotiations are currently under way with Singapore and Japan, to be concluded by the end of 2004 and 2005, respectively. Furthermore, Korea is conducting a joint study on the formation of a comprehensive economic relationship, including a Free Trade Area, with ASEAN as a whole. In addition, Korea will start a joint study on an FTA with EFTA in August 2004.

4. Korea is also actively engaged in regional cooperation mechanisms, including the Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), and ASEAN+3 processes. Korea will be the host economy of APEC in 2005, the year in which member economies are scheduled to conduct a mid-term review of the progress towards the Bogor Goals to achieve free and open trade and investment in the Asia-Pacific region.

II. ECONOMIC DEVELOPMENTS: 2000-2004

5. Since the last trade policy review, the Korean economy has continued to move in the general direction of recovery and growth, building on the post-Asian financial crisis recovery efforts. In the same period, however, there have also been some short-term fluctuations caused by new developments in the external and domestic economic situations, including the global economic slowdown that started in the latter half of 2000 and an increase in domestic household debt. Despite these difficulties, the strong performance of Korean exports and the ongoing structural reforms across a wide range of areas, which have been the driving engine behind Korea's growth, show that Korea is ready to bounce back to higher levels of growth once the external and domestic environment becomes more favorable.

(1) DOMESTIC ECONOMIC SITUATION

6. After suffering from the Asian financial crisis in 1997 and the post-crisis recession in 1998 during which the economy contracted by 6.9 percent, the Korean economy achieved a speedy recovery with growth rates of 9.5 percent in 1999 and 8.5 percent in 2000. Government policies to stabilize the economy, including wide-ranging structural reforms, together with a favorable external economic environment, contributed to this remarkable recovery.

7. Despite the slowdown in the world economy that started in the second half of 2000, the Korean economy performed relatively well, registering a growth of 3.8 percent in 2001 on the strength of structural reform efforts of past years. However, in order to counter a prolonged worldwide slowdown, the government implemented policy measures to support domestic demand, and the Bank of Korea (BOK) began to pursue a policy of low interest rate, cutting the target call rate from 5.25 percent in October 2000 to 3.75 percent in July 2003. The resulting increase in domestic demand and robust export performance helped the Korean economy rebound to a 7 percent growth in 2002 despite the continued slowdown in the world economy.

8. However, much of the increase in demand in the second half of 2001 and 2002 had been debt-financed. This resulted in large debt accumulation in the household sector, which contrasted with the corporate sector in which the debt ratio had stabilized after undertaking rigorous corporate restructuring efforts following the Asian financial crisis. In 2003, the Korean economy's growth rate slowed to 3.1 percent as the household indebtedness held back the growth in consumption while investment continued its sluggish trend amidst continuing international uncertainties.

9. In the period under review, inflation has been mild and the foreign exchange rate remained relatively stable with some fluctuations. At the same time, the overall employment situation has seen much improvement, with unemployment rates falling from 7.0 percent in 1998 to 3.4 percent in 2003.

10. In 2004, as the global security situation becomes more stable and the global economic recovery leads to increased demand for Korean products, the Korean economy is expected to reach a growth rate of near or above 5 percent. During the first quarter of 2004, the Korean economy grew by 5.3 percent over the first quarter of the previous year. Indicators have also shown some improvement in the employment situation, while the current account continued to record a surplus. Strong recovery in domestic demand, namely private consumption and investment, would help to make current levels of growth more sustainable.

Table 1
Major Korean Economic Indicators (1998-2003)

	Real GDP Growth Rate	Private Consumption	Unemployment Rate	Inflation Rate	Won /US\$	Current Account (US\$ bn)
1998	-6.9	-13.4	7.0	7.5	1207.8	40.4
1999	9.5	11.5	6.3	0.8	1145.4	24.5
2000	8.5	8.4	4.1	2.3	1259.7	12.3
2001	3.8	4.9	3.8	4.1	1326.1	8.0
2002	7.0	7.9	3.1	2.7	1200.4	5.4
2003	3.1	-1.4	3.4	3.6	1197.8	12.3

Source: Korea National Statistical Office.

(2) EXTERNAL TRADE AND INVESTMENT

11. Due to the slowdown in the world economy since the second half of 2000, exports of Korean goods decreased by 12.7 percent to US\$150.4 billion in 2001, in contrast to the previous year, which had seen an increase of 19.9 percent to US\$172.3 billion. Imports into Korea followed a similar pattern. In 2000, imports swelled by 34.0 percent to US\$160.5 billion, owing to the recovery in domestic demand in the wake of the economic upturn in the first half of 2000 and the surge in international oil prices. In 2001, however, imports dropped by 12.1 percent to US\$141.1 billion.

12. In 2002, an increase in exports to China and a slight upturn in shipments to developed countries boosted exports growth to 8.0 percent, pushing up the total to US\$162.5 billion. This upward trend in exports grew stronger in 2003, marking an increase of 19.3 percent to US\$193.8 billion. Imports increased as well, by 7.8 percent to US\$152.1 billion in 2002 and by 17.6 percent to US\$178.8 billion in 2003. This increase is accounted for by a surge in imports of semiconductors, raw materials and fuel as a result of expanding exports and increased world prices of oil and other raw materials.

Table 2
Korea Trade Statistics
(US\$ million)

	Exports	Growth Rate (%)	Imports	Growth Rate (%)	Trade Balance	Current Account
2000	172,268	19.9	160,481	34.0	11,786	12,250.8
2001	150,439	-12.7	141,098	-12.1	9,341	8,032.6
2002	162,471	8.0	152,126	7.8	10,344	5,393.9
2003	193,817	19.3	178,827	17.6	14,991	12,320.7

Source: Korea International Trade Association; Bank of Korea.

Table 3
Trade of Major Products
(%)

	Export				Import				
	2000	2001	2002	2003	2000	2001	2002	2003	
Semiconductors	15.1	9.5	10.2	10.1	Crude oil	15.7	15.1	12.6	12.9
Automobiles	7.7	8.9	9.1	9.9	Semiconductors	12.4	11.0	11.5	11.9
Wireless Communication Devices	4.6	6.6	8.4	9.6	Petroleum Products	3.1	3.4	3.3	3.3
Computers	8.5	7.5	8.0	7.7	Computers	4.9	4.2	3.7	3.2
Vessel Parts/Ocean Structures	4.9	6.6	6.7	5.8	Natural Gas	2.4	2.8	2.7	2.8
Petroleum Products	5.3	5.2	3.9	3.4	Iron Boards	1.5	1.5	1.8	1.9

Source: Korea International Trade Association.

