Case Number: 2009-0528-F

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Folder Title:
Korea [1]

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National Economic Council-Tyson, Laura

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. cable	re: South Korea. (2 pages)	09/27/1995	P1/b(1)
001b. cable	re: Seoul. (3 pages)	09/27/1995	P1/b(1)
001c. cable	re: Japan-U.S./Photographic Film. (2 pages)	09/26/1995	P1/b(1)
002. talking points	Talking Points for Tyson Meeting with Lee Han. [annotated] (2 pages)	n.d.	P1/b(1)
003. briefing paper	Meeting with President Kim Young-sam. Record ID: 9705453. (4 pages)	07/27/1995	P1/b(1)
004. briefing paper	For Laura Tyson from Helen Walsh and Michael Froman. Subject: Briefing for your Participation in the Korean State Visit. (3 pages)	07/25/1995	P1/b(1)
005a. briefing paper	President's Meeting with Korean President Kim. (2 pages)	07/26/1995	P1/b(1)
005b. briefing paper	Meeting with President Kim Young-sam. Record ID: 9505453. (4 pages)	07/25/1995	P1/b(1)
005c. talking points	Points to be Made for Meeting with President Kim Young-sam. (4 pages)	07/25/1995	P1/b(1)
005d. report	U.S. Government Report. (2 pages)	07/13/1995	P1/b(1)
005e. report	U.S. Government Report. (1 page)	07/14/1995	P1/b(1)
005f. report	U.S. Government Report. (2 pages)	07/18/1995	P1/b(1)

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National Econonomic Council
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Korea [1]

2009-0528-F
vz1418

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005g. report	U.S. Government Report. (1 page)	07/17/1995	P1/b(1)
005h. memo	For the President from Strobe Talbott. Subject: State Visit of South Korean President Kim Young-sam. (2 pages)	07/21/1995	P1/b(1)

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E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

26-Sep-1995 01:58pm

TO: Laura D. Tyson

FROM: Michael B. Froman
National Economic Council

CC: Thomas O'Donnell
CC: Dena B. Weinstein

SUBJECT: Korean Auto Displacement Tax

NOTE FOR LAURA TYSON:

I just returned from California and found the voicemail message/question you left regarding the Korean engine displacement tax. As I understand it, a number of other countries do have similar taxes, although most are moving away from pure engine size taxes to taxes based on emissions, etc. -- that is, taxes more directly linked to environmental concerns.

The U.S. is not objecting to Korea's displacement tax per pe, just to the manner in which it is structured. For example, for engines between 1000 cc and 2000 cc, the tax rate increases in increments of 20-30 yuan. However, once the engines get above 2000 cc (i.e., non-Korean autos), the taxes jump from 250 yuan for 2000-2500 cc to 410 yuan for 2500-3000 cc to 630 yuan for engines more than 3000 cc.

The USG seeks to flatten this curve. Our current proposal is to apply 250 yuan to all engines above 2000 cc.

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THE WHITE HOUSE

WASHINGTON

August 9, 1995

INFORMATION

MEMORANDUM FOR LAURA D. TYSON
W. BOWMAN CUTTER

THROUGH: ROBERT D. KYLE WK

FROM: MICHAEL FROMAN MF

SUBJECT: Korean Trade Issues

You asked for further information on the nature and timing of potential trade conflicts with South Korea. Below is a description of the main issues on the upcoming agenda:

Cigarettes: In 1988, following a Section 301 investigation, the U.S. signed an agreement regarding access to South Korea's cigarette market. While the Korean cigarette monopoly continues to control 94% of the domestic market, the Government of Korea (GOK) intends to abrogate the agreement: On **September 1, 1995,** a law will go into effect which will allow the GOK to impose multiple taxes on cigarettes and to raise those taxes whenever it wishes. (The bilateral agreement requires the GOK to secure the consent of the USG to raise the single, permitted tax on cigarettes.) Given the Administration's general orientation toward cigarettes, USTR intends to acquiesce in Korea's abrogation of the agreement, but the U.S. industry and its supporters on the Hill (e.g., Senator Helms) might push for a stronger response.

Autos: Korea is the fifth largest auto maker and has the fastest growing auto market in Asia, but imports make up only 0.3% of its domestic market (vs. 5% in Japan). The U.S. industry's share is 0.2%. Korea's auto practices have been on the Super 301 "watch list" since 1993. In the last year, there has been some progress on standards issues. However, a number of obstacles remain, including the GOK's discriminatory tax scheme and its prohibition against foreigners offering car loans and leases to non-commercial customers. The biggest obstacle remains the legacy of the GOK's anti-import campaign. (The GOK used to require taxpayers to list the make and model of the cars they owned -- and audited those with foreign cars.)

USTR/Commerce currently are analyzing whether the taxes levied on autos based on engine size are sufficiently discriminatory against imports as to merit a national treatment case in the WTO. The interagency 301 committee is considering whether to designate Korea for its auto practices under Super 301 on **September 30, 1995**. The views of the U.S. industry are unclear: On one hand, Ford and General Motors have written to Ambassador Kantor urging him to build on the momentum of the Japan auto talks to open Korea's market. On the other, the 301 petition submitted by the U.S. automakers trade association stopped short of requesting designation under Super 301.

Shelf Life: As you recall, USTR reached an agreement on June 20, 1995 regarding the shelf-life requirements for meat and other food products. The agreement calls on the GOK to permit manufacturers of all non-meat food producers to set their own shelf-life requirements by **October 1, 1995**, and to permit meat manufacturers to do the same by **July 1, 1996**. The affected U.S. industries -- particularly the beef and pork industries -- will be monitoring GOK compliance with these obligations.

Telecommunications: In 1989, Korea was designated under Section 1377 for standards, procurement, tariff and investment problems. Despite the negotiation of a number of agreement since 1989, many of those problems remain, including restrictions on investment, theft of technology, refusal to recognize the certification of foreign equipment, and a lack of transparency in procurement decisions. USTR may consider initiation of an out-of-cycle review on Section 1377 **this fall**.

