Committee on Subsidies and
Countervailing Measures

KOREA - NOTIFICATION OF SUBSIDIES UNDER ARTICLE 7

Request by the EEC

The delegation of the EEC has requested that the following communication be circulated to the Committee.

I am writing to you in relation to certain reports which have recently appeared in the Korean and international press, according to which the Government of the Republic of Korea is setting up an extensive scheme of subsidies for the Korean textile and clothing industry, aimed, inter alia, at increasing Korea's exports and world market share for these products.

The Korean textile industry association (KOFTI) has claimed that "in the course of time, assistance of W 10 billion will be annually given by the Government as development funds". A senior official in the Korean Trade and Industry Ministry has been quoted as saying that "the Government will spend W 35 billion (US$49 million) to modernize the textile industry next year ... The Government will give textile mills W 30 billion (US$42 million) for automation and W 5 billion (US$7 million) to replace old weaving and sewing machinery. It will put W 1 billion (US$1.4 million) into a project to set up an institute to develop advanced textile technology ..." Finally, "sources at the Trade-Industry Ministry" are quoted as saying that "The Government plans to extend W 2,584 billion in various support funds for the textile industry during the 10 year period beginning next year...".

According to the same report, "The plan, prepared by the Ministry, is designed to boost the nation's annual textile exports to US$30 billion by 2000, thereby making Korea the largest textile exporter in the world".

My authorities and the European Industry are obviously deeply concerned about these developments, and consider that further details of these subsidy schemes should be given from an official source. Noting that the latest notification of subsidies by the Republic of Korea under the provisions of Article XVI:1 of the General Agreement is not yet available, the European Community requests, under the provisions of Article 7 of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade, that your authorities make available information on the nature and extent of the above-mentioned subsidy schemes, or any other schemes included in the Korean Government's plans for boosting Korea's textile production and exports.

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