

Chapter 5

Republic of Korea

TARIFFS

High Tariff Products

* This particular case was included in light of the following concerns despite it being a trade or investment policy or measure that does not expressly violate the WTO Agreements or other international rules.

<Outline of the Measure>

While the current simple average bound tariff rate for non-agricultural products is 9.8%, there are some high bound tariff products, including clothing (maximum 35%), electric appliances (maximum 20%), generators (maximum 13%), etc. Also, the bound tariff rate for non-agricultural products is 94.1% as a whole. Unbound tariff items include motor vehicles for the transport of goods (maximum applied tariff rate of 10%) and chemicals (maximum applied tariff rate of 8%).

<Concerns>

High tariff rates themselves do not, per se, conflict with WTO Agreements unless they exceed the bound rates. However, in light of the spirit of the WTO Agreements of promoting free trade and enhancing economic efficiency, it is desirable to reduce tariff rates to the lowest possible rate.

<Recent Developments>

With the aim of expanding the number of items subject to elimination of tariffs on IT products, ITA expansion negotiations were launched in May 2012, and an agreement was reached in December 2015. Elimination of tariffs on 201 items started gradually in July 2016, and elimination of approximately 90% of tariffs on the subject items is planned to be completed by July 2019. By January 2024, tariffs on all 201 items will have been completely eliminated for 55 members (see 2. (2) "Information Technology Agreement (ITA) Expansion Negotiation" in Chapter 5 of Part II for details). As for the Republic of Korea, elimination of tariffs started in December 2016. For example, high tariff items for which tariffs are to be eliminated by the Republic of Korea include polishing pads (30%), wireless operation controllers (20%), microphones (16%), etc. Tariffs on all subject items including the above items will be eliminated gradually and will have been completely eliminated by 2023.

Anti-Dumping Measures

(1) AD Measure on Japanese-Made Valves for Pneumatic Transmissions

<Outline of the Measure>

In February 2014, upon request of the domestic industry, the government of the Republic of Korea initiated an anti-dumping (AD) investigation into the importation of valves for pneumatic transmissions from Japan. In January 2015, the Korean government made a final determination to impose AD duties on these products on the basis of dumping, injury to the domestic industry and a causal relationship between them, and started to levy the duties in August of the same year.

<Problems under International Rules>

The Republic of Korea has not provided a persuasive explanation regarding the effect of imported goods on the price of domestically-made products (Article 3.1, 3.2 of the AD Agreement) in this case. Therefore, it is considered that there are defects in confirmation of injury to the domestic industry by dumping and a causal relationship (Article 3.1, 3.2, 3.4 and 3.5 of the AD Agreement) and investigation procedures of disclosing essential facts (Article 6.9 of the AD Agreement), etc. In conclusion, the Republic of Korea's AD measure appears to be in violation of the AD Agreement.

<Recent Developments>

Japan had requested the Korean government to eliminate the AD measure, which was inconsistent with the AD Agreement, and made efforts to solve the case by bilateral dialogue, but did not reach a solution. Thus, in March 2016, Japan requested bilateral consultations on the AD measure based on the WTO Agreements. Based on the consultation results, on June 9, 2016, Japan requested the WTO to establish a panel examination the AD measure, and the panel was established on July 4, 2016.

Japan will advance additional WTO dispute settlement procedures so that the case will be solved appropriately in accordance with the WTO rules.

(2) Sunset Review of Japanese Stainless Steel Bars

<Outline of the Measure>

In June 2016, the Korean government initiated a sunset review on stainless steel bars from Japan. Based on the review, in June 2017, the Korean government decided to extend the taxation measure for three more years.

<Problems under International Rules>

Article 11.3 of the AD Agreement sets out that in principle, any AD duty shall be eliminated within five years of the date of imposition of the duty or the date of the latest revision to the duty, and that AD measures may be continued as an exception only if the elimination of the AD duty would be likely to lead to continuation or recurrence of dumping and injury. In this case, many products imported from Japan are used for special purpose while those imported from India, which is another subject country of the investigation, and domestic products are used for general purpose. In the midst of a significant increase in imports of stainless steel bars from China, Taiwan and other countries which the AD duty is not imposed, it is uncertain that non-continuation of AD measures on Japanese imports would be likely to lead continuation or recurrence of injury. Thus, the Republic Korea's AD measure appears to be in violation of the AD Agreement.

<Recent Developments>

In October 2016, April and October in 2017, at the WTO AD Committee, Japan pointed out the problems under international rules mentioned above and expressed its serious concern about the prolongation of the measure. The Japanese government expressed the same concerns at a public hearing held by the Korean investigating authority in November 2016 with regard to the AD measure and in a written statement submitted in May 2017. As the Korean government nonetheless decided three-year extension of the taxation measure in June 2017, and Japan will consider future responses for the matter.

Commitments upon Accession

(1) Act concerning Registration, Evaluation, etc. of Chemical Substances

Refer to page 139 of the 2017 Report on Compliance by Major Trading Partners with Trade Agreements -WTO, FTA/EPA and IIA-.

(2) Import Restrictions on Japanese Fishery Products, etc.

<Outline of the Measure>

After the accident at the Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company (TEPCO) in March 2011, the Republic of Korea gradually introduced import restrictions on Japanese fishery products, etc. Thus, the Republic of Korea strengthened its import restrictions, such as (i) prohibiting imports of all fishery products produced in the eight prefectures of Aomori, Iwate, Miyagi, Fukushima, Ibaraki, Tochigi, Gunma, and Chiba, and (ii) requiring additional inspections for food of which import is not prohibited (if the slightest amount of cesium or iodine is detected in an inspection conducted by the Korean side, additionally requiring inspection certificates concerning substances including strontium and plutonium).

<Concerns under International Rules>

The import restrictions imposed by the Republic of Korea are inconsistent with Articles 2.3, 5.5 and 5.6 of the SPS Agreement in that they are measures that arbitrarily or unjustifiably discriminate against Japanese fishery products, etc. and are more trade-restrictive than necessary, among other respects. In addition, they are inconsistent with Articles 4, 5.8 and 7 of the SPS Agreement because the Republic of Korea has provided insufficient information concerning the import restrictions in response to Japan's request.

<Recent Developments>

To date, Japan has urged the Republic of Korea to relax or abolish the import restrictions by holding bilateral talks, raising specific trade concerns at the WTO Committee on Sanitary and Phytosanitary Measures, and accepting field investigations by members of an expert committee established in the Republic of Korea. Japan requested consultations based on the WTO Agreements in May 2015, and a bilateral consultation between Japan and the Republic of Korea was held in June of the same year. However, because the Korean side did not present outlook proposal for abolishing the import restrictions, Japan requested the establishment of a dispute settlement panel under the WTO Agreements in August 2015. After two-and-a-half-year examination since the establishment of the panel in September 2015, the panel report was released in February 2018. In the report, the panel has recognized that the import restriction measures against fishery products produced in 8 prefectures in Japan and additional inspection request for all Japanese food violate the Articles 2.3 and 5.6 of the SPS Agreement because they arbitrarily or unjustifiably discriminate against Japanese fishery products, and are more trade-restrictive than necessary. The panel has also found that the Republic of Korea is in violation of Article 7 of the SPS Agreement because it does not release the information immediately so that member nations with a valid interest can know due to failure in publication and provision of insufficient information concerning the measures.