Residue Testing/Inspection: U.S. citrus and almond exporters have submitted a 301 petition regarding delays in clearing perishable products through Korean ports. As Korea opens its agricultural market consistent with its Uruguay Round obligations, this problem is expected to worsen. In response to WTO consultations in April 1995, Korea revised its inspection procedures, but it is unclear whether these changes are an improvement. If this issue is not resolved, USTR may request the formation of a WTO panel in **December 1995**.

IPR Protection: The story on the IPR front is mixed. The promising news is that the GOK is trying to implement its TRIPS obligations (vs. claiming developing country status) and that it has decided not to adopt a law permitting software decompilation. However, there are a number of outstanding IPR problems. The GOK is considering shortening the term of retroactive copyright protection and establishing a software clearinghouse, like that in Japan, which would require foreign software producers to register and license their products. Decisions on further action would come in **April 1996**, as part of the Special 301 process.

Pipe and Tube: On June 11, 1995, the U.S. reached agreement with Korea on a consultative mechanism for dealing with GOK practices (e.g., quantitative export restrictions on steel sheet) which permit Korean pipe and tube producers to capture significant market share through low-cost pricing. The consultative group will meet periodically **over the next 12 months.**

Medical Devices: After China, Korea is the fastest growing market for U.S. medical equipment producers. Nonetheless, there remain serious obstacles to the Korean market, including the GOK's refusal to recognize international standards and its insistence on inspecting each medical device individually at Customs, risking contamination. At some point, the U.S. industry may consider initiating a Section 301 investigation.

We will update you on further developments as the date for decision in each area approaches.

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Charshi

TALKING POINTS

- o ONE IMPORTANT AREA WHERE WE NEED TO WORK TOGETHER MORE COOPERATIVELY IS AUTO MARKET ACCESS.
- o AS YOU KNOW, WITH OUR IMMEDIATE CONCERNS WITH JAPAN ~~NOW~~ RESOLVED, THE U.S. AUTOMOTIVE INDUSTRY HAS NOW MADE KOREA ONE OF ITS NEXT PRIORITIES.
- o THE RESULTS OF RECENT BILATERAL TALKS WERE POSITIVE IN ONE AREA: KOREA'S TYPE APPROVAL SYSTEM.
- o I HOPE THE CHANGES PROPOSED BY THE MINISTRY OF CONSTRUCTION AND TRANSPORTATION WILL BE IMPLEMENTED AS SOON AS POSSIBLE.
- o WE WERE DISAPPOINTED, HOWEVER, WITH THE LACK OF PROGRESS IN OTHER KEY AREAS--- TAX AND FINANCING REFORM IN PARTICULAR.
- o WE NEED TO MOVE FORWARD ON THOSE ISSUES BEFORE THE SUPER 301 REVIEW TAKES PLACE IN SEPTEMBER.
- o I HOPE YOU CAN BE OF HELP IN THIS MATTER SO THAT WE CAN BOTH AVOID A CONTENTIOUS TRADE DISPUTE.

BACKGROUND

In 1994, Korea became the 5th largest motor vehicle manufacturer in the world, yet it imported only .02 percent of the cars sold in its national market (compared to 5 percent in Japan and 25 percent in the United States). The United States met throughout 1994 with Korean officials to discuss steps to eliminate Korea's informal and formal restrictions on motor vehicle imports. Korea agreed to lower its tariff to 8 percent, to liberalize financing restrictions to allow foreign participation of up to 49 percent, to modify their standards approval process, to increase TV advertising time and eliminate retail distribution restrictions.

While these measures were welcome, the United States continues to seek improved market access. In June, Korea agreed to several reforms in the standards areas to take effect in January. However, Korea has rejected our main requests to 1) reduce discriminatory taxes based on engine size and value aimed at imported autos, 2) allow foreign firms to participate fully in the auto-financing market in 1996 and 3) take more concerted action to reverse the effects of a government campaign against imported cars initiated several years ago (referred to as the "consumer perception issue").

Attached is a draft list of priority concerns that the Department of Commerce is preparing in coordination with the U.S. auto industry, who plans to ask the Administration to name Korea as a priority foreign country under Super 301 this year.

necessary to resolve these issues more amiably. Would that make sense?

WTO Financial Services (If asked)

-- The U.S. made its final WTO commitments in financial services on June 30. We would be pleased if Korea maintained its best offer.

-- We will give Korea full credit for its WTO commitments when it negotiates to join the OECD. We cannot promise, however, not to seek additional financial services liberalization in those negotiations since the OECD generally has a higher standard for liberalization than the WTO.

REPUBLIC OF KOREA
Economic Situation

Overview

- Concern that the economy is ~~overheating could~~ slow liberalization. A number of reform measures have already been put off until after the 3rd quarter of this year.

- Nevertheless, the Blue House seems committed to further financial reform and modernization. In February, it orchestrated a merger between the more progressive Economic Planning Board and the conservative Ministry of Finance into the Ministry of Finance and Economy -- ostensibly to give EPB officials more influence over MOF authorities.

- Korea still hopes to achieve full OECD membership by 1996, and recently achieved observer status on the Committee on Financial Markets. However, the ~~OECD has indicated in informal discussions that Korea's financial sector~~ liberalization schedule does not meet the standards for membership.

Economic Performance

- Real GNP for this year is projected ~~at 9.0 percent~~. This compares with real GNP growth of 8.4 percent in 1994 and 5.6 percent in 1993.

  - The pace of growth is expected to decelerate over the second half of 1995, following real GNP growth at 9.9 percent in the first quarter and 10.1 percent in the second quarter.

- Leading growth in the first quarter of 1995, exports increased by 26 percent, investment was up 25 percent and consumer spending increased 9 percent.

- Consumer price inflation remains a primary concern and is projected to be 6 percent for 1995, slightly above the 5 percent target. This is comparable to 1994 inflation of 6.2 percent, but well above the 1993 rate of 4.8 percent. Producer price inflation in 1994 was 2.8 percent, compared to 1.5 percent in 1993.

  - Some Korean officials view a rate of 6 percent as too high for a nation aspiring to OECD membership. (President Kim's goal is 3 percent by 1997).

