

5. FOREIGN TRADE AND TRADE POLICY

5.1 Factors Influencing Trade

Despite Korean assurances that trade is conducted on the basis of competitiveness in price and quality, a number of government practices and policies act as barriers to Canadian exports. The main sectors affected by these barriers are the agricultural sector and manufactured products.

Major barriers are as follows:

1. Import prohibition on a wide range of agricultural products of export interest to Canada. All goods imported into Korea require a license. Currently 87.7 per cent of items imported into Korea are approved automatically. The remaining items, which consist predominantly of agricultural and consumer items, are prohibited. Banned agricultural items of export interest to Canada include dehydrated alfalfa, barley, cattle and beef. Table 2 summarizes the tariffs on a number of agricultural products.
2. Procurement decisions influenced by political considerations. A major preoccupation in recent years has been to shed Korea's traditional image of the "hermit kingdom". Efforts to rally political support vis-a-vis North Korea have reinforced this attitude together with economically driven policies aimed at expanding market access for Korean export products. Purchases guided by these considerations include potash from Jordan and anthracite from China. Canada is a competitive supplier of both these products.
3. Procurement policies discouraging purchase of foreign finished products. For most manufactured products, sales must be made through joint venture arrangements and, increasingly through transfers of technology to Korea. The reasons Canadian manufacturers do not like this arrangement are: i) the lack of intellectual property protection (new measures have been announced to protect copyrights and foreign patents in selected sectors effective in 1987); ii) the perception that the Koreans are not willing to pay a fair value for foreign technology; iii) the desire to "package" the technology with sales of equipment; and iv) the fear that Korea will use the technology to compete with Canada in established foreign markets.
4. Canada is still perceived as a supplier of raw materials.
5. Traditional links with the USA going back to the Korean war. Examples of such links include tendering procedures favouring US agricultural products and heavy procurement of US military equipment (defence budget procurement of US \$6 billion).