13. The current account has maintained a surplus since 1998, with some fluctuations reflecting year-to-year changes in the economic environment. In 2001, the surplus shrank to US\$8 billion due to the downturn in the world economy, which resulted in a sharper fall in exports than imports for Korea. While the current account balance worsened in 2002, the trade balance improved with strong exports, resulting in an upward turn in the current account to a surplus of US\$12 billion in 2003.

14. Since 2000, major Korean export items have been automobiles, semiconductors, computers and mobile phones. Automobiles and wireless communication devices have increased their respective shares in the total value of Korea's exports, while the share of semiconductors declined abruptly in 2001 and have yet to recover its past dominance. On the other hand, major import items have been raw materials, including crude oil and natural gas, and semiconductors. The share of crude oil in the total value of imports continues to be the largest, even though it dropped somewhat to 12.9 percent in 2003 from 15.7 percent in 2000.

15. Korean exports to their major destinations – the United States, China, and Europe – have increased steadily after 2001. Even though the United States remains a significant market for Korea's exports, China for the first time in 2003 surpassed the United States as the largest export destination for Korean goods. As for imports, goods from the United States, Japan and Europe have all registered steady increase since 2001, with Chinese share of imports to Korea gaining ground.

Table 4
Geographical Distribution of Korea Trade
(US\$ million)

	Exports				Imports			
	2000	2001	2002	2003	2000	2001	2002	2003
Total	172,268	150,439	162,471	193,817	160,481	141,098	152,126	178,827
Asia	81,093	69,930	77,327	99,312	70,262	63,085	72,306	87,069
Japan	20,466	16,506	15,143	17,276	31,828	26,633	29,856	36,313
China	18,455	18,190	23,754	35,110	12,799	13,303	17,400	21,909
North America	40,037	33,247	35,121	36,902	31,349	24,198	24,854	26,674
U.S.	37,611	31,211	32,780	34,219	29,242	22,376	23,009	24,814
Latin America	9,369	9,730	8,864	8,802	3,263	3,445	3,743	4,594
Europe	28,141	23,958	27,010	31,899	20,070	18,861	21,803	24,759
Africa	2,240	2,966	2,867	3,118	2,814	1,679	1,686	2,006
Oceania	3,522	3,297	3,643	4,906	6,898	6,410	6,822	6,765

Source: Korean International Trade Association.

16. After the financial crisis in 1997, the Korean government has undertaken policy measures to significantly liberalize and enhance the environment for FDI inflows. These efforts, along with increased opportunities, such as cross-border M&As and privatizations, resulted in an historic peak of FDI inflow in 1999 and 2000. The decrease in FDI inflow in the following two years was mainly due to the overall decline in the total worldwide volume of FDI caused by the global economic downturn in the second half of 2000. Meanwhile, Korea's outbound FDI increased after a sharp drop in 2001, driven mostly by renewed growth in Korean direct investment into China.

Table 5
Foreign Direct Investment in Korea and Outward Investment by Korea (On Registration Basis): 1990-2003
(US\$ million)

	1990	1995	1999	2000	2001	2002	2003
Inward FDI	788.5	1,775.8	9,333.4	9,283.4	3,527.7	2,392.3	3,222.0
Outward FDI	1,051.6	3,552.0	4,197.8	4,998.9	2,420.1	2,616.5	3,429.2

Source: Korea National Statistical Office.

III. LIBERALIZATION THROUGH DOMESTIC REFORM

17. Building on the successful structural reform in the financial, corporate, labor and public sectors since the Asian financial crisis, the Korean government now aims to widen the scope of reform and liberalization efforts for the goal of transforming Korea into an advanced economy. As this requires, among others, expansion of Korea's growth potential, greater focus is placed on creating a more business-friendly environment by undertaking various reform measures on the one hand, and strengthening R&D capacity by encouraging a more innovative science and technology base on the other. At the same time, decentralization and balanced national development across regions and social

strata are also being sought to further advance the structure of the Korean economy. These efforts are closely related to Korea's pursuit to become a Northeast Asian business hub and to play a leading role in promoting peace and prosperity in the region.

18. The ongoing government efforts include measures to further strengthen the financial system and to ensure greater transparency and accountability in the corporate governance structure. The government is also promoting a more cooperative and constructive culture in the labor-management relations to achieve both greater flexibility and stability in the labor market. At the same time, reforms are being carried in the public sector to strengthen the elements of transparency, efficiency and competition. In addition, regulatory reform and foreign investment liberalization are being pursued consistently as part of government efforts to create a more business-friendly environment and thereby promote further economic growth.

(1) STRUCTURAL REFORM

(a) Financial Sector

19. The reform process in the financial sector has focused primarily on restructuring the banking industry, because the Asian financial crisis made it evident that an underdeveloped banking industry presented the greatest systemic risk to the entire financial sector. As a result, the number of commercial banks in Korea was reduced from 33 at the end of 1997 to 19 by the end of 2003, and merchant banks from 30 to 2 over the same period. Significant changes in the operational management of banks have also taken place. A greater focus is now placed on profitability than on asset growth, and most banks have put in place formal risk management systems such as "credit scoring system" to reduce unexpected losses. Korean banks' new management strategies have helped to improve their financial positions in terms of such indicators as ROA, ROE, BIS ratio and NPL ratio to the level of the world's leading banks.

20. Foreign investors have been encouraged to participate in the restructuring process. For example, the introduction of foreign financial institutions into the domestic market has helped to stimulate the domestic financial industry. Since the last trade policy review, almost all entry barriers against foreign banks have been removed. Foreign banks are allowed to open a branch or subsidiary in Korea, with only permission from the Financial Supervisory Commission (FSC). The recent approval rate for foreign bank branches that have passed the standard fit and proper test is 100 percent. As of June 2004, there are 39 foreign banks operating in Korea, with 65 branches in total.