  - To combat inflation, the Bank of Korea (BOK) would like to hold money supply growth in the 12 to 16 percent range during 1995. Because overheating in past business cycles was associated with spurts in consumer spending, the BOK has also urged commercial banks to curb personal loans.

- Korea Development Institute (KDI) and IMF analysts agree that the Korea could best deal with inflationary pressures by liberalizing capital outflows, loosening the foreign exchange concentration system (which governs residents's ability to purchase and hold foreign currency in cash) more than planned under the *Foreign Exchange System Reform Plan*, and resisting BOK intervention to keep the won artificially low.

o For the first four months of 1995, the unemployment rate averaged 2.4 percent. The unemployment rate fell slightly in 1994 to 2.4 percent from 2.8 percent in 1993.

o Per capita GNP registered at $8,483 in 1994, up roughly 13 percent from 1993.

o FDI into Korea on an approval basis in the first half of 1995 rose 31 percent from the same period in 1994, totalling $946 million. This compares to a rise in FDI approvals from $1 billion in 1993 to $1.3 billion in 1994.

- U.S. FDI approvals during the first six months of 1995 were $367 million, up 62 percent from the prior year. FDI approvals for Japan totalled $138 million during the same period.

- Almost 49 percent of FDI approvals in the first half of 1995 were in the manufacturing sector – reversing the trend of predominant foreign investment in the services sector.

- ROKG officials are citing the increase in FDI as evidence that recent liberalization measures are bearing fruit, but FDI in Korea still accounts for only 0.3 percent of GNP and investment disputes are not uncommon.

Fiscal Policy

o Korea's 1994 budget raised general expenditures a nominal 13.7 percent over 1993 levels, with emphasis given to infrastructure spending (up 30%), aid to small businesses (up 83%) and research and development (up 32%).

- The consolidated budget deficit in 1994 amounted to 0.8 percent of GNP.

- Officials at the Economic Planning Board indicated in late 1994 that a tighter fiscal policy will be necessary to offset the inflationary pressures resulting from continued strong growth and capital inflows in 1995.

o As the economy continues to expand, the ROKG is growing increasingly concerned about inflation, but must balance moves to constrain inflation with the need to maintain growth and continue to deregulate/liberalize the economy.

- The ROKG's draft budget for 1995 calls for a nominal 15.9 percent rise in expenditures over 1994 levels -- including 700 billion won (US$875 million) set aside for redemption of state debt.

- The 1995 budget deficit is expected to amount to 0.3 percent of GNP, a moderate improvement over 1994.

- The draft 1995 budget continues the Kim administration's emphasis on projects which will strengthen growth potential and industrial competitiveness. Infrastructure investment is targeted to rise by 22 percent, and science and technology spending by 23 percent.

Monetary Policy

- The BOK had difficulty in controlling the money supply in 1994.

  - The BOK intended to hold M2 growth to 14-17 percent, and this was achieved during the summer months.

  - Surging private credit demand pushed the money supply up toward the end of the year, and M2 growth for all of 1994 has been estimated at 18.9 percent.

- Reportedly, the BOK wishes to keep M2 growth in the 12-16 percent range in 1995. Poor conditions in the stock market have caused BOK to back off from this target for the first quarter, however. Reports indicate that M2 growth for January-March was close to 18 percent.

- The BOK indicated that it would welcome further appreciation of the won -- from about 790 won to the dollar earlier in the year to 770 or 760 by the end of 1995 -- in order to dampen inflation. This has already been achieved; the current rate is close to 760 won to the dollar.

External Accounts

1994

- Korea's overall balance payments surplus decreased from $6.5 billion in 1993 to a $2.8 billion in 1994.

- Korea's current account balance shifted from a $385 million surplus in 1993 to an estimated $4.5 billion deficit in 1994.

  - The deterioration in the current account balance is likely a consequence of the high operating rate in manufacturing (83.7 percent in October 1994, compared to an average 79.1 percent in 1993) which is encouraging firms to import equipment to expand capacity.

- The overall trade balance was a $3.1 billion deficit for 1994, compared with an overall surplus of $1.9 billion in 1993.

  - The shift into deficit in the overall trade balance was not unexpected, with the business recovery bringing an influx of capital goods and machinery.

- Korea's bilateral trade surplus with the United States for 1994 was $1.6 billion, compared to a surplus of $2.3 billion in 1993.

- Estimates for 1994 indicate net capital inflows totalled roughly $6.9 billion, as compared to $8.91 billion in 1993, and $6.9 billion in 1992. The increases are attributed to expansion of foreign investment in the stock market.

- Net external debt registered $10.4 billion at the end of November 1994, compared to $10.2 billion (3.3 percent of GNP) in 1993.

- Net international reserves reached a record $25.6 billion (2.6 months worth of imports) by the end of 1994.

  - Press reports in January 1995 indicated that the ROKG was considering an increase in foreign exchange reserves to $30 billion to cope with any emergency situation. This policy may not be easy to implement, however, as the government is unlikely to raise interest rates. A more likely avenue would be discouraging imports.

1995

- Korea's overall balance of payments fell into a deficit of $1.5 billion during the first quarter of 1995.

- Korea's current account balance fell to a $3.8 billion deficit in the first quarter of 1995.

- Korea's overall trade balance for the first quarter of 1995 was in deficit by $2.5 billion.

- Korea's trade surplus with the U.S. has been transformed into a deficit so far this year. Korea registered a trade deficit of $920 million with the United States in the first quarter of 1995.

- Net international reserves climbed to $27.0 billion by May, 1995.

- Debt service payments are anticipated to fall to 8.0 percent of exports in 1995 from 9.2 percent in 1994.

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OA/Box Number: CF 717

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Korea [1]

2009-0528-F
vz1418

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. briefing paper	For Laura Tyson from Helen Walsh and Michael Froman. Subject: Briefing for your Participation in the Korean State Visit. (3 pages)	07/25/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Econonomic Council
Laura Tyson
OA/Box Number: CF 717

FOLDER TITLE:

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DRAFT

KOREAN BARRIERS TO AUTO IMPORTS

Taxes Based on Engine Displacement: Korea imposes nine taxes on passenger cars in addition to an 8 percent tariff rate. All nine of these taxes are levied equally on domestic and imported automobiles, however, three of them are based on engine displacement. Korea's engine-displacement taxes are especially burdensome for larger-engined Big-3 products. The three graduated engine displacement taxes are the vehicle registration tax, the subway bond tax, and the special consumption tax.

