

## II. TRADE POLICY OBJECTIVES AND INITIATIVES

### (1) General Policy Direction

1. Korea's economic ascent over the past three decades, interrupted by episodes of import substitution policies, has been driven by a strongly export-oriented manufacturing industry.<sup>1</sup> The country's growing trade links, in turn implying stronger reliance on international rules and principles, have encouraged a gradually more active rôle in international policy fora such as the GATT. (Korea does not participate in any regional preferential groupings.) In late 1994, President Kim Young Sam announced that "Segyehwa", generally translated as globalization, would be the guiding principle of his administration, leading Korea to play a more vigorous rôle in the world community in terms of both its rights and responsibilities. Liberalization is regarded by the current administration as the main vehicle for implementing Segyehwa, as reflected in recent initiatives regarding trade, foreign direct investment, deregulation and competition policy (Chapter III).

2. Following inauguration in February 1993, the Kim Government adopted the Five-Year Plan for a New Economy (1993-97), replacing a previous 1992-96 plan. The new Plan calls for reduced government control of the economy, including the abolition of unnecessary regulations and restrictions, increased transparency of trade-related policies and alignment of domestic regulations with international standards.<sup>2</sup> Specific reference is made to refocusing farm policies from output-expansion to structural adjustment and improved competitiveness; fostering technical assistance programmes for small and medium-sized enterprises (SMEs); rationalizing industries undergoing structural change; and enhancing export performance by promoting high value-added production.

3. Explaining the actual impact of Korea's successive economic plans, Il Sakong (a former Minister of Finance) has emphasized that they are "more indicative than imperative" and that the planning process is more important than the plan itself. According to Il, this process has been successful as an educational instrument, "articulating leadership commitment and giving the general guidelines and implicit promises of support that facilitate private planning".<sup>3</sup> Korea intends to abandon its tradition of five-year planning in favour of a longer-term orientation; a New Long-term Economic Plan is currently being prepared for the late 1990s.<sup>4</sup>

4. Many current government initiatives can be summarized under the headings of "deregulation", "liberalization" and "privatization", aimed at opening previously restricted areas to internal and, more cautiously, external competition (Table II.1). In general, Korea has preferred an evolutive and gradual approach over radical reform, with the groundwork being done in specially appointed committees.

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<sup>1</sup>For a critical assessment of the development process, including its overfocus on export orientation in selected segments of the economy, see GATT (1992).

<sup>2</sup>The Plan promulgated an average real growth rate of 7 per cent, 3 per cent inflation, a current-account-surplus after 1995 and a per capita GNP of US\$14,000 by 1998. Recent adjustments include in particular the acknowledgement that current-account-deficits are likely to persist until 2000.

<sup>3</sup>Il Sakong (1993).

<sup>4</sup>Main elements include a commitment to deregulation in order to improve private and public sector productivity, stimulate competition and innovation; the objectives of enhancing productivity in lagging sectors, in particular financial and other services, and promoting innovation in small and medium-sized businesses; and the vision of an information society underpinned by modern communications systems.

These included, for example, a Committee for the Deregulation of the Economic Administration Sector, established in 1993. By end-1995, 1,753 of the 1,970 measures recommended by the Committee had been implemented, with schedules for implementation established for most of the remaining elements.