21. While the banking sector showed improving profitability, other financial sectors posted low profits and even losses. The credit card industry, in particular, suffered losses of 10,474 billion won (US\$ 8.7 billion). The government thoroughly reviewed the soundness of credit card companies' loans to individual households, which were followed by steps to prevent the difficulties in credit card companies from spreading to other sectors and industries. In addition, the government plans to introduce a stricter set of guidelines for the credit card companies' delinquency ratios in order to improve their financial standing.

(b) Corporate Sector

22. Alongside its efforts in the financial sector, the Korean government has also actively promoted corporate restructuring. One of the purposes of corporate restructuring has been to prevent financial institutions from accumulating new non-performing assets. The Bankruptcy Act was amended to facilitate and speed up the court-driven process of liquidation or rehabilitation of ailing companies. At the same time, the Korea Asset Management Corporation (KAMCO) took on a major role in facilitating the liquidation or rehabilitation process by disposing non-performing loans through

M&A and sales to corporate restructuring companies (CRCs). In addition, the government established an 'ongoing' restructuring system by enacting the Corporate Restructuring Promotion Act in 2001. Under this system, creditor financial institutions regularly assess the credit risk of debtor companies, so that any increase in credit risk is detected at an early stage, and prompt and self-driven corporate restructuring is set in motion.

23. Since the last trade policy review, corporate governance reform efforts have focused on improving the transparency of corporate management and intra-group relations, and strengthening the rights of minority shareholders as well as the responsibilities of the management and controlling shareholders. Furthermore, firms are now required to appoint more outside directors and retain independent auditing committees.

24. Some of the improvements in corporate governance include a new requirement for corporations to release quarterly reports of their combined financial statements starting in 2000. The disclosure of information on intra-group transactions, shares held among affiliates and credit trading have now placed the shareholders in a much better position to oversee the management. At the same time, such corporate public disclosure, which provides the public with fast and accurate information on corporations, has enabled investors to make rational decisions and engage in securities trade more efficiently.

(c) Labor Sector

25. After the Asian financial crisis, the Korean government relaxed constraints on dismissals to improve flexibility in the labor market. At the same time, to improve the coverage of the social safety net, worksite-related health insurance and the National Pension were extended to non-regular workers in 2003. In addition, the Labor Standard Act was revised in September 2003 to reduce the statutory working hours per week from 44 to 40. The new rules regarding working hours will be implemented in stages from July 2004 according to type of industry and size of workplace.

26. In September 2003, the government announced the Roadmap for Industrial Relations Reform, which is intended to create the legal and institutional foundations for a more efficient labor market. The three central objectives for the industrial relations reform are: minimizing the social costs from industrial conflicts; realizing a labor market which strikes a balance between flexibility and stability; and strengthening the social protection for vulnerable workers.

27. The government's current labor policy priority is on job creation, especially for young adults. Reflecting this central concern, the Korea Tripartite Commission, consisting of labor, management and government representatives, concluded the Social Pact for Job Creation in February 2004 to improve employment opportunities. Under the Pact, labor unions agreed to refrain from large wage hikes, cooperate to enhance productivity, and not engage in illegal union activities, while companies took on the promise to create more jobs through greater investment and to enhance transparency in the management, among others.

(d) Public Sector

28. In recent years, the Korean government has been in the process of reforming its state-owned enterprises (SOEs) and government-affiliated public corporations through privatization or management reform. By 2001, the government had sold 8 of the 11 SOEs identified in the privatization plan of 1998. In a short period of time, privatized SOEs have greatly improved the quality of their services, while reducing the price for consumers and increasing their profitability through autonomous management innovation. As for the network industries, including the electric power and gas industries, their restructuring and privatization are being implemented with prudence,

taking into account their effect on the public. As for the non-privatized SOEs, transparency in governance was improved through new requirements to make public disclosure of financial information.

29. In 1998, the Korean government had launched a series of government reforms of unprecedented scope and intensity to create a “small but efficient and better-serving government.” The goal was to enhance the level of efficiency, transparency, convenience and accessibility. As a result of these efforts, there were 7 percent fewer public servants in 2002 than in 1997. At the same time, greater decision-making power was delegated to lower-level government bodies and more government positions were opened up to qualified people outside the government. The government also encouraged systematic and self-initiated reforms within governmental bodies. Another important reform initiative was the creation of an “e-government” through the implementation of various measures, including the creation of an integrated government-wide information system.

(2) REGULATORY REFORM

30. In parallel with structural reform, Korea has also undertaken regulatory reform measures to create a regulatory environment that is conducive to greater efficiency in the market mechanism. The Regulatory Reform Committee (RRC), composed of 13 non-government and 7 government members, was established in 1998 as a central organ for the reform. In cooperation with relevant government agencies, RRC overhauled the existing regulations, focusing first on deregulation. As a result, the total number of regulations was reduced by half in 1998 and 1999. The initial success of these efforts promoted greater market openness and competition, which in turn contributed to the speedy recovery from the Asian financial crisis. At the same time, the RRC also established a system of *ex ante* review, including the Regulatory Impact Analysis, for regulations that are newly introduced or revised.

31. Building on the initial success of deregulation, the RRC has placed greater emphasis on improving the substance of regulations. Various measures have been taken to this end, including benchmarking international best practices, and reinforcing the Regulatory Impact Analysis. In 2003, the government identified 10 key areas for regulatory reform, including foreign direct investment, financial service, logistics and distribution, and land use. Greater efforts are being made to improve, ease or rationalize the regulations on these areas to construct a more business-friendly environment. In addition, there is now a greater emphasis on enhancing regulatory transparency as an essential component of economic reform programs.

32. In April 2004, the Corporate Difficulties Resolution Center was established under the RRC. This Center aims to provide a one-stop service for resolving difficulties faced by businesses, especially in those cases where relevant government bodies might have divergent views. When necessary, a meeting is held by the Prime Minister to coordinate among the various government bodies to find a solution. In the three months since the Center opened, it has already resolved 118 cases out of the 146 cases it has received.