The USG requests that the ROKG move away from taxes based on engine displacement to other alternatives (e.g. a flat tax, or an increased tax on fuel). NOTE: The motor vehicle registration tax has been identified [by in-country Big-3 representatives] as the most significant barrier to increased U.S. auto sales in Korea.

Consumer Perception: A perception is widely held by the Korean public that purchasing an imported passenger vehicle will risk subjecting them to governmental scrutiny and discrimination. This perception stems from the ROKG's past support for campaigns and programs that discouraged the purchase of imported products, including automobiles.

The USG requests that the ROKG issue a plan to change the public's perception concerning the Korean government's attitude toward foreign automobiles.

Automotive Standards: U.S. motor vehicle safety and emissions standards meet or exceed all Korean safety standards, nevertheless, U.S. passenger vehicles are subject to lengthy, redundant and expensive type approval tests and procedures.

The USG requests reciprocal treatment (i.e. self certification).

61 db 80db NOTE: The USG is concerned that a new pass-by noise standard, scheduled to begin January 1, 1996, and a possible change in the enforcement of the Korean headlamp standard could disrupt U.S. passenger car exports to Korea.

Import Tariff Rate: Korea's 8 percent passenger vehicle tariff rate is almost 3-times the U.S passenger vehicle tariff level of 2.5 percent. The combination of Korea's tariff and tax structure puts U.S. products at a significant disadvantage. Currently, Korea's tariff and tax structure increases the price of a motor vehicle over 110 percent.

The USG requests that Korea lower its passenger tariff rate to 2.5 percent.

<u>Automotive Financing:</u> Historically, the ROKG has not allowed foreign firms to participate in the auto-financing market. Beginning this year, foreign investors are allowed to own as much as 49 percent of domestic ventures engaged in automotive and other types of consumer finance. The ROKG recently announced that beginning January 1, 1997, the consumer finance market will be completely open to foreign participation.

The USG requests reciprocal treatment. Foreign firms should be allowed to immediately participate in the consumer finance market.

<u>Automotive Leasing:</u> The ROKG only allows business owners, excluding entertainment business owners, to lease automobiles. Currently, many foreign automobiles sold in Korea are sold through auto-leasing arrangements.

The USG requests that the option to lease an automobile be opened to all Korean consumers.

7-11-95 USDOC/OAA

FAX TRANSMISSION

U.S. TRADE REPRESENTATIVE
600 17TH STREET, NW
WASHINGTON, D.C. 20506
TEL: 202-395-6813
FAX: 202-395-3512

To: Dr. Laura D. Tyson
National Economic Advisor

Tom O'Donnell
Chief of Staff

Date: July 26, 1995

URGENT

Fax #:

Pages: , including this cover sheet.

From: CHRISTINA M. LUND for Charlene Barshefsky
DAUSTR
OFFICE OF ASIA & THE PACIFIC

Subject:

COMMENTS: Additional background tips for your meeting with the Koreans today

KOREA

U.S. Merchandise Exports (1994): $18 billion
% U.S. Share of Korea's Imports: 20%
U.S. Imports (1994): $19.6 billion
% U.S. Share of Korea's Exports: 22%
U.S. Direct Investment (1993): $3 billion
1994 GDP: $371.6 billion

o **General:** Korea was the United States' sixth largest export market in 1994. While formal barriers to imports have fallen, Korea has raised new, more subtle barriers that effectively prevent the liberalization envisioned under the major trade policy initiatives of the late 1980's. Korea's non-tariff trade barriers are often compared to those of Japan's ten years ago.

Consequently, bilateral trade problems are on the rise, particularly with respect to standards, licensing, certification, rule-making and customs clearance. Korea is described by the U.S. industry as one of the toughest markets in the world. U.S. direct investment has been declining for the past five years. Relations are further strained by Korea's generally poor track record of living-up to existing bilateral agreements and inability to resolve relatively minor issues without escalation to higher political levels.

o **WTO Shelf-Life Case:** Last November USTR accepted a Section 301 petition filed by the American meat industry which asserts that Korea restricts U.S. meat imports and abrogates several bilateral agreements. Of particular concern to the United States is Korea's government-mandated shelf-life standards for frozen, cooked sausages, frozen beef patties, fresh and chilled beef and pork in vacuum packaged cuts. The shelf-life standards effectively prohibit trade because expiration dates are so short that by the time a product clears customs, the date has expired. Korea's standards do not appear to be based on science, and are applied in an arbitrary and discriminatory manner. Most countries in the world, including members of the EU and APEC, use manufacturer's use-by dates to control food quality. Trade damage estimates range from $240 million in 1994 to $1 billion dollars annually by 1999.

After bilateral negotiations broke down at the end of April, the United States requested Article XXII consultations on May 3. Canada joined the consultations, which were held in Geneva on June 5-6 (Australia, New Zealand and Japan have also expressed interest in the case). After informing them that we planned to request the formation of a panel on July 3, the Koreans proposed that we try to reach a settlement bilaterally. On July 20, the Koreans signed an agreement with USTR Kantor that will be sent to the Dispute Settlement Body. The United States will terminate the petition under Section 301.

- **WTO Residue Testing/Inspection Case:** U.S. exporters have over the years experienced excessive delays in clearing products through Korean ports. Exporters of perishable agricultural products are particularly vulnerable. As Korea opens its market as a result of the Uruguay Round negotiations, the problem has become more severe.