**Table II.1**  
**Government agenda for trade-related economic reform**

Area	Timeframe		
	Short-term (1997-2000)	Medium-term (2001-05)	Long-term
Tariffs	Implementation of Korea's UR concessions. Tariff elimination for 28 items (HS 4-digit) by 1999. Regularly updates of Korea's tariff data base (immediate announcement of changes to the public).	Review possibility of revising scheduled tariff concessions.	
Non-tariff measures	Gradual reduction of quota items. Elimination of subsidies by 1998. Elimination of the Import Diversification Programme by 1999.	Complete elimination of remaining quotas by 2001.	
Customs procedures	Complete the electronic data interchange system of UN/EDIFACT standards for export- and import-clearance. Active participation in the revision of the Kyoto Convention.	Continuous improvements in customs procedures according to Guiding Principles (FACTS).	
Rules of origin (RO)	Active participation in the WTO/WCO harmonization work on rules of origin. Faithful implementation of the relevant WTO Agreement. Publication of guides.	Implementation of harmonized RO on adoption by the WTO. Review of the implications of RO on trade and investment.	Efforts to establish an international régime relieving distortions in trade and investment caused by preferential RO, inclusion of preferential rules into the WTO framework.
Standards and conformity assessment	Progressive alignment of standards for capital goods with international standards. Efforts to enter into mutual recognition agreements on conformity assessment with APEC members. Expansion of Korea's participation in ISO, IEC, Codex Alimentarius and other relevant international organizations. Enhanced transparency of standards and conformity assessment regulations.	Efforts to align with international standards, where appropriate, in regulated and voluntary sectors. Continued participation in bilateral or multilateral mutual recognition agreements, consultations in APEC/SCSC and other specialized regional bodies.	Development of technical infrastructures to facilitate broad participation in mutual recognition arrangements.
Government procurement	Accelerated information on procurement opportunities and contact points through databases and Internet services on tendering opportunities. Further domestic reforms to harmonize with the WTO/GPA régime.		Information on tenders via APEC Home Page. International co-operation to achieve comprehensive liberalization of government procurement.
Competition policy	Measures to strengthen enforcement of the Fair Trade Act and ensure fairness, transparency, and professionalism in policy implementation. Plans to offer a training programme on international competition policies and ensure appropriate technical assistance. Participation in information exchange and discussions with APEC members on competition policies.		

Table II.1 (cont'd)

Area	Timeframe		
	Short-term (1997-2000)	Medium-term (2001-05)	Long-term
Intellectual Property Rights (IPR)	Protection of breeder's rights under the Seed Industry Law from 1998. Protection of trade secrets regarding experimental statistics under the Agrochemical Management Law from 1997. Amendments of the Copyright Law in response to new technological developments around 1998. Accession to the UPOV Convention in 1999.	Up-dating of IPR legislation in response to international trends and technical developments. Continued provision of adequate and effective civil administrative procedures and remedies.	
Telecommunications services	No limitations on the number of service suppliers (except limitations required by the availability of radio frequencies) from 1998. Liberalization of foreign investment in facility-based basic telecom carriers of up to 33%. (Korea Telecom: 20%).	Free resale of voice telephone services connected to the PSTN from January 2001.	
Transportation services Aviation	Liberalization of air freight handling by January 1997. Liberalization (up to 50%) of foreign investment in scheduled and non-scheduled carriers by 2000.		
Maritime transport	Abolition of the Designated Cargo System by end-1998.		
Energy	Liberalization of domestic oil prices and opening of distribution for new entrants by end-1997. Free entry into petroleum refinery by 1999.		
Tourism	Liberalization of foreign investment in subdivided non-residential buildings by 1998.		
Investment	Gradual liberalization of 59 business sectors (between 1997 and 2000).	Efforts to liberalize investment régimes and encourage foreign investment.	
Mobility of business personnel	Consideration of expanded possibilities for diplomatic and consular missions to issue visas.  Active participation in the work done at the WTO, especially in consultations and negotiations under the GATS.	Examination of expanding the scope for issuing multiple visas to all APEC nationals.	Consideration of whether restrictions on temporary residence of foreign business personnel can be relaxed.
Dispute settlement	Development of an APEC-specific mechanism supplementing the WTO procedures. Adequate measures to make laws, regulations, etc. publicly available.		
UR implementation	Faithful implementation of WTO commitments. Implementation within the agreed timetable of: Foreign Capital Inducement Act; Tax Reduction and Exemption Control Act; and Shipping Industry Promotion Act.		
Deregulation	Enhance transparency of regulatory régime to ensure fair market-based competition.		

Source: Government of Korea.

5. Specific emphasis has been placed on developing a more balanced structure of the economy in terms of company size, and encouraging the formation of new businesses. Concerning SMEs, the Government has announced the conversion of all assistance to non-actionable subsidies in support of technological development, and the abolition of tax support measures for equipment investment, which differentiate between domestic and foreign products.

