

## Korea's Bogor Goals Progress Report (as at 8 August 2014)\*

### Highlights of Achievements and Areas for Improvement

- Despite initiatives to reduce MFN tariffs, the average MFN tariff rate is still high, in particular in the agriculture sector.
- MFN tariff peaks above 50 per cent still remain in 1.5 per cent of tariff lines.
- No licensing, registration or notification is required for exporters and importers.
- Liberalization of services sectors has continued in recent years, but restrictions in foreign ownership are still in force in a number of specific sectors.
- Efforts to attract more FDI through tax incentives
- Korea is increasing the alignment of its domestic standards to international standards.
- The implementation of Authorized Economic Operators programs and the Advance Manifest System are helping to expedite customs procedures and strengthen security systems.
- Solid intellectual property rights system. Amendments to domestic regulations to strengthen IPR.
- Ongoing efforts to simplify Korea's regulatory system. Regulations are regularly assessed to ensure their relevance.
- Korea is building an extensive FTA network and implementing commitments with FTA partners to liberalize trade in goods, services and investments.

### Summary of Topics

#### Tariffs

Korea's simple average MFN tariff rate was equivalent of 13.3 per cent in 2012, higher than the rate reported in the 2011 (12.6 per cent). However, this is not explained by an increase of protectionism, but by the implementation of the 2012 HS nomenclature, which includes additional tariff lines subject to high tariff rates. In fact, Korea is trying to achieve further liberalization by reducing tariffs on 37 products in 2012 and 6 products in 2013.

Nearly 90 per cent of the tariff lines are subject to MFN tariffs below 15 per cent. However, 1.5 per cent of the tariff lines are subject to MFN tariffs above 50 per cent. Tariffs are still high in some sectors, in particular in the agriculture sector. The average MFN tariff for agricultural products is more than eight times higher than that for non-agricultural products.

Non-ad valorem duties are applied to certain products, mostly agricultural products.

#### Non-Tariff Measures

No licensing, registration or notification is required to exporters or importers. 92 export/import prohibitions and restrictions are applied, but they have been notified at WTO and reported to be in compliance with international agreements and implemented for legitimate reasons such as the

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\* This brief report was prepared with information from Korea's submission of 2014 APEC Individual Action Plan (IAP) template; the WTO SPS and TBT Information Systems; and the 2012 WTO Trade Policy Review – Report by the Secretariat - Korea.

protection of morals; human, animal or plant life or health; environmental conservation; or essential security interests.

### Services

Liberalization of services sectors has continued through the implementation of RTA/FTAs, in particular, by making commitments in the FTAs with the United States and the European Union.

In order to facilitate the international exchange of professional architects, the Certified Architects Act was amended and entered into force in May 2012. The amendment includes the reformation of the examination system, the reinforcement of on-the-job training and the introduction of an architect registration system, among others.

Changes also took place in the maritime agency services sector. The Ministerial Decree on Maritime Transport was amended and entered into force in October 2011, in order to simplify registration requirements.

Some restrictions in foreign ownership remain in certain sectors such as telecommunications and air transport.

### Investment

In order to attract FDI, Korea is providing incentives to attract headquarters of global businesses and R&D centers, through the reduction of corporate, income and property taxes, as well as exemptions on tariffs, value-added tax and certain excise duties. In addition, Korea is working on improving on the predictability and transparency of policies for foreign investors.

As at September 2013, Korea had reported Bilateral Investment Treaties (BIT) with 95 economies. BITs with 87 economies were enforced by that time.

### Standards and Conformance

As at July 2014, 13,373 out of 20,192 standards in Korea had been harmonized with international standards, equivalent to an adoption rate of 66.2 per cent. The adoption rate has increased in recent years. The previous 2012 Bogor Goals Progress Report had mentioned that Korea's adoption rate was equivalent to 60 per cent by December 2010.

Korea is actively participating in international standardization activities at international bodies, such as International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO). Korea is a participating member in 737 ISO technical committees and sub-committees (TC/SCs) and 187 IEC TC/SCs.

