

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>

The current simple average bound tariff rate for non-agricultural products is 10.2%. However, the clothing and thread sectors maintained, on average, high tariffs (28.4% with a maximum 35% for clothing). 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 74.0%, 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%).

<Concerns>

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

<Recent developments>

Negotiations regarding market access for non-agricultural products are ongoing in the Doha Round negotiations; they include negotiations on reducing and eliminating tariff rates. The aforementioned liberalization efforts by Republic of Korea are helpful, but further liberalization is expected, since Republic of Korea is an OECD member and, as a developed country, should be a leader in promoting free trade. In addition, with the aim of increasing the number of items subject to elimination of tariffs on IT products, ITA expansion negotiations have been taking place since May 2012 outside the Doha Round negotiations (see 2. (2) “Information Technology Agreement (ITA) Expansion Negotiation” in 5. of Chapter 5, Part II for details).

STANDARDS AND CONFORMITY ASSESSMENT SYSTEMS

Act concerning Registration, Evaluation, etc. of Chemical Substances

<Outline of the measure>

The government of the Republic of Korea adopted the “Act concerning Registration, Evaluation, etc. of Chemical Substances” in May 2013 (TBT notification date: September 2013, effective date: scheduled for January 2015) with the aim of collecting information on chemical substances and then utilizing it to help protect human health and the environment. In addition, their government then published the “(Draft) Order regarding Enforcement of the Act concerning Registration, Evaluation, etc. of Chemical Substances” and the “(Draft) Ordinance regarding Enforcement of the Act concerning Registration, Evaluation, etc. of Chemical Substances” in February 2014 (TBT notification date: February 2014, effective date: scheduled for January 2015).

This system also obligates all the producers and importers of chemical substances in the Republic of Korea to register with the Korean government information regarding the use and hazardous properties of chemical substances. However, for existing chemical substances the aforementioned registration is only necessary when one or more tons of specific substances are produced/imported annually. Conversely, from January 1, 2020, new chemical substances must be registered and four types of hazardous property information submitted even for small amounts of more than 100 kg but less than one ton annually.

The risk a chemical substance can pose to human health or the environment when produced/imported in small amounts of less than one ton is considered slight, and hence they are exempt from registration or only a simple registration without any hazardous property information required in many other major countries (Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. of Japan, U.S. TSCA, EU REACH, Act No. 6969 of the Republic of the Philippines, etc.). Under this system, however, hazardous property information is required even for chemical substances produced/imported in the above-mentioned small amounts. In addition, polymers are typically stable in acidic and alkaline solutions and not readily absorbed by living organisms. They are therefore considered unlikely to negatively affect human health or the environment; however, hazardous information regarding them and according to their category based on the produced/imported volume still is required. As described above, this regulation thus imposes an unreasonable burden on business operators in light of the objectives of that policy.

Under this system, for both existing chemical substances and new chemical substances, the hazardous information required in the registration process can partly be replaced by testing protocols. However, only Korean domestic testing institutions can carry out the pertinent testing protocols; overseas testing institutions cannot.

<Problems under international rules>

As described above, this regulation requires registration accompanying hazardous

property information on new chemical substances with annual volumes of more than 100 kg but less than one ton, as well as the submission of information regarding the hazardous properties of polymers that are considered stable and not readily absorbed by living organisms. Less trade-restrictive measures that would exclude the above cases in which the risk they pose to human health and the environment is slight would be more than sufficient to achieve the objectives of that policy. This point of view gives rise to the consideration that the regulation hinders trade for no reason as it imposes an unreasonable obligation on business operators in light of the policy objectives of the system -- that is, to protect human health and the environment. It may also violate Article 2.2 of the TBT Agreement.

There is also the concern that foreign companies are being unfairly treated because part of the hazardous property information can only be replaced with testing protocols carried out by Korean domestic testing institutions, which could be a violation of Article 2.2 of the TBT Agreement.

<Recent developments>

Japan expressed its concern together with the United States to the Republic of Korea at a TBT Committee meeting held in October 2013. Japan intends to pay close attention to future developments regarding this system and, in cooperation with other countries that have similar concerns, to request that the regulation be improved.