6. The basic institutional structure governing trade-related policy decisions is described in Annex II.1.

(2) Multilateral Policies

7. Korea, a GATT member since 1967, signed and ratified the Marrakesh Declaration to become a founding member of the WTO from 1 January 1995. Previously a signatory to the Tokyo Agreements on Technical Barriers to Trade, Subsidies and Countervailing Measures, Anti-Dumping, and Customs Valuation, Korea has assumed its commitments under the Multilateral Trade Agreements. It has signed the WTO Agreement on Government Procurement and is set to apply it from January 1997. Korea applies its m.f.n. tariffs to all trading partners, whether they are WTO members or not.

8. Korea's undertakings in the Uruguay Round included tariff reductions, concessions in the agricultural sector, commitments over a broad range of services sectors, and its accession to the Agreement on Government Procurement. Korea's rôle in the tariff negotiations did not "stand out".<sup>5</sup> The final bound tariffs rates will be higher in most cases than those currently applied (Chapter III(2)). Overall, minimum access commitments for farm products proved the most sensitive areas in the Uruguay Round. Under the WTO Agreements on Agriculture, Subsidies and Countervailing Measures, and Trade-Related Aspects of Intellectual Property Rights, Korea claimed developing-country status, thus availing itself of longer implementation periods.<sup>6</sup>

9. Implementation of the WTO Agreements involved the revision of various laws and regulations. Table II.2 provides an overview of the notifications made in the context of WTO Agreements. New legislation includes the "Act Relating to Contracts in which the State is a Party", which entered into effect in July 1995, paving the way for Korea's accession to the Agreement on Government Procurement. While, according to the authorities, WTO Agreements cannot necessarily be directly invoked in Korea, the Constitution legally obliges the Government to conform the relevant domestic laws to these Agreements.<sup>7</sup>

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<sup>5</sup>According to Kim Tahn-Yiel (1994). Mr. Tahn-Yiel is Director of the GATT/WTO Division in the Economic Planning Board. However, Korea is to eliminate duties on some paper products, toys, steel, semiconductors and pharmaceuticals from 1997 to 2004.

<sup>6</sup>In contrast, Korea has made no notification under the WTO Agreement on Trade-Related Investment Measures (TRIMs) as, according to the Government, no such measures exist.

<sup>7</sup>Under Article 6(11) of the Korean Constitution, however, an international treaty concluded and promulgated under the procedures prescribed by constitutional law has a direct effect on Korean judicial territory even in the absence of domestic implementation (WTO document G/ADP/W/74, 15 November 1994).

Table II.2

Principal notifications in the context of implementing WTO Agreements, July 1996<sup>a</sup>