  U.S. citrus exporters complained to USTR in March that grapefruit and orange shipments were being detained at the port for as long as two to three weeks, causing "catastrophic" levels of decay. Instead of using random sampling techniques, Korea inspects 100 percent of all shipments. Shortly after the United States requested Article XXII consultations on April 4, Korea revised inspection procedures to allow fresh fruit and vegetables to clear customs while awaiting test results. The United States held consultations in Geneva on May 4-5 and again on June 1-2; we are currently reviewing Korean plans to reform its entire food inspection and sanitation system. Of key concern is Korea's practice of inspecting 100 percent of all shipments. Korea has told us they would like to resolve this case bilaterally as well, prior to President Kim's visit to Washington on July 25. Negotiations begin again on July 20.

- **Section 301 Steel Pipe and Tube**: On June 1 the Committee on Pipe and Tube Imports (CPTI) filed a Section 301 Petition alleging that the Korean government maintains two practices which are in violation of its' WTO obligations. These are 1) quantitative export restrictions on steel sheet, which is the primary input for the production of steel pipe and tube, and 2) a covert VRA with the EU. The petitioners also cite a third practice: that price controls on sales on steel sold in the Korean market.

  According to the petitioners, the effect of these three practices is to provide Korean pipe and tube producers with access to a large supply of cut-rate sheet, which has permitted the pipe and tube producers to capture significant market share through low-cost pricing and to divert Korean pipe and tube exports away from the EU to the U.S. market.

  On June 11, the CPTI agreed to withdraw their petition in return for the Koreans agreement to the establishment of a consultative mechanism, which will meet periodically over the next twelve months.

- **Telecommunications:** Korea was first identified as a foreign priority country under Section 1377 in 1989. Subsequently, we negotiated a number of interim agreements, a comprehensive agreement in February 1992 covering standards, procurement, tariffs and investment and a 1993 exchange of letters. In this year's review, Korean practices were cited by a number of companies. On March 27, after intensive negotiations, Korea agreed to resolve company specific disputes. The U.S. also agreed to set up an experts group to develop criteria for a mutual recognition agreement for type approval. This group held their first meeting on July 5-6.

- **Intellectual Property Rights**: USTR has been pushing Korea since the mid-eighties to reform its IPR regime. In February 1993 Korea launched a comprehensive plan to strengthen IPR laws and enforcement. Korean officials placed a high priority on prosecution for the first time and increased penalties. The government has continued this campaign into late 1994, dedicating extra budgetary resources and sponsoring public awareness seminars. As a result, USTR elected not to upgrade Korea to Special 301 priority foreign country status but kept it on the priority watch list.

  U.S. industry recommended again this year to keep Korea on the priority watch list, citing large end-user software piracy, software valuation, lack of recognition of well-known trademarks, inadequate trade secret protection, "reactive" prosecution and judicial interpretation, lack of protection for textile designs and poor customs enforcement.

  Korea is currently enacting legislation to implement its TRIPS obligations. Of particular concern are proposed provisions allowing decompilation and shortening retroactive copyright protection. Bilateral talks were held at the end of April.

- **Automobile Market Access**: USTR met with Korean officials this January on the June 1994 Korean Auto Proposal. Topics raised included improved consumer perception of imports, engine displacement taxes, automotive standards, advertising restrictions, import tariff rates, distribution, and financing and leasing restrictions. While the Korean government has agreed to modest concessions over the past year, little has been done to meet the U.S. industry's main concern regarding the anti-import bias, taxes and financial leasing. Technical-level talks were held at the end of June; Korea proposed modest reforms on some standards issues.

- **Medical Devices**: Korea is HIMA's fastest growing market after China. Korea recently began to enforce new regulations governing medical devices which require local testing for some and product registration for all devices. The new regulations do not recognize international standards, the testing requirements seem to vary depending on the designated lab, fail to provide assurance of product safety or quality, and are costly and time-consuming. Product approval requirements lack clarity and are applied across product categories. Each medical device is inspected individually at Customs, risking contamination. In addition, the local Korean trade association for medical devices must approve each import license application. Trade disruption is estimated at about $200 million.

  Consultations were held in January, March and April. USTR proposed that Koreans use FDA-issued certificates of free sale as a substitute for the new testing. FDA is currently drafting proposed language for Korean review.

- **WTO GATS Insurance (Financial Services)**: While Korea's current offer is considered to be better than most in the region, it still falls short of the kind of offer the we expect from a country that is seeking OECD membership.

Of key concern to the U.S. in the insurance talks is Korea's economic needs test for new insurance licenses. We are also requesting that Korea 1) eliminate its requirement that insurers place reinsurance contracts through domestic reinsurance companies and 2) make a commitment that provides for full brokerage, claims settlement and actuarial business. Final "verified" schedules of commitments and MFN reservations will be submitted on July 28.

- **Beef Agreement**: Korea agreed in the Uruguay Round to eliminate balance of payments restrictions on beef by December 31, 2000. A July 1993 U.S.-Korea bilateral beef agreement outlines the minimum market access levels for 1993 through 1995. Under this agreement, operation of the current "simultaneous-buy-sell" system (SBS) portion of the market should be improved by new prohibitions on active involvement by the Korean government. The number of SBS participants should also increase during the course of this agreement, including meat processors, supermarkets and non-tourist hotels. Consultations were last held in May; Korea is reviewing the U.S. proposal.

- **Cigarettes:** The 1988 U.S.-Korea cigarettes agreement, which resulted from a Section 301 investigation, contains provisions which govern advertising and promotion and the level and form of domestic taxes. At the request of the Koreans, USTR amended the agreement in October 1994 to allow the Koreans to raise the specific rate. Later in September 1994, the Koreans proposed altering the very detailed structure of the agreement to allow for ad valorem taxes and "other financial burdens" that could effectively discriminate against imported cigarettes. Korea wishes to enact legislation this year that would abrogate the bilateral agreement.

  USTR has informed Korea that it will consider requests for changes to the advertising provisions of the agreement and the tax provisions only in accordance with national treatment (i.e., excise taxes). Korea presented a detailed proposal to the USTR in June. Talks are scheduled for July 31 and August 1.