(3) FOREIGN INVESTMENT LIBERALIZATION

33. After the Asian financial crisis of 1997, the Korean government launched an aggressive policy to establish an open FDI regime, recognizing that FDI would play an essential role for Korea’s recovery from the financial crisis and sustained economic growth and development. The Foreign Investment Promotion Act (FIPA), enacted in 1998, provides for FDI liberalization and protection. It also provides for various kinds of incentives and measures to improve the business and living conditions for foreign investors.

34. As of June 2004, 99.8 percent of all business sectors classified under the Korean Standard Industrial Classification have been liberalized for foreign direct investment. Out of 1,058 business sectors, only two – radio broadcasting and television broadcasting – remain wholly restricted, and 26 other sectors are partially restricted to FDI. All types of FDI are currently allowed including company establishment, M&As, acquisition of stocks, and long-term loan. Various kinds of investment incentives have been put in place. For example, with the revision of FIPA in December 2003, site supports were expanded to cover not only the sites of foreign-invested companies, but also various foreign investor facilities such as schools, hospitals, drugstores and residence. Furthermore, foreign-invested enterprises are allowed to take advantage of free land and various tax breaks in the Foreign Investment Zones and Free Economic Zones.

35. Efforts have been made to improve the business environment by simplifying administrative procedures and establishing cooperative industrial relations. The Foreign Investment Service Center, whose main function was to provide investment support services for foreign investors, was reorganized into Invest KOREA in 2004. Invest KOREA provides a project-oriented one-stop service where a Project Manager supports foreign investors through the entire range of investment procedures. Furthermore, the Office of Investment Ombudsman (OIO) within Invest KOREA designates a Home Doctor who helps foreign-invested companies resolve any grievances or difficulties they may come across while operating in Korea. In addition, a special support team for labor relations was organized at Invest KOREA in 2004 to help foreign-invested enterprises address labor issues. At the same time, establishing more multi-language schools, facilitating visa extensions, and improving medical services have improved the living conditions for foreign investors.

IV. TRADE POLICY DEVELOPMENTS: 2000-2004

(1) KOREA AND THE WTO

(a) Implementation of WTO Commitments

36. Korea has faithfully implemented its Uruguay Round commitments and other WTO obligations for the past 10 years. Korea has been successful in bringing its laws and regulations into conformity with WTO norms. In some areas, Korea took voluntary liberalization measures beyond the level of its commitments, and undertook domestic reform measures that underpin further liberalization.

Trade in Goods

37. Korea's national tariff schedule is based on HS2002. 92 percent of all tariff lines are bound and the average applied tariff rate (12.83 percent for all goods; 6.59 percent for industrial goods only) is lower than the average bound tariff rate (17.27 percent for all goods; 10.04 percent for industrial goods only). Korea has continued to reduce the number of items subject to adjustment duties from 27 items in 2000 to 20 in 2004, as well as lowering the rates of adjustment duties. With a view to achieving progressive improvement in market access for products from least-developed countries, Korea provides duty-free and quota-free access for 88 products (HS 6-digit) from LDCs. These products are among the WTO-recommended list of 117 products of export interest to LDCs. Korea is considering an expansion of the preferential treatment to a larger number of products.

38. The Korean government has provided support to farmers mainly through the Amber and Green Box provisions. However, in the context of the DDA negotiations and implementation of the Uruguay Round commitments, Korea has gradually shifted away from the Amber Box to the Green Box, which has no or minimal trade-distorting effects. The total amount of the Aggregate Measurement of Support (AMS) will have been reduced from 2.18 trillion won in 1995 to 1.49 trillion

won by 2004. Domestic subsidies that fall under the Amber Box have been provided only for rice, barley, soybean, corn, and rape, with rice accounting for more than 90 percent of total product-specific AMS. Moreover, in the context of DDA negotiations on agriculture, the Korean government has frozen its purchasing price of rice in 2003 at the 2001 level, and plans to reduce it in 2004.

39. In compliance with the UR commitments on agriculture, Korea has abolished import quotas on beef as of January 2001. Special treatment has been provided for Korean rice for ten years since the entry into force of the WTO Agreement in 1995 under Annex 5B of the Agreement on Agriculture. In order to continue the special treatment, Korea is negotiating with nine countries that have expressed interest in this issue, namely, Argentina, Australia, Canada, China, Egypt, India, Pakistan, Thailand and the United States.

40. Technical barriers to trade have been significantly reduced. The domestic regulatory framework has become more transparent and consistent with international rules and norms. For example, the Korean government completed in 1998 a comprehensive review of Korean Standards (KS) for the purpose of harmonizing them with ISO/IEC standards. Since then, the government has endeavored to harmonize Korean Standards with international standards. As of December 2003, Korea has harmonized 9,784 of 9,856 Korean Standards subject to harmonization with relevant ISO/IEC standards. Also, 1,800 Korean Standards will be newly established and harmonized with relevant ISO/IEC standards by the end of 2004.

41. Korea introduced the "system of prior-confirmed registration of imported foods" in August 2002 to simplify inspection procedures for imported foods by ensuring the safety of foods prior to importation. In addition, Korea introduced an Internet-based reporting system on imported foods to ensure promptness and transparency. Also, Korea promotes harmonization of its regulations with international food standards. For instance, the Food Code, Food Additives Code, and Foods Labeling Standards have been amended several times since 2000 for international harmonization.

42. Korea has used a relatively limited number of contingency measures. Although there have been a few instances in which Korea resorted to anti-dumping measures in response to unfair trade practices, Korea has not taken any safeguard measures since the last review.

Table 6
Number of Definitive Anti-Dumping (including price undertakings) and Safeguard Measures

	2000	2001	2002	2003	Jan~Jun 2004
Anti-Dumping	3	0	1	3	0
Safeguards	1	0	0	0	0

Source: Korean Trade Commission.

43. Korea has facilitated the movement of goods and reduced clearance time through the operation of the Sea & Air One-Stop Transshipment System, and the 24-Hour Clearance System for express cargoes. At the same time, Korea has made efforts to give greater autonomy to traders through a number of systems. Korea has implemented a self-assessment system, which allows importers to make reports on duties voluntarily to Customs, as well as providing the importers with a choice of making tariff payments on an individual or monthly basis. In addition, Korea acceded to the Revised Kyoto Convention in February 2003 as part of the continued efforts to simplify and harmonize customs procedures.