Agreement	Action
General Agreement on Tariffs and Trade 1994	Schedule of Concessions on market access submitted on 15 April 1994 (List LX).
General Agreement on Trade in Services	Submission of Korea's Schedule of Specific Commitments (GATS documents GATS/SC/48, Suppl.1 and Suppl.1/Rev.1, 15 April 1994, 28 July 1995 and 4 October 1995) and of Article II (m.f.n.) exemptions (GATS documents GATS/EL/48 and Suppl.1 of 15 April 1994 and 28 July 1995).
Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)	Articles 1.3 and 3.1: Notification that Korea will not apply the criterion of publication for the protection of the producers of phonograms as provided for in Article 5.3 of the Rome Convention; and that Korea will protect broadcasts only if the broadcast was transmitted from another Contracting State as provided for in Article 6.2 of the Rome Convention (WTO document IP/N/2/KOR/1, 13 October 1995).
Agreement on Agriculture	Korea has notified the administration of tariff quotas (WTO document G/AG/N/KOR/1, 31 May 1995). Notification concerning trigger prices in the context of the special safeguard provision (WTO documents G/AG/N/KOR/2, and Add.1, 1 June 1995 and 14 December 1995).
Agreement on Textiles and Clothing	Submission of the list of products to be integrated into GATT 1994 on entry into force of the WTO Agreement (WTO document G/TMB/N/46, 28 April 1995). Korea reserves the right to use the provisions of Article 6 (transitional safeguard mechanism; WTO document G/TMB/N/20, 6 March 1995). Korea's observations on the notifications by Canada, the European Union and the United States pursuant to ATC Article 2.1 (WTO document G/TMB/N/120, 17 August 1995). Notification under ATC Article 3 of voluntary export restraints (silk to Japan) and import restraints under Article XVIII.6 (silk fabrics, satin, etc. to be liberalized in 1997) (WTO document G/TMB/N/68, 28 April 1995).
Agreement on Trade-Related Investment Measures (TRIMs)	No notification.
Agreement on Anti-Dumping Practices	Notification of laws and regulations under Article 18.5 of the Agreement, i.e. relevant provisions of the Customs Act and secondary legislation (WTO document G/ADP/N/1/KOR/1, 5 April 1995).
Agreement on Customs Valuation	Notification that Korea intended to revise existing legislation and would renotify (WTO document G/VAL/N/1/KOR/1, 28 September 1995).
Agreement on Rules of Origin	Notification of non-preferential rules of origin under Article 5.1 (WTO document G/RO/N/1/Add.1, 22 June 1995). Notification of preferential rules of origin under Article 5 (WTO document G/RO/N/7, 12 February 1996).
Agreement on Subsidies and Countervailing Measures	Notification of laws and regulations under Article 32.6 of the Agreement, i.e. relevant provisions of the Customs Act and secondary legislation (WTO document G/SCM/N/1/KOR/1, 4 April 1995). Notification of subsidies for the years 1992-94 in the areas of agriculture, forestry, fisheries, coal industry, manufacturing and research and development (WTO document G/SCM/N/3/KOR/Rev.1, 25 April 1996).
Agreement on Safeguards	Notification of laws, regulations and procedures, i.e. relevant portions of the Foreign Trade Act and the Customs Act (WTO document G/SG/N/1/KOR/1 and /2, 6 April and 11 October 1995). Notification of pre-existing Article XIX measures (WTO document G/SG/N/2/KOR, 27 March 1995). Notification of measures under Article 12.7 (WTO document G/SG/N/3/KOR, 28 March 1995). Notification of timetable for phasing out voluntary export restraints (WTO document G/SG/N/5/KOR, 15 August 1995).
Understanding on the Interpretation of Article XVII of the GATT	Notification of products traded by State-trading entities (WTO document G/STR/N/1/KOR, 20 November 1995).
Plurilateral Trade Agreements	Korea has signed the Agreement on Government Procurement.

a Excluding regular or ad hoc notifications of measures taken under the individual agreements.

Source: WTO Secretariat.

10. As a result of the Uruguay Round, the level of tariff bindings for industrial products rose from 10 to 90 per cent, and bound industrial tariffs are to fall from 18 to close to 8 per cent on a trade-weighted basis.<sup>8</sup> However, the direct impact on Korea's manufactured imports may be limited, given the generally lower level of applied rates. Overall imports may benefit somewhat from an accelerated pace of structural change and strong income growth.<sup>9</sup> Tariffication in agriculture applies to 67 products/product groupings. Korea's "traditional" ban on rice imports has been partially lifted, with initial imports of about 51,000 tonnes in 1995 and an in-quota tariff rate of 5 per cent. Korea's Schedule of Commitments under the GATS covers 80 services sectors.

11. Annex II.2 summarizes Korea's involvement since January 1992 in disputes raised and consultations held under GATT/WTO provisions.

12. Reflecting its level of economic and political development, Korea is seeking membership in the Organization for Economic Cooperation and Development (OECD). The authorities' intention to live up to OECD standards and practices may have inspired recent reforms in the areas of investment and finance (relevant legislation includes the New Economy Plan, the Foreign Exchange Reform Plan, and the Financial Liberalization and Market Opening Plan). By July 1996, Korea had completed reviews in all relevant OECD Committees; the OECD Council is expected to take a decision by autumn 1996.

13. Korea currently participates in various international agreements and conventions regulating trade in, or access to, natural resources and related products. These include the Grain Trade Convention, Constitution of the International Rice Commission, Wheat Trade Convention, International Sugar Agreement, International Tropical Timber Agreement, Charter of the Asian Vegetable Research and Development Centre, Convention on Future Multilateral Cooperation in the Northwest Atlantic Fisheries, Agreement of the Establishment of the Indo-Pacific Fisheries Council, and International Convention of the Regulation of Whaling.

### (3) Regional and Preferential Arrangements

14. Korea participates in Asia-Pacific Economic Cooperation (APEC), launched in 1989 to promote closer links among countries in the Asia-Pacific Rim.<sup>10</sup> APEC is expected to provide a forum for members to exchange views, consult on conditions conducive to trade and investment, and enhance economic co-operation through human resource development, industrial and technological research, etc. Arguing for a policy of "open regionalism", Korea views APEC's rôle as supplementary to and supportive of the multilateral trading system. Almost 70 per cent of Korea's external trade and 75 per cent of outward FDI is with other APEC members.

