

THE KOREAN IMPORT REGIME

ISSUE

In an effort to increase the competitiveness of domestic industries and to ease friction with its major partners, the Korean government took steps over 1988-89 to abolish some restrictive import policies. While these measures should be acknowledged, the Korean government should be encouraged to proceed with further import liberalization, which slowed in pace over 1990. The Korean trade deficit and concerns over a fall in economic growth has prompted some anti-import actions such as the government's anti-consumption crusade and a one year delay in scheduled delays in tariff cuts.

BACKGROUND

The Korean Foreign Trade Act is the major operative piece of legislation which gives the Minister of Trade and Industry (MTI) power to, inter alia, take action to increase or to restrict the export and import of goods. The Act requires anyone wishing to operate a trade business to obtain a licence under conditions or qualifications established by MTI. Such conditions are determined separately for foreigners.

In order to obtain a licence to operate a trade business (i.e. to import under its own name) a firm must register with the Korean Foreign Traders Association (KFTA). MTI also determines and publishes the classification of an item for import and export as "automatic approval" or "restricted approval". All items require an import licence. Control of this is established through the banking system. For an item subject to automatic approval, the registered importer applies to a bank (which must be licensed to deal in foreign exchange) for approval and issuance of a letter of credit.

The criteria for choosing restricted items are imprecise. However, it is clear that one criterion is the protection of local producers, and another is the balance of international payments. An importer wishing to import a restricted item must apply to the Ministry, or other agency (usually an industry cooperative) identified in the notice, to obtain an import licence. The licence may or may not be issued, depending on criteria which is determined for each case. What is clear is that an application must be made for each import, since licensing authorities can and do change their responses depending on prevailing conditions (i.e. would this harm local producers even though the last application was allowed).