44. Korea is a member of the WTO Government Procurement Agreement (GPA) that came into effect for Korea in January 1997. In September 2000, Korea successfully completed the review of

national implementation legislation. The Korean government continued to undertake greater efforts to enhance the transparency, efficiency and accessibility in the procurement system by launching the Government e-Procurement System (GePS) in September 2002. GePS is a cyber marketplace where public organizations and private firms make government procurement-related transactions, including contract request, bid solicitation, e-bidding, e-contract and e-payment. It provides all the procurement information for public organizations through the Internet on a real-time basis in each stage of the procurement procedures. A supplier, with a one-time registration with the GePS, can participate in all public tenders. GePS has dramatically enhanced transparency and efficiency in public procurement. The Public Procurement Service received the Public Service Award from the UN in June 2003 for the GePS.

Trade in Services

45. The Korean government has fully implemented the specific commitments made in the area of services during the Uruguay Round and in the extended negotiations. Korea believes that continued economic growth depends largely on the free flow of trade in services, which facilitates foreign investment into Korea and Korean services firms' business in foreign markets. Since its last review, Korea has consistently liberalized the services sector, complemented by regulatory reform policies of the Regulatory Reform Committee (RRC). In the financial sector, the Banking Act was revised in April 2002 to raise the ceiling of individual ownership of a commercial bank from 4 percent to 10 percent, and even to 100 percent with special authorization from the relevant authorities. In the telecommunications sector, the ceiling on foreign ownership in Korea Telecom (KT) was raised from 33 percent to 49 percent in April 2001. Since 2000, 1,286 government regulations, including those related to the services sector, have been eliminated or relaxed. With the acceleration of liberalization and deregulation in the services sector, Korea's trade in services increased from US\$49 billion in 1998 to US\$73 billion in 2002, and the share of FDI inflow into the services sector rose from 33.2 percent in 1998 to 56.3 percent in 2000, and to 63.9 percent in 2003.

Intellectual Property Rights

46. Korea has brought its intellectual property rights legislations into full compliance with the WTO TRIPS Agreement, and has gone even further to introduce stronger protection by becoming party to major WIPO treaties. Currently, Korea is party to over 10 WIPO treaties and is continuing its efforts to implement newly evolving international agreements in this field. For example, Korea has acceded to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks in April 2003, and the Trademark Law Treaty in February 2003. Korea has also acceded to the WIPO Copyright Treaty (WCT) in June 2004, and is now preparing amendments to its Copyright Act to fully implement the WIPO Performances and Phonograms Treaty (WPPT). Accession to the WCT and the expected accession to the WPPT embody government efforts to further strengthen copyright protection, especially on-line. This reflects the greater policy focus on IPR protection in light of the rapid development of digital technology.

47. Since its review in the TRIPS Council in 2000, Korea has continued to revise its legislations on IPR to accommodate technological advances and strengthen enforcement. To coordinate and facilitate IPR protection policies among various Ministries, the Consultative Committee on IPR Protection was established under the auspices of the Office of Government Policy Coordination. The Consultative Committee, which consists of officials from government agencies responsible for IPR protection and non-governmental experts, convened its first meeting in May 2004. The Committee identified 15 specific tasks in its Comprehensive Plan for IPR Protection, which emphasizes strengthening the protection and enforcement of intellectual property rights in a digital environment

through such means as training of enforcement officers, public awareness-raising programs, and facilitation of international cooperation.

Dispute Settlement

48. Since the last review, Korea has been directly involved in 13 WTO dispute cases. It was the respondent in three cases, and complainant in 10 cases. The Panel and Appellate Body Reports were adopted in one of the three respondent cases – Measures Affecting Imports of Fresh, Chilled and Frozen Beef. In this case, Korea completed the implementation of the DSB's recommendation.

Technical Assistance and Capacity Building

49. Bearing in mind the importance of technical assistance and capacity building activities for the promotion of development dimension of the multilateral trading system as well as for the successful conclusion of the DDA negotiations, Korea makes its utmost efforts to devote substantial resources within its capacity. From 2001 to 2004, Korea contributed over US\$940,000 to support the WTO technical assistance activities. Each year Korea provides an increasingly broader range of technical assistance programs to developing countries through its official development assistance (ODA) operating agency, the Korea International Cooperation Agency (KOICA). KOICA invited 32 trainees annually on average between 1997 and 2001 to programs related to the WTO. The number of invited trainees increased to 92 in 2002 and 90 in 2003. 102 trainees will be invited in 2004.

(b) DDA Negotiations

50. With the firm belief that higher levels of trade liberalization and strengthened rules will bring greater benefits for all countries, Korea has strongly advocated the launch of the Doha Development Agenda with a comprehensive work programme. Korea has since played an active role in the ongoing negotiations, and remains firmly committed to its successful conclusion.

Agriculture

51. Korea is committed to the objective of establishing a fair and market-oriented agricultural trading system. In the spirit of achieving progressive liberalization of trade in agriculture, Korea has been faithful to its Uruguay Round commitments by opening up its agricultural market and undertaking agricultural reform measures. At the same time, Korea has also been mindful of the non-trade concerns (NTCs) of agriculture, such as food security, rural development and environmental protection.

52. Since 1995, Korea's position as a net importer of agricultural products has become more pronounced, with food self-sufficiency reduced to less than 30 percent. This trend accelerated since 2000. In 2003, agricultural trade deficit soared to a record high as Korea imported US\$10.50 billion while exporting just US\$1.87 billion. At the same time, the income gap between urban and rural areas worsened as the average per capita income of farmers dropped to 73 percent of the average city worker in 2002 from 95.1 percent in 1995.

53. Under such circumstances, the Korean government has newly launched a comprehensive 10-year agricultural reform programme to make the domestic agricultural sector more market-oriented and more responsive to liberalization in global agricultural trade. To ensure the success of this reform programme, the pace of global agricultural liberalization needs to be progressive, with certain flexibilities to make the transition as smooth as possible.

54. In the DDA negotiations, the Korean government has placed a strong emphasis on the need to attain a balance of interests between exporting and importing countries, taking into account non-trade concerns. In this regard, Korea has worked with other countries with similar concerns to address the need for flexibilities for those products whose high tariffs were inevitable consequences of implementing the tariffication principle. While Korea believes that all trade-distorting support should be reduced, considerations should also be made to allow room for countries facing difficult circumstances to progressively move towards a domestic support structure with no or minimal trade-distorting effects.