15. In November 1994, APEC members agreed to create a free-trade area by the year 2010 for developed and 2020 for developing participants. Detailed national "Action Plans" in this context are to focus on trade liberalization, trade facilitation (such as harmonization of standards), and development co-operation. In the area of services, for example, Korea's Action Plan aims to expand market access

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<sup>8</sup>According to GATT (1994). Government estimates of Korea's net income gains resulting from the Round are in the order of US\$28 billion (Economic Bulletin, January 1994).

<sup>9</sup>The greatest import increase is expected for agricultural and light industrial products.

<sup>10</sup>The members, besides Korea, are Australia, Brunei Darussalam, Canada, Chile, China, Chinese Taipei, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Thailand, and the United States.

on an m.f.n. and national treatment basis, and efforts are under way to improve information on existing procurement opportunities under the relevant WTO Agreement (to be implemented by end-1996).<sup>11</sup>

16. Korean exports currently qualify under the General System of Preferences (GSP) of 31 countries, including Canada, the Czech Republic, the European Union, Japan, New Zealand, Norway, Russia and Switzerland. Preferences were terminated in 1989 by the United States, in 1992 by Australia, and in 1996 by the EU (for major items), Canada (motor vehicles only) and Russia (clothing and others). Exports under GSP preferences accounted for about 9 per cent of total exports in 1994.

17. Participating in the Global System of Trade Preferences (GSTP) among developing countries since its initiation in 1989, Korea currently offers preferential tariffs on 26 items (e.g. sugar cane and plastic containers). The average margin of preference is about 10 per cent. In the context of Trade Negotiations among Developing Countries, Korea grants concessions on 12 items, also with an average margin of about 10 per cent. Under the 1976 Bangkok Agreement, it extends preferences on 208 items to all signatories (Bangladesh, India, Laos and Sri Lanka) and on 29 additional items to Bangladesh and Laos only. The concessional rates are set at about 70 per cent of the general rate; 12 items were to be added in connection with Papua New Guinea's accession to the agreement in 1995. Given the limited product coverage of these Agreements, the share of preferential in total imports remains significantly below 1 per cent (0.1 per cent for the Bangkok Agreement and 0.6 per cent for GSTP in 1995).

(4) Other Initiatives

18. Korea's "International Cooperation Tariff" is used to implement the results of bilateral negotiations on an m.f.n. basis. The number of items covered, at 10-digit HS level, fell from 115 in 1992 to 64 in 1994, following the expiry of concessions on telecommunications equipment. (The concessions were discontinued as the general tariff for telecommunications equipment came down to the co-operation tariff rates.) In 1995 the number on concessions increased to 248 after the inclusion of reduced rates for automobiles (59 items at HS 10-digit level), agricultural products (129 items) and other items. The reductions, to be implemented on the applied tariff, were agreed with the United States.

19. On a unilateral basis, Korea has continued to operate its Import Diversification Programme, under which imports of 152 items from Japan are currently prohibited, and the Localization Programmes for domestic machinery and other capital goods (Chapter III(3)(iii) and Chapter IV(3)(vi)).

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<sup>11</sup>Other "down-payments" in connection with the Action Plan included accelerated investment liberalization, tariff reductions, deregulation measures and strengthened protection of intellectual property rights.

## **Annex II.1**

### **Institutional Changes in Trade-related Policy Areas**

1. Since Korea's initial Trade Policy Review in 1992, there have been a number of changes in the basic institutional framework governing the formulation and implementation of trade and investment policies.<sup>12</sup> The Ministry of Trade and Industry was merged with the Ministry of Energy and Resources in 1993 to form the Ministry of Trade, Industry and Energy (MOTIE). The restructuring was intended, according to the authorities, to exploit the synergies of a larger administrative unit and help advance deregulation and de-bureaucratization of the economy. In 1994, the Ministry of Finance and Economy (MOFE) was created as a result of merging the Economic Planning Board with the Ministry of Finance. The Korea Fair Trade Commission (KFTC), previously under the auspices of the Economic Planning Board, became an independent administrative agency under the Prime Minister in 1994; the KFTC's status was further upgraded in March 1996 (Chapter III(4)).<sup>13</sup> The current decision-making structure in trade-related policy areas is presented in Annex Chart II.1.