- **Import Credit:** One of the most pervasive remaining formal barriers to U.S. exports to Korea is the restriction on the ability to import on credit. Use of limited deferred payment terms (generally 60 to 90 days) is restricted to items with a tariff of ten percent or less, which are generally raw materials. Use of deferred payment terms for other goods requires a license from the Foreign Exchange Bank and permission from the Governor of the Bank of Korea; permission is rarely granted. U.S. firms estimate they could increase exports by up to one-third if Korean firms were allowed to buy on credit.

Major Company-Specific Problems:

- **Corn Grits (Kellogg):** Kellogg manufactures breakfast cereal in Korea for the domestic market and for export within Asia. Kellogg had been relying on Korean millers for corn grits (an intermediate product in breakfast cereal production), but Kellogg says it has lost sales in other Asian markets due to a decline in quality of the Korean corn grits. Kellogg wants to import grits from the U.S., but Korea currently bans grits imports. Korea agreed in the UR negotiations to provide a tariff-rate quota to import 6 million metric tons of corn, but technically is not obligated to allocate part of the import quota to grits.

  In May, Prime Minister Lee finally responded to a letter sent by Senator Dole in March and stated that Korea will allow 2,600 metric tons to be imported this year. Lee's letter was silent on the issue on outyear tonnage or whether Kellogg would receive an import license so that the company can source the corn grits from Kansas.

- **Chocolate Labeling (Mars):** This issue is illustrative of many U.S.-Korean bilateral disputes. Congressional interest is increasing as the problem drags on.

  Korea adopted chocolate labeling rules in 1991 which were inconsistent with international practices. After U.S. pressure, in 1992 Korea agreed bilaterally to amend the labeling rule.

  In 1994, Korean customs officials again began stopping containers of Mars at the port, claiming they were improperly labeled. After two months, the containers were finally released when the U.S. reminded Korea of the MOU.

  Last fall, Korea announced it was considering revising its labeling rules and sent to the U.S. for comment a rule which would require products containing more than 20 percent cocoa to be "chocolate," contrary to international practice. The U.S. chocolate industry forwarded its comments to the Korean Ministry of Health and Welfare. No final decision was made public.

  In January of 1995, Korean customs officials again detained five containers of chocolate, claiming improper labeling. After research by the importer we learned that Korea had published a rule on December 31 to be implemented on January 3 which declared that each item had to be labeled "category"-- an unheard of description.

  In order to get the five containers out of Korean Customs, the U.S. Embassy in consultation with Mars worked out an arrangement to place the containers in a bonded warehouse, unwrap and relabel each bar, adding 25% more to the cost. At that point, retailers began taking the product off of their stock lists. The containers were just released March 20.

  Both Mars headquarters and the USG has requested a delay in the new labeling rule until the company can relabel at the point of manufacturer in the United Sates (August

1). On March 29, we learned that another container was held up at the port.

After protracted negotiations with the Korean Embassy and Mars' Vice President, Korea finally agreed to grant Mars a grace period until July 31. Unfortunately, Korea continued to withhold clearance on an additional seven containers until June 16 while Mars changed the Korea address on every Snickers and Skiddles package.

*** On July 13, Mars informed USTR that its subsidiary in Korea was facing police action for having changed its address.

o **Pet Food (Kal Kan)**: Pet food is a high value agriculture product which uses U.S. meat, meat by-products, poultry and grain. Over the past three years, there have been two issues that have affected Kal Kan. First, the Korean Broadcasting Commission refused Kal Kan's proposed TV ad, citing numerous reasons, including a concern that pet food was a luxury. Kal Kan revised its ad many times to meet Korean concerns; in fact, this was a classic example of multiple Korean requests for information and documentation every time Kal Kan responded to the last demand. The ad was finally approved in December, 1994 after years of consultations.

Second, Kal Kan still faces restrictions regarding labeling and testing. For the past three years, Koreans complain that their testing of ingredients and nutrients does not always match up with the percentages on the label. Again, Korea appears to be searching for an arbitrarily precise test result, but without possessing the capability to verify testing accuracy. Kal Kan has tried to resolve this issue directly with Korean officials, and even sent the President of the American Association of Feed Control Officials to explain ingredient testing to Korean health officials, without results.

o **Forced Disinvestment (Amoco)**: Twenty years ago Samsung formed a 50 percent joint venture with Amoco and Mitsui to manufacture a raw material for polyester called "PTA," under proprietary technology licensed by Amoco. Samsung has recently aggressively decided to force Amoco and Mitsui out of the joint venture, to appropriate for its own use Amoco's proprietary technology and to engage in what can only be characterized as strong arm tactics. After taking virtually all the technical leadership team from the joint venture, Samsung has announced intentions to build a wholly-owned PTA plant in Korea under the guise of a license from an Italian company.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

To: Laura D'Andrea Tyson

From: Tom Kalil TAK

Re: Korean acquisition of Zenith

Date: July 25, 1995

On July 17th, Zenith agreed to be taken over by LG Electronics, a South Korean conglomerate. LG agreed to pay $350 million for 60 percent of Zenith's stock. Although Zenith will remain a separate company, LG will get to name 6 of Zenith's 10 board members. Zenith was the last U.S.-owned TV manufacturer. Analysts believe that LG acquired Zenith for its brand name, distribution networks in North America, and technology in areas like high-definition television, advanced picture tubes, and "set top" boxes used for interactive televisions.

Although foreign ownership and control of our high technology sector can pose some risks, I would recommend against using the Zenith case to make this argument for the following reasons:

- LG will invest $150 million to expand and modernize Zenith's picture tube plant in Melrose Park, Illinois.

- Under U.S. management, Zenith closed plants in the U.S. and moved all of its TV assembly operations to Mexico.

- Zenith has lost money for the last 10 years and needed an infusion of capital to develop HDTV technologies. Zenith has been on the market for four years.

- HDTV technology is being developed by a consortia of firms (the Grand Alliance) that includes strong U.S. players such as AT&T and General Instruments.

- Local press coverage of the acquisition has been favorable. In an editorial, the *Chicago Tribune* noted:

  "From time to time, critics have issued ominous warnings about foreign investment in America. In most cases, however, it boosts investment in new plants and equipment, raises the productivity of workers and enhances the value of the company. In Zenith's case, it should do all of these things."

