KOREAN PREFERENTIAL CREDIT POLICY (GSM 102)

ISSUE

The Republic of Korea (ROK) continues to allow the U.S.A. the exclusive right to provide long-term credit on agricultural products, under regulations pursuant to the Foreign Exchange Control Act. There is a specific exemption for products imported with credits provided by the Commodity Credit Corporation (CCC) of the United States under its General Sales Manager (GSM) 102 Credit Program.

BACKGROUND

The ROK restricts the use of credit on the importation of agricultural commodities. Credit is limited to 120 days (not longer than 60 days if the exporter is located less than 10 days sailing time from Korea). An exception to extend the time limit to 360 days is granted in the case of imports under the GSM 102. This credit is available exclusively to U.S. exports.

Korea has utilized the GSM Credit Program since 1979. In 1988, the ROK declared its intention to discontinue the use of the GSM credit, but following its annual agricultural consultations with the U.S., the policy was extended. For the fiscal year ending September 1991, the Korean government is utilizing the GSM 102 program to the amount of U.S. $512 million (U.S. $160 million for wheat).

The Export Development Corporation's (EDC) Bulk Agricultural Programs can provide identical support to Canadian exporters. Wheat sold by the Canadian Wheat Board is also eligible for the Credit Grain Sales Program under similar terms, but Korean importers are not allowed to use the Canadian programs.

KOREAN POSITION

The ROK Ministry of Finance officials are reluctant to allow additional credit programs to qualify under the legislative exemption, since they claim it is the government's intention to phase out the use of the GSM program over the next 3-4 years.

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