Services

55. Korea has actively participated in the DDA services negotiations, considering the important role that the services sector has played in its economy. In particular, Korea places high priority on infrastructure services, such as financial, telecommunications, distribution, construction, and maritime transportation services, which Korea considers vital to the supply of other services and conducive to the enhancement of the overall economic competitiveness. In this respect, Korea submitted negotiating proposals regarding these five infrastructure services in November 2000.

56. In the DDA negotiations, Korea is focusing its efforts on ensuring that various obstacles hindering the free flow of trade in services be substantially reduced through the negotiations. In this regard, Korea exchanged requests with a number of countries in June 2002, and tabled its initial offers in March 2003, including specific commitments in a number of new sectors which were not included in the UR schedule. Based on the exchanged requests and offers, Korea has carried out dozens of bilateral consultations with its trading partners.

Market Access for Non-Agricultural Products

57. Korea believes that non-agricultural market access (NAMA) is one area that will bring the greatest immediate gains for all countries, and therefore should be approached with a high level of ambition. In the NAMA negotiations, Korea aims to attain substantial market access by effectively addressing tariff peaks, high tariffs, tariff escalation and non-tariff barriers as set out in the Doha Declaration. Korea supports a non-linear formula on a line-by-line basis, which proposes greater tariff reductions for higher tariffs.

58. Together with the tariff reduction formula, Korea recognizes sectoral tariff elimination as a key element of negotiating modalities. The specific sectors for the sectoral liberalization should be selected carefully and every Member should be required to participate in order to ensure benefits for the entire WTO Membership. With regard to non-tariff barriers, Korea submitted in February 2003 the list of non-tariff barriers confronted by Korean exporters in foreign markets. It believes that the negotiating modalities for addressing non-tariff barriers should be approached with pragmatism on the basis of a result-oriented methodology.

Rules

59. With regard to the negotiations on the Anti-Dumping Agreement, Korea believes that the current rules must be clarified and improved in order to prevent misuse or overuse of anti-dumping measures. Regarding the negotiations on the Agreement on Subsidies and Countervailing Measures (ASCM), Korea supports the idea of providing further and detailed guidance to the current rules. Korea believes that any rule on fisheries subsidies should be based on the framework of the ASCM and the differences in various types of subsidies and the surrounding circumstances should be duly reflected in the negotiations. On the Regional Trade Agreements (RTAs) issues, Korea advocates higher levels of transparency as well as improvements in the substantive rules.

TRIPS

60. While a strengthened global regime for the protection of intellectual property rights will benefit all countries by fostering an environment conducive to innovation, there is also the need to accommodate development concerns. In this sense, Korea exercised flexibility and pragmatism in the course of negotiations for the historic Decision on Public Health and the TRIPS Agreement. Regarding the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits, Korea believes a pragmatic compromise should be found on the basis of voluntary participation and legally non-binding effect.

Trade and Environment

61. Korea believes it is important to enhance the mutual supportiveness of trade and environment policies through the ongoing DDA trade and environment negotiations. In this sense, specific trade obligations (STO) set out in multilateral environmental agreements (MEAs) should include only trade measures that are mandatory and specific, while excluding those measures that MEA parties can exercise discretion in its implementation. Korea further believes that successful negotiations on the liberalization of environmental goods and services could contribute to the achievement of sustainable development objectives.

Singapore Issues

62. Korea believes that multilateral rules on investment, competition, trade facilitation and transparency in government procurement will promote a more stable, predictable and transparent global trade and investment environment. This will in turn lead to further liberalization and growth of trade. While Korea remains committed to establishing multilateral rules on all four Singapore issues, it agrees to include only trade facilitation in the DDA single undertaking, in the spirit of facilitating forward movement in the overall DDA negotiations. Korea believes that, given their importance for trade, the remaining three issues should continue to be examined within the WTO work program.

(2) BILATERAL TRADE RELATIONS**(a) The United States**

63. Trade with the United States has traditionally been the most important pillar in Korea's bilateral trade. Even though the share of trade with the United States has declined slightly in recent years, the United States remains the largest trading partner for Korea, with bilateral trade volume surpassing US\$59 billion in 2003. With regard to bilateral investment flows, the United States was the largest source of foreign direct investment into Korea between 2000 and 2003, accounting for 32.5 percent of total inward FDI into Korea during the period. Conversely, the United States has also been the largest foreign investment destination for Korean investors.

64. Trade issues between Korea and the U.S. have increased in both number and level of complexity, reflecting the continued deepening and maturing of trade and economic relations between the two countries. The two governments have been able to resolve most of these issues in a mutually satisfactory and efficient manner through various bilateral consultation channels including, *inter alia*, the Quarterly Trade Meetings (QTM), which were initiated in 2001. Even though there remain several trade issues, especially in the areas of intellectual property rights, telecommunications and automobiles, Korea remains positive that these issues will be resolved amicably through consultations.

(b) The European Union

65. In 2003, the volume of bilateral trade with European Union was US\$44.3 billion, making the EU Korea's fourth largest trading partner, and Korea the twelfth largest for the EU. The European Union's investment in Korea, along with that of the United States and Japan, accounts for a major portion of total foreign investment in Korea. In 2003, the European Union was the largest foreign investor with US\$3 billion of investment into Korea. Also, the EU became the largest foreign investor for Korea in terms of cumulative total since 1962.

66. Since 2001, the Korea-EU Framework Agreement on Trade and Cooperation has become the basis for a future-oriented partnership by providing a comprehensive framework for cooperation in the areas of economy, trade, science and technology. Korea expects the fifth EU enlargement in May 2004 to generate greater opportunities to further strengthen bilateral economic and trade relations. There remain a few pending bilateral trade issues, including automobiles, intellectual properties, cosmetics and pharmaceuticals. Korea and the EU continue to work together to find amicable solutions to these outstanding issues through bilateral consultation channels, including the Joint Committee meetings and Ministerial meetings.