  Please let me know if you need any additional information.

~~SECRET~~

NEC STAFFING MEMORANDUM

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ATTACHMENTS
Initials: VR Date: 7/5/2012
2009-0528-F

Date: 7.26 Action/Concurrence/Comment Due By: ____________

Subject: Background For Korean STATE VISIT

	ACTION	FYI		ACTION	FYI
Laura Tyson	☐	☑	Elaine Mitsler	☐	☐
Bo Cutter	☐	☑	Vicky Poppiti	☐	☐
Gene Sperling	☐	☐	Dorothy Robyn	☐	☐
Tom O'Donnell	☐	☐	Ellen Seidman	☐	☐
Lael Brainard	☐	☐	Dan Tarullo	☐	☐
Julia Chamovitz	☐	☐	Helen Walsh	☐	☐
Paul Deegan	☐	☐	Dena Weinstein	☐	☐
Michael Deich	☐	☐			
Paul Dimond	☐	☐			
Wendy Einhellig	☐	☐	____________	☐	☐
Michael Froman	☐	☐	____________	☐	☐
Robert Gordon	☐	☐	____________	☐	☐
Elgie Holstein	☐	☐	____________	☐	☐
Gay Joshlyn	☐	☐	____________	☐	☐
Tom Kalil	☐	☐	____________	☐	☐
Bob Kyle	☐	☐	____________	☐	☐
David Lane	☐	☐	____________	☐	☐
Liz Lindemuth	☐	☐	____________	☐	☐
Sonyia Matthews	☐	☐	____________	☐	☐
Mark Mazur	☐	☐	____________	☐	☐
Elena McCoy	☐	☐	____________	☐	☐

Remarks: ____________

Response: ____________

David Lane
Executive Director
Ext. 6-5352

~~SECRET~~

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005a. briefing paper	President's Meeting with Korean President Kim. (2 pages)	07/26/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Econonomic Council
Laura Tyson
OA/Box Number: CF 717

FOLDER TITLE:

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2009-0528-F
vz1418

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005b. briefing paper	Meeting with President Kim Young-sam. Record ID: 9505453. (4 pages)	07/25/1995	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Econonomic Council
Laura Tyson
OA/Box Number: CF 717

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Tab A

Withdrawal/Redaction Marker
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005c. talking points	Points to be Made for Meeting with President Kim Young-sam. (4 pages)	07/25/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Econonomic Council
Laura Tyson
OA/Box Number: CF 717

FOLDER TITLE:

Korea [1]

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Tab B

Draft 9
7/25/95

PLEASE NOTE THAT ALL TIMES ARE TENTATIVE

THE STATE VISIT TO WASHINGTON D.C.
OF PRESIDENT KIM YOUNG SAM OF SOUTH KOREA
JULY 27, 1995

ARRIVAL CEREMONY

10:30 a.m. Arrival Ceremony, South Lawn, The White House. (Separate scenario provided by the Social Office.)

11:00 a.m. The President and Mrs. Clinton escort President and Mrs. Kim to the State Floor, where they form a receiving line and greet the Welcoming Committee and the Official Party from South Korea.

11:30 a.m. The President escorts President Kim downstairs to the Oval Office, via the colonnade.

BILATERAL MEETING

11:40 a.m. Restricted meeting begins (official photos only)

Participants

The President	President Kim
Anthony Lake	Foreign Minister Gong
Daniel Poneman, NSC Notetaker	Mr Yoo (Notetaker)
(Interpreter)	(Mr. Park, Interpreter)

11:58 a.m. Meeting ends. President Clinton escorts President Kim to the Cabinet Room for an expanded meeting.

12:04 p.m. Expanded meeting begins. (Consecutive/Simultaneous Interpretation)

Participants

The President	President Kim
Vice President	Gong Ro-Myung, Minister of Foreign Affairs
Secretary Christopher	Park Jae Yoon, Minister of Trade, Industry and Energy
Sec Rubin	Park Kun Woo, Ambassador to the U.S.
Sec Perry	General Kim Dong-jin, Chairman, Korean Armed Forces
Mr. Panetta	
Mr. Lake	
Dr. Tyson	
Ambassador Laney	

Gen Shalikashvili	Han Lee Hun, Senior Secretary for Economic Affairs
Winston Lord, Asst Secretary of State	Yoo Chong Ha, Senior Secretary for Foreign Affairs and National Security
Mr. Berger	Yoon Yeo-Joon, Senior Press Secretary
Mr. Roth	Yim Sung Joon, Director-General of American Affairs, MOFA
Mr. Poneman, NSC Notetaker	(Mr. Park, Interpreter)
(Interpreter)	

12:40 p.m. Meeting ends. The President and U.S. participants proceed to the Oval Office to prepare for the Press Conference. President Kim and the Korean delegation remain in the Cabinet Room to prepare for the Press Conference.

12:50 p.m. President Clinton is joined by President Kim in the Oval Office where they hold briefly (while other meeting participants are escorted to their seats in Room 450 for the Press Availability).

12:52 p.m. The President and President Kim exit the White House thru the West Lobby, and down the stairs to the holding room outside Room 450, Old Executive Office Building.

12:57 p.m. Upon being announced, the President escorts President Kim to their positions on stage.

12:58 p.m. President Clinton makes brief remarks, followed by President Kim (3 minutes each plus translation). Each President takes two questions.

1:25 p.m. President Clinton and President Kim exit the staging area and hold briefly (allowing time for the Korean Delegation to board the motorcade).

1:29 p.m. President Clinton and President Kim proceed down the elevator, exit the Old Executive Office Building and proceed to the awaiting motorcade on West Executive Drive.

1:35 p.m. President Clinton bids President Kim farewell.

2:15 p.m. The President and Mrs. Clinton depart for the Korean War Memorial.

2:30 p.m.	Motorcade arrives Korean War Memorial. (Separate scenario for event)
3:45 p.m.	President and Mrs. Clinton enter waiting vehicle and return to White House.