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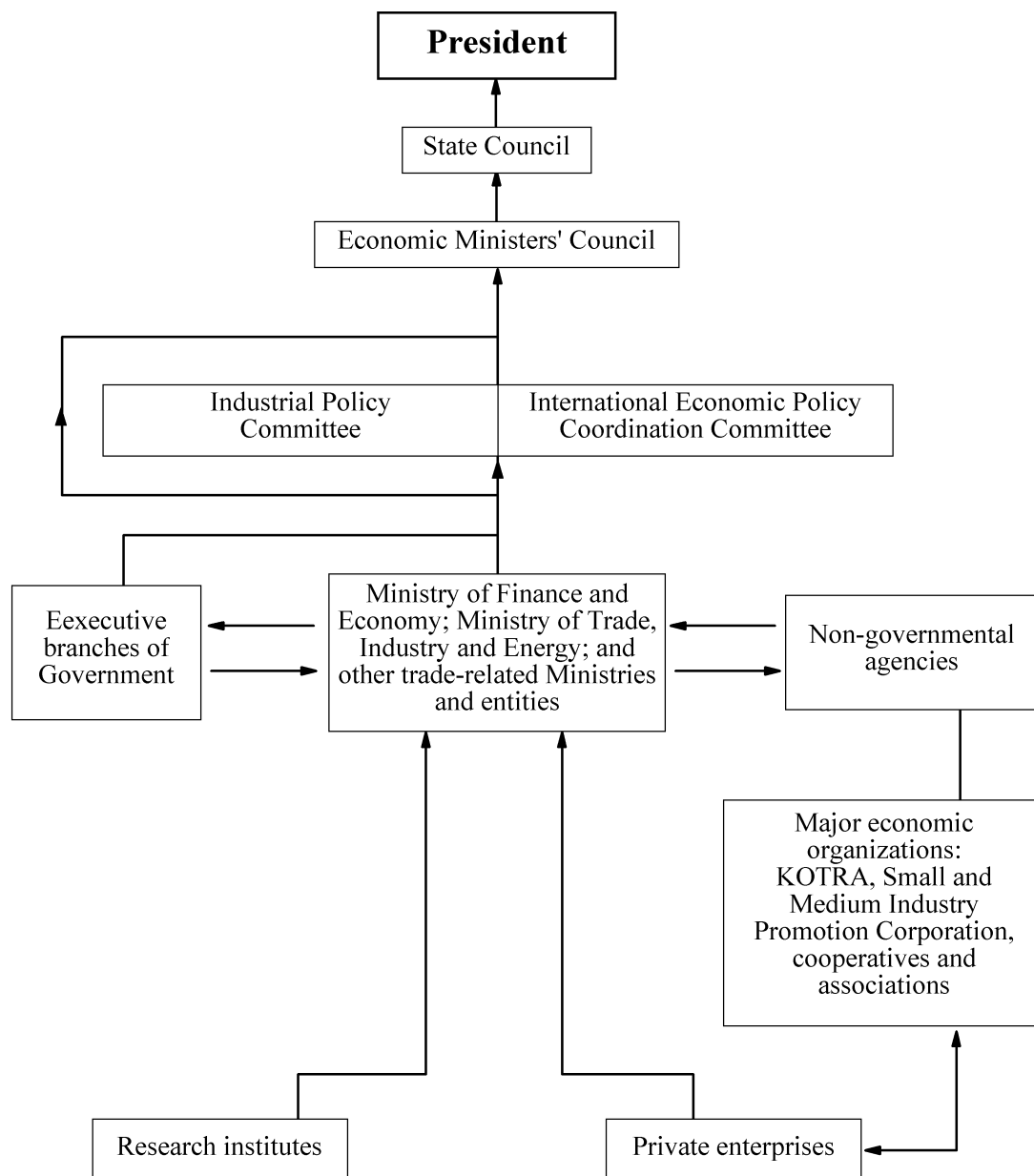
<sup>12</sup>See GATT (1992), pp. 37-48 for a detailed description of the previous policy structure.

