
ENHANCING KOREA'S COMPETITIVENESS IN THE WTO SYSTEM

In January of 1995, the world witnessed the emergence of a new international economic order with the launching of the World Trade Organization (WTO). The WTO, which succeeded the GATT, is expected to strengthen the world trading system and to be more effective than its predecessor in facilitating international trade in goods and services for the following reasons. First, trade liberalization throughout the world is expected to increase via the dramatic reductions in trade barriers to which the members of the WTO are committed. Second, the rules and regulations governing international trade will be more rigorously enforced, leading to significant reductions in the abuse of such trade measures as anti-dumping and countervailing duties. Third, new multilateral rules have been established to cover areas which the GATT did not address, such as international trade in services and the protection of intellectual property rights.

Strengthening the multilateral trade order, however, requires additional efforts by the national governments of countries participating in the WTO system. Direct government intervention has been a common practice for improving domestic economic activities independent of international rules established under the new WTO system, since the WTO requires that domestic economic policies, rules, and regulations be subject to the multilateral rules set by the organization. The role of government in this new environment should therefore be limited to providing the external conditions through which market forces can dictate all economic activities, and to intervening in the market only when necessary, and then through the proper channels.

The WTO system thereby requires national governments to adopt a policy of openness. Yet simply opening the domestic economy to foreign competition will not suffice. Foreigners' access to the domestic market can deliberately be denied through the manipulation of domestic regulations and procedures. Thus, the policy of openness requires complementary efforts by the governments to abolish all legal barriers impeding foreigners' access to the market.

The WTO system also requires that governments'

participation be limited to supporting other sectors of the economies in their attempt to improve international competitiveness. This implies that direct government control over macroeconomic variables should be abolished to encourage active participation and creativity from the private sector.

Recently, the Korean government has launched a comprehensive economic reform program. Under commitments made in the Uruguay Round negotiation, Korea is now beginning to import various agricultural products. Despite the weakness of Korea's financial sector, the Korean government has been pursuing financial liberalization under the guidance of a three-stage plan. These are only a few of the government's efforts to create an attractive environment in Korea for all firms and individuals, regardless of domestic or foreign status. Such efforts not only lay out a solid foundation for further economic growth, but also follow the worldwide trend toward liberalization.

In an open and fair economic environment, the expansion of market openings implies intensified competition. In such an environment, a nation cannot survive unless it is equipped with strong competitiveness. Enhancing the nation's competitiveness requires concerted efforts by the government, businesses, and individuals to find ways to achieve a globalized nation. Firms need to globalize their business activities, seeking to be competitive not only in the domestic market, but also in the international market. The people of Korea must be ready to mingle the intrinsic richness of their own culture with the variety and differences of other cultures. The goal of globalization is not easily achieved. However, Korea's globalization program (*Segyehwa* program) will not only increase the nation's international competition within a framework of cooperation but also improve the efficiency of domestic businesses.

Yoo Jang-Hee

President
KIEP (Korea Institute for
International Economic Policy)