STATE DINNER

7:15 p.m.	President and Mrs. Kim arrive at the White House, North Portico entrance, and is escorted to the Main Residence. (Separate detailed scenario to be provided by the Social Office.)
8:00 p.m.	Official Dinner.
10:30 p.m.	Dinner ends.

EXECSEC/SCENARIO/korea727.DOC

Tab C

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005d. report	U.S. Government Report. (2 pages)	07/13/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Econonomic Council
Laura Tyson
OA/Box Number: CF 717

FOLDER TITLE:

Korea [1]

2009-0528-F
vz1418

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005e. report	U.S. Government Report. (1 page)	07/14/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Econonomic Council
Laura Tyson
OA/Box Number: CF 717

FOLDER TITLE:

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005f. report	U.S. Government Report. (2 pages)	07/18/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Econonomic Council
Laura Tyson
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FOLDER TITLE:

Korea [1]

2009-0528-F
vz1418

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005g. report	U.S. Government Report. (1 page)	07/17/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Econonomic Council
Laura Tyson
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FOLDER TITLE:

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Tab D

TO BE PROVIDED

Tab E

Withdrawal/Redaction Marker
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005h. memo	For the President from Strobe Talbott. Subject: State Visit of South Korean President Kim Young-sam. (2 pages)	07/21/1995	P1/b(1)

COLLECTION:
Clinton Presidential Records
National Econonomic Council
Laura Tyson
OA/Box Number: CF 717

FOLDER TITLE:
Korea [1]

2009-0528-F
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THE WHITE HOUSE

WASHINGTON

August 9, 1995

INFORMATION

MEMORANDUM FOR LAURA D. TYSON
W. BOWMAN CUTTER

THROUGH: ROBERT D. KYLE

FROM: MICHAEL FROMAN MF

SUBJECT: Korean Trade Issues

You asked for further information on the nature and timing of potential trade conflicts with South Korea. Below is a description of the main issues on the upcoming agenda:

Cigarettes: In 1988, following a Section 301 investigation, the U.S. signed an agreement regarding access to South Korea's cigarette market. While the Korean cigarette monopoly continues to control 94% of the domestic market, the Government of Korea (GOK) intends to abrogate the agreement: On **September 1, 1995,** a law will go into effect which will allow the GOK to impose multiple taxes on cigarettes and to raise those taxes whenever it wishes. (The bilateral agreement requires the GOK to secure the consent of the USG to raise the single, permitted tax on cigarettes.) Given the Administration's general orientation toward cigarettes, USTR intends to acquiesce in Korea's abrogation of the agreement, but the U.S. industry and its supporters on the Hill (e.g., Senator Helms) might push for a stronger response.

Autos: Korea is the fifth largest auto maker and has the fastest growing auto market in Asia, but imports make up only 0.3% of its domestic market (vs. 5% in Japan). The U.S. industry's share is 0.2%. Korea's auto practices have been on the Super 301 "watch list" since 1993. In the last year, there has been some progress on standards issues. However, a number of obstacles remain, including the GOK's discriminatory tax scheme and its prohibition against foreigners offering car loans and leases to non-commercial customers. The biggest obstacle remains the legacy of the GOK's anti-import campaign. (The GOK used to require taxpayers to list the make and model of the cars they owned -- and audited those with foreign cars.)

USTR/Commerce currently are analyzing whether the taxes levied on autos based on engine size are sufficiently discriminatory against imports as to merit a national treatment case in the WTO. The interagency 301 committee is considering whether to designate Korea for its auto practices under Super 301 on **September 30, 1995**. The views of the U.S. industry are unclear: On one hand, Ford and General Motors have written to Ambassador Kantor urging him to build on the momentum of the Japan auto talks to open Korea's market. On the other, the 301 petition submitted by the U.S. automakers trade association stopped short of requesting designation under Super 301.

Shelf Life: As you recall, USTR reached an agreement on June 20, 1995 regarding the shelf-life requirements for meat and other food products. The agreement calls on the GOK to permit manufacturers of all non-meat food producers to set their own shelf-life requirements by **October 1, 1995**, and to permit meat manufacturers to do the same by **July 1, 1996**. The affected U.S. industries -- particularly the beef and pork industries -- will be monitoring GOK compliance with these obligations.

Telecommunications: In 1989, Korea was designated under Section 1377 for standards, procurement, tariff and investment problems. Despite the negotiation of a number of agreement since 1989, many of those problems remain, including restrictions on investment, theft of technology, refusal to recognize the certification of foreign equipment, and a lack of transparency in procurement decisions. USTR may consider initiation of an out-of-cycle review on Section 1377 **this fall**.

Residue Testing/Inspection: U.S. citrus and almond exporters have submitted a 301 petition regarding delays in clearing perishable products through Korean ports. As Korea opens its agricultural market consistent with its Uruguay Round obligations, this problem is expected to worsen. In response to WTO consultations in April 1995, Korea revised its inspection procedures, but it is unclear whether these changes are an improvement. If this issue is not resolved, USTR may request the formation of a WTO panel in **December 1995**.

IPR Protection: The story on the IPR front is mixed. The promising news is that the GOK is trying to implement its TRIPS obligations (vs. claiming developing country status) and that it has decided not to adopt a law permitting software decompilation. However, there are a number of outstanding IPR problems. The GOK is considering shortening the term of retroactive copyright protection and establishing a software clearinghouse, like that in Japan, which would require foreign software producers to register and license their products. Decisions on further action would come in **April 1996**, as part of the Special 301 process.

<u>Pipe and Tube</u>: On June 11, 1995, the U.S. reached agreement with Korea on a consultative mechanism for dealing with GOK practices (e.g., quantitative export restrictions on steel sheet) which permit Korean pipe and tube producers to capture significant market share through low-cost pricing. The consultative group will meet periodically **over the next 12 months.**

<u>Medical Devices</u>: After China, Korea is the fastest growing market for U.S. medical equipment producers. Nonetheless, there remain serious obstacles to the Korean market, including the GOK's refusal to recognize international standards and its insistence on inspecting each medical device individually at Customs, risking contamination. At some point, the U.S. industry may consider initiating a Section 301 investigation.

We will update you on further developments as the date for decision in each area approaches.