(c) Japan

67. Korea and Japan have been important trading partners for many years. With the record-high trade volume of US\$53.6 billion in 2003, Korea and Japan are each other's third largest trading partner. Japan has also been the largest source of imports for Korea since 2000. Korea has been running trade deficits with Japan, posting another record-high of \$19 billion in 2003, which accounts for 20.3 percent of Korea's total imports for the same year. From 2001 to 2003, Japan ranked as the third largest source of foreign investment into Korea. In 2003, Japan's share of Korea's total FDI reached 8.4 percent or US\$540 million in absolute value.

68. Korea has been pursuing further development of the bilateral economic and trade relations with Japan, which includes maintaining a balanced expansion of bilateral trade volume, further promoting FDI, and strengthening industrial and technical cooperation. In March 2002, Korea and Japan concluded the Bilateral Investment Treaty (BIT) to facilitate freer flows of investment between the two countries. One important element in the Korea-Japan BIT is the national treatment and most-favored nation treatment to investors of the other party starting from the pre-establishment stage. In addition, the two countries signed the Social Security Agreement in February 2004 to further promote exchanges of people and economic cooperation.

(d) China

69. Bilateral trade volume between Korea and China has grown at a surprisingly rapid pace since 1992. From 2000 to 2003, Korea's exports to China increased at an annual rate of 24.0 percent, while imports from China increased at an annual rate of 19.6 percent. The bilateral trade volume reached US\$57.0 billion in 2003 and thus China became Korea's largest export market and the second largest trading partner next to the United States. China has been Korea's favorite FDI destination starting from 2002. In 2003, the cumulative amount of Korea's FDI into China reached US\$1.4 billion, second only to Korea's FDI into the United States, which stood at US\$1.5 billion.

70. The cooperative trade and economic relationship between Korea and China is becoming stronger. So far, the two countries have established a practice of resolving trade issues peacefully through bilateral consultations. At the same time, the two countries have engaged in mutual efforts to expand the bilateral economic cooperation. During the Presidential visit to China in July 2003, the two countries agreed to strengthen cooperation in various fields including advanced technology,

energy, and environmental industry. In addition, the two countries established a joint research team to formulate a roadmap to develop further a relationship of future-oriented bilateral economic and trade cooperation.

(e) ASEAN and Others

71. ASEAN is presently Korea's fifth largest trading partner, making up 10.4 percent of Korea's total trade volume in 2003. Korea's exports increased slightly from US\$20.1 billion in 2000 to US\$20.3 billion in 2003, while imports also increased from US\$18.2 billion in 2000 to US\$18.5 billion in 2003. Although Korean investment in ASEAN contracted sharply due to the Asian financial crisis, ASEAN remains the third largest destination for FDI from Korea. In 2003, Korea's investment to ASEAN reached US\$1.2 billion, which constitutes 22 percent of the total.

72. Korea values other regions as newly emerging important trading partners, and is making efforts to further expand the trading relationship with Latin America, Russia and CIS, South Asia, Middle East and Africa. Since the last trade policy review, Korea's trade with these regions has expanded as they are gaining in importance as markets for exports and sources of imports.

(3) FREE TRADE AGREEMENTS

73. Korea is currently pursuing FTAs with trading partners to expand trade opportunities through greater levels of liberalization across a wider range of issues in a WTO-plus manner. The pursuit of such FTAs is founded on Korea's firm belief in the primacy of the multilateral trading system, and therefore is pursued in a manner that can complement the liberalization efforts on the multilateral level. The range of issues covered in the FTAs includes many within-the-border issues to ensure such complementary relationship, in the hope that those FTAs can be a stepping-stone for promoting greater economic integration on the bilateral, regional and global levels.

(a) FTA between Korea and Chile

74. The Korea-Chile FTA, the first trans-Pacific FTA ever, entered into force on 1 April 2004. The Agreement has achieved substantial liberalization in trade in goods and services. At the same time, the scope of the Agreement extends beyond goods and services liberalization as it includes provisions on SPS measures, technical regulations, investment, movement of natural persons, competition, government procurement, intellectual property rights and dispute settlement.

75. For the liberalization in trade in goods, immediate tariff elimination granted by Korea to imports from Chile covers 87.2 percent of the total tariff line, while the same treatment granted by Chile to exports from Korea amounts to 41.8 percent. Tariff elimination will be further expanded to the remaining products in stages over a timeframe of five, seven, nine, ten and sixteen years for Chilean products entering into Korea, and five, seven, ten, thirteen years for Korean products exporting to Chile. The only exceptions are rice, apples and pears for Korea, and refrigerators and washing machines for Chile. In 10 years, tariff elimination will be extended to about 96.2 percent of imports originating from Chile and 96.5 percent of imports from Korea.

(b) FTA Negotiations between Korea and Japan

76. Negotiations on the Korea-Japan FTA commenced in December 2003, with the aim of concluding the agreement by the end of 2005. Korea and Japan have held negotiations every two months, focusing on the following seven key areas of mutual interest: trade in goods, non-tariff measures, investment and trade in services, government procurement, competition policy, intellectual property rights, mutual recognition, dispute settlement and cooperation. In the negotiations thus far,

both sides have reaffirmed the principle of comprehensive liberalization in the trade of goods and services to achieve substantial economic integration and maximize the benefits of the FTA.

77. An FTA between Korea and Japan would be an effective means not only for promoting free trade and enhancing economic transparency, but also for further strengthening the future-oriented partnership between the two neighbors. The Korea-Japan FTA is also expected to serve as a catalyst in strengthening regional cooperation in East Asia and a stepping-stone towards creating an East Asia Free Trade Area.

(c) FTA Negotiations between Korea and Singapore

78. The FTA negotiations with Singapore were launched in January 2004. It is expected that an FTA between Korea and Singapore would help to strengthen the competitiveness of both economies and to exploit emerging opportunities in the regional and global markets by allowing each country to deepen its economic engagement in the other's respective region.

79. Korea and Singapore aim to conclude the negotiations by the end of 2004, through a total of five rounds of negotiations. Nine working groups have been created to facilitate the work on the following key issues: trade in goods, SPS/TBT/MRA, services, investment, government procurement, competition, intellectual property rights, cooperation and dispute settlement.