<sup>13</sup>In May 1996, the President announced a government decision to establish a Ministry for Maritime Affairs consolidating the Fisheries Administration of Korea and the National Maritime Police Agency as well as maritime-related functions of existing ministries. The new Ministry would have responsibility for maritime and fisheries policies, port construction, ship management, ocean security, and ocean conservation (Korea Herald, 1 June 1996).



## Annex Chart II.1

### Decision-making process in trade-related policy areas



Source: Government of Korea.

## Annex II.2

### Trade Disputes and Consultations, January 1992 - July 1996

#### (1) Cases under GATT and WTO Provisions

1. In February 1992, a Panel was established under the Tokyo Round Agreement on Subsidies and Countervailing Duties concerning Korea's imposition of anti-dumping duties on polyacetal resins from the United States. The Panel found Korea's injury determination to be inconsistent with various Articles of the Agreement, and recommended that Korea bring its measures into conformity. The report was subsequently adopted, and Korea terminated the measure.<sup>14</sup>

2. The United States requested consultations with Korea in May 1995 in regard to the shelf-life of various products. The two countries notified the WTO in July 1995 that a mutually acceptable solution had been reached, including a revision of the shelf-life regulations concerned.<sup>15</sup> While the United States subsequently claimed Korea's implementation to be unsatisfactory, the Korean authorities stressed that all changes had been implemented as agreed<sup>16</sup>; in addition, shelf-life regulations would be liberalized by end-1988 for virtually all products, except for some highly perishable items.

3. The United States requested consultations with Korea in April 1995 and May 1996 in regard to testing, inspection and other procedures governing imports of agricultural products. The second request was based on perceived violations of GATT Articles III and XI; Articles 2, 5 and 8 of the Agreement on Sanitary and Phytosanitary Measures; Articles 2, 5 and 6 of the Agreement on Technical Barriers to Trade; and Article 4 of the Agreement on Agriculture.<sup>17</sup> According to the authorities, Korea made various regulatory changes between April 1995 and May 1996 to harmonize national with international inspection systems and shorten the period required for customs clearance.<sup>18</sup> In addition, Korea will introduce random sampling for laboratory tests and abolish current mandatory sorting requirements before import clearance as well as an obligation to specify the percentage share of all ingredients.

4. In November 1995 Canada requested consultations over regulations on the shelf-life and disinfection of bottled water, claiming inconsistencies with GATT Articles III and XI; Articles 2 and 5 of the Agreement on Sanitary and Phytosanitary Measures; and Article 2 of the Agreement on Technical Barriers to Trade. In April 1996, the two parties announced they had reached a settlement under which Korea undertook to amend the relevant laws and regulations.<sup>19</sup>

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<sup>14</sup>GATT documents ADP/092, 2 April 1993, and ADP/M/40, 15 September 1993.

<sup>15</sup>WTO documents WT/DS5, 5 May 1995, and WT/DS5/5, 31 July 1995.

<sup>16</sup>In October 1995, 207 items were liberalized, followed by 10 and 44 items in March and July 1996, respectively.

<sup>17</sup>WTO documents WT/DS3, 6 April 1995, and WT/DS41, 31 May 1996.

<sup>18</sup>The measures taken include an "Expedited Clearance System for Fresh Fruits and Vegetables", a "Pre-arrival Application System" and a "System for the Recognition of Authorized Foreign Sanitation Inspection Agencies and their Test Certificates".

<sup>19</sup>WTO documents WT/DS20, 22 November 1995, and WT/DS20/6, 6 May 1996.

5. In May 1996 the European Communities requested consultations in regard to laws, regulations and practices in the telecommunications sector. The EC felt that the procurement practices of Korea Telecom and the Dacom company discriminated against foreign suppliers, and that the Korean Government had favoured U.S. suppliers under two bilateral agreements.<sup>20</sup>

(2) Other Fora

6. Korea maintains a variety of bilateral contacts with major trading partners, in particular Japan, the United States and the European Union, to deal with trade problems.

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<sup>20</sup>WTO document WT/DS40, 20 May 1996. The authorities have repudiated the legal and/or factual foundations of these claims, indicating that consultations were currently being held on some of the issues involved.