By the end of July 2014, five specific trade concerns raised against Korea at the WTO SPS Committee had not reported a resolution. The most recent unresolved concern involved fishery products. Similarly, 30 specific trade concerns against Korea raised at the WTO TBT Committee had not reported a resolution. The most recent concerns involved the establishment of a self-certification system for car parts and a labelling regime for cell phones.

### **Customs Procedures**

In terms of activities to streamline customs procedures, Korea introduced the Advance Manifest System, which helps to facilitate trade and enhance logistics security at the same time.

Korea has concluded Mutual Recognition Arrangements on Authorized Economic Operators with nine economies. Korea has also been in consultation with Chile regarding the establishment of an exchange system for electronic certificates of origin under the Korea-Chile FTA.

### **Intellectual Property Rights**

In recent years, Korea has implemented reforms in its IPR system as part of its commitments in the Korea-United States FTA and World Intellectual Property Organization (WIPO) treaties. In particular, Korea incorporated new amendments to the Copyright Act, which entered into force in March 2012. The amendments expand the protection to temporary reproduction of copyright works and require online services providers to provide information of alleged infringers. The protection of copyrights was extended from 50 to 70 years.

Among other changes, the Patent Act was amended to simplify patent application procedures. The Trademark Act was also modified to expand the type of protected types of trademarks and include sound and scent trademarks. The Design Protection Act was amended to extend the scope of multiple designs by allowing an applicant to file up to 100 designs and extend the protection period from 15 years since the date of registration to 20 years since the date of application. Korea joined the Hague System on March, 2014 and started providing international industrial design registration services as at July 2014.

### **Competition Policy**

After the adoption of the Competition Impact Assessment in 2009, Korea conducted a competition assessment on 407 Bills, by 2012, to be enacted or amended. The assessments suggested market-friendly alternatives to 26 Bills which could restrict competition.

In order to create a fair trade atmosphere between conglomerates and SMEs, Korea introduced the Act on Fair Transactions between Large Franchises and Retail Businesses, which entered into force in January 2012.

Korea is also strengthening international cooperation in this area. In 2012, Korea and China signed a Memorandum of Understanding on competition policy.

### **Government Procurement**

To promote fair dealing and transparency, Korea started the Ombudsman Program in 2013, in which civil ombudsmen are invited to monitor the evaluation process of proposals for large scale constructions, IT services, among others. Moreover, Korea established an Online Subcontract Management System to enable electronic business dealings such as subcontracting, payment monitoring, among others.

Korea reported that it has implemented additional liberalization in government procurement after the FTA with the United States entered into force in March 2012.

### **Deregulation/ Regulatory Review**

One of the Korean Government's objectives is to improve Korea's regulatory system, by simplifying it and reducing the cost of the regulations. In this regard, Korea has been simplifying or eliminating excessive or unnecessary paperwork, in particular on those affecting SMEs mostly.

Korea is constantly assessing regulations to make sure they are relevant and do not overlap with other regulations.

### **Dispute Mediation**

Korea is actively participating in the negotiations of the Dispute Settlement Understanding at WTO.

### **Mobility of Business People**

Korea started the implementation of the Korea-United States automatic immigration clearance service in June 2012. A similar scheme started with Hong Kong, China's residents in December 2013. The intention is to facilitate travel and enhance border control systems.

### **RTAs/FTAs**

Korea has reported nine RTA/FTAs in force<sup>1</sup> and two RTA/FTA negotiations concluded. Currently, Korea is actively involved in seven negotiations towards a trade agreement, including the Regional Comprehensive Economic Partnership.

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<sup>1</sup> Korea's RTA/FTAs in force are the following ones: Korea-Chile (2004), Korea-EFTA (2006), Korea-Singapore (2006), Korea-ASEAN (2007), Korea-United States (2012), Korea-India (2010), Korea-EU (2011), Korea-Peru (2011), Korea-Turkey (2013).