(d) FTA Talks between Korea and ASEAN

80. As agreed among the leaders of Korea and ASEAN in 2003, a joint study has been launched to explore the possibility of an FTA. The final report of the FTA Experts Group will be examined by the Economic Ministers' Meeting (AEM+Korea) in September 2004, which will in turn submit its recommendations to the Korea-ASEAN Summit near the end of 2004 for a decision on the commencement of the FTA negotiations.

(e) FTA Talks between Korea and EFTA

81. The Trade Ministers of Korea and EFTA countries (Switzerland, Norway, Iceland, and Liechtenstein) agreed at a meeting on the margins of the OECD Ministerial Meeting in May 2004 to establish a Joint Study Group to evaluate the feasibility of an FTA between Korea and the EFTA. The first meeting of the Joint Study Group will be held in August. The Group is expected to present a final report on its findings to the Trade Ministers by the end of 2004.

(4) REGIONAL ENGAGEMENTS

82. Korea values APEC, ASEM and ASEAN+3 as forums for upholding the multilateral trading system on the one hand and promoting greater economic cooperation within and across regions on the other. Korea has actively participated in various efforts for further liberalization and facilitation of trade and investment, and played a leading role in promoting cooperation in various fields to help achieve the goal of common prosperity on both regional and inter-regional levels.

(a) Asia-Pacific Economic Cooperation (APEC)

83. Korea attaches high importance to APEC and its members. In 2003, APEC member economies accounted for 72.0 percent of Korea's exports, 68.6 percent of its imports, and 62.2 percent of its inward and 68.6 percent of outbound FDI. As these numbers clearly show, sustained economic growth in the Asia-Pacific region through expansion of trade, investment and economic cooperation is critical for Korea's own growth and prosperity. As such, Korea has been

deeply committed to the APEC process from its very inception and has made important contributions to shaping its framework, and continues to be deeply engaged.

84. Korea will be the APEC host economy in 2005, the year in which the mid-term review of progress towards the Bogor Goals is scheduled. Korea is fully committed to the Bogor Goals of liberalizing trade and investment in the Asia-Pacific region. It has been visibly engaged in the APEC process across its full range of activities, from trade and investment liberalization and facilitation (TILF) to economic and technical cooperation (ECOTECH). In 2003, Korea's Individual Action Plan (IAP) Peer Review found that Korea was well within reach of the Bogor Goals, and has especially made impressive progress in competition policy, customs procedures, standard, and regulatory reform.

(b) Asia-Europe Meeting (ASEM)

85. As the host country of ASEM Summit Meeting in 2000, Korea has been actively engaged in promoting various measures for trade facilitation and investment promotion between Asia and Europe. Korea has initiated the Trans-Eurasia Information Network endorsed at the ASEM 3 in 2000 and the Trans-Eurasia Railway Network proposed at ASEM in 2002. Korea has also played an active role in various ASEM-related events, including hosting the Eighth Asia Europe Business Forum (AEBF) meeting in Seoul in 2003.

(c) ASEAN+3

86. Korea has accelerated the efforts to promote regional integration in East Asia through the ASEAN+3 process. As proposed by Korea, the leaders of ASEAN+3 agreed to establish the East Asia Vision Group (EAVG) in 1998 and the East Asia Study Group (EASG) in 2000 respectively. The EASG, composed of government officials, was established in March 2001. EASG's final report, submitted to the ASEAN+3 Summit in Cambodia in 2002, made recommendations on 26 implementable concrete measures, among which the formation of an East Asia Free Trade Area was given high priority. As part of the implementation of the EASG recommendations, Korea held the inaugural meeting of East Asia Forum (EAF) in December 2003, where it was agreed that commitment of the political leadership is of vital importance to creating common peace, prosperity and progress among countries in the region.

V. FUTURE POLICY DIRECTIONS

87. As a country whose economic growth and development were made possible through participation in the liberal global trading system, Korea has a strong stake in strengthening the multilateral trading system. Korea's commitment to open market and free trade, along with structural reform, has contributed to Korea's prompt recovery from the Asian financial crisis, which in turn reinforced Korea's commitment to further liberalization and reform. Korea will continue to strengthen its role as a constructive force in the DDA negotiations, with the firm belief that a successful conclusion of the Doha Work Programme will bring great benefits to the entire global community.

88. While remaining a strong supporter for the multilateral trading system, Korea will pursue FTAs as a complementary tool to accelerate trade liberalization. Korea will seek FTAs that are as comprehensive as possible to ensure that benefits accrue from substantial liberalization in a WTO-plus manner. In more specific terms, Korea's FTAs will not only aim at liberalization of trade in goods but go much further beyond to also cover a comprehensive range of issues including services, investment, intellectual property rights and government procurement on the one hand, and issues of economic cooperation on the other. As Korea explores further possibilities for FTAs, especially with its major trading partners, Korea will pursue bilateral agreements that can be building blocks for greater economic integration and can complement the liberalization efforts on the multilateral level.

89. In order to support the multilateral trading system and promote economic cooperation on a regional level, Korea will continue to support APEC's work on trade and investment liberalization and economic and technical cooperation in the Asia-Pacific region. In particular, Korea will make full use of the opportunity to host APEC 2005 to further strengthen the APEC as a vehicle for achieving common prosperity in the region. In addition, Korea will continue to take active part in the collective efforts in the ASEAN+3 and ASEM fora to promote freer trade and greater economic cooperation on both regional and inter-regional levels.

90. Nurturing more future-oriented and mutually beneficial bilateral trade relations with the trading partners has been one of Korea's long-standing priorities. Korea will continue to proactively address any trade issues raised by its trading partners through bilateral consultations, in accordance with international rules. Further expansion and promotion of economic cooperation with least-developed countries and other developing countries is another key area for Korea's bilateral economic relations. Expansion of trading opportunities and strengthening of investment relations will be accompanied by technical assistance and sharing of development experiences, particularly for the least-developed partners.

91. To move toward an advanced market economy, Korea will continue to vigorously pursue liberalization and structural reform in a mutually reinforcing manner. Structural reform will be carried out to promote greater efficiency, market discipline, and fair and transparent competition in the Korean economy. In parallel, Korea will continue to pursue a greater opening of the economy through combined efforts on the multilateral, regional, and bilateral fronts.
