

Chapter 5

REPUBLIC OF KOREA

TARIFFS

High Tariff Products

<Outline of the measure>

The simple average bound tariff rate for non-agricultural products as a result of the Uruguay Round is 10.1%. However, the textiles and textile products sector maintained, on average, higher tariffs (*e.g.*, 19.4% with a maximum 35%). In addition, high tariffs were maintained on other items, including optical apparatus (maximum 35%), copper products (maximum 13-16%) and aluminum products (maximum 13-16%). The binding ratio for electrical equipment is 70.3%, while the binding ratio for industrial goods as a whole is 93.8%. Unbound tariff items include motor vehicles for the transport of goods (applied tariff rate of 10%), generators (applied tariff rate of 8%), and chemicals (applied tariff rate of 8%).

Since its accession to Information Technology Agreement (ITA) in July 1997, the Republic of Korea eliminated tariffs on information technology products by 2004. Korea also agreed to reduce tariffs on automobiles (maximum 80%) to a flat rate of 8% in February 1999.

<Problems under international rules>

Higher tariff rates do not, *per se*, conflict with WTO Agreements. However, from the viewpoint of promoting free trade and enhancing economic welfare, it is desirable to reduce tariffs to the lowest possible rate.

<Recent developments>

Market access negotiations in the DDA for non-agricultural products are ongoing and include negotiations on reducing and eliminating tariff rates. The aforementioned liberalization efforts by Korea are helpful, but further liberalization is expected, since Korea is an OECD member and, as a developed country, should be a leader in promoting free trade.

PROTECTION OF INTELLECTUAL PROPERTY

Issues related to Counterfeit, Pirated and other Infringing Products

Korea enacted changes to improve its intellectual property rights (IPR) legal system prior to 1999, in advance of the time limit set under the TRIPS Agreement. Japan welcomes Korea's commitment to put this system in place, including undergoing an implementation review under the TRIPS Council.

However, a survey of Japanese companies (FY 2005 Survey Report on Losses caused by Counterfeiting, Japan Patent Office, March 2006) revealed that, among the companies that suffered damage in FY 2004, 22 percent of these companies cited Korea as the country where counterfeit and pirated products were manufactured. The statistics showed that approximately 56 percent of all cases (January 2006-June 2006) involving goods seized by Japanese customs officials for infringing intellectual property rights are imported from Korea. Japan's industries have persistently pointed out weaknesses in the administration of Korea's IPR system, including controlling counterfeit and pirated products. The problems are particularly overt in high-density, inner-city tourist areas where counterfeit goods are sold in plain sight. Japan repeatedly requested that Korea strengthen the improvement of its efforts to resolve these issues during a meeting of Japan Patent Office and Korean Intellectual Property Office Commissioners. In addition, the issue on protecting and enforcing intellectual property rights is being discussed in the context of the Japan-Korea FTA negotiations.

The Korean government has made some improvements, including enacting stiffer criminal penalties and changing the way damages are calculated. Korea also has revised its Unfair Competition Prevention and Trade Secret Protection Act by introducing regulations on dead copy in order to deal with counterfeit products. Japan appreciates these and other efforts by Korea which more than meet obligations under the TRIPS Agreement.

However, from the point of view of properly protecting intellectual property and ensuring compliance with the principles of the TRIPS Agreement, Japan still needs to monitor Korea's administration of its IPR legal system, while at the same time working to provide more information concerning specific issues raised by industry and rights holders. (*See General of Part I Chapter 3 on ASEAN.*)