

TRADE AND INVESTMENT LIBERALIZATION

The following are excerpts from a written statement given by MOTIE Minister Lim Chang-yeul at Session 2 of the OECD Ministerial Meeting on May 26, 1997.

Integrating Developing Countries Into a Globalising World Economy

According to a recent OECD Linkage Study, the "Big 5" countries (China, India, Indonesia, Brazil, and Russia) are expected to produce fully a third of world GDP by 2020, with the non-OECD countries as a whole accounting for 60%. Therefore, the future progress and stability of the world trading system will depend, to a great extent, on how successfully non-OECD countries, especially the "Big 5", can be integrated into that system.

A premature establishment of multilateral rules in the various new issue areas such as trade and competition policy, investment, and environment that have been brought forward since the close of the UR could actually slow the momentum of global trade liberalization and discourage the participation of developing countries in the process.

International cooperation on domestic policy

International harmonization of domestic policies has become increasingly important as the trend toward globalization continues to accelerate. Yet it is essential to recognize that, over the long term, harmonization can only be successful if it respects each nation's cultural and social values.

These criteria of voluntarism and prudence should, of course, be applied to the OECD's work on regulatory reform, where there may be a high potential for friction if the proposals are not carefully drawn up. In order to minimize such friction, the OECD could conduct a comparative study of best practices, highlighting the benefits of regulatory reform, and disseminate the results.

I am very pleased to report that the OECD's report on regulatory reform, notably on sunset laws (i.e. automatic review method) and regulatory impact analysis, has been incorporated into our domestic policies by the Korean government with the broad support of the general public.


MAI

Korea greatly appreciates the OECD's work in preparing the Multilateral Investment Agreement. As is well known, the MAI differs from existing investment agreements by proposing high standard rules that are legally binding, comprehensive, and multilateral in scope. Given such rigorous standards, sufficient time should be allowed to thoroughly survey and coordinate opinion among member countries.

However, considering the fact that 35% of world investment flows are accounted for by developing countries, which are almost entirely outside the OECD, we must recognize that any comprehensive effort to reduce barriers to international investment must take these countries into account.

Combating Bribery

Korea recognizes the necessity of combating bribery and corruption in order to build a firm foundation for fair competition in international transactions.

To develop effective rules against bribery, Korea agrees that it is necessary to establish common criteria to be applied to each member. Concomitantly, it is important to recognize that these criteria need to be adapted in practice to the different legal and legislative systems of individual countries. 

Six Markets Meeting--Asian G6

(D.Y. Yang)

China, Hong Kong, India, Korea, and Singapore. This will increase the geographical representation of the East Asian countries.

All of these recent trends are likely to recognize East Asia's right to participate in global decision-making, given its relative economic weight and its share of global reserves. Unfortunately, Korea has been excluded from the Asian G6 forum, since the Korean financial market has not developed significantly enough to influence Asian foreign exchange markets. Hoping for a brighter future for the G6, Korea is scheduled to join the forum next year, which will increase the number of East Asians among its members. It is in Korea's best interests, both from a national and regional standpoint, to join and unite behind regional initiatives such as the Six Markets Meeting and have a more active say in the guidance and decision-making of the global economy. **VIP**

N-S Talks: Where They Stand

(S.G. Oh)

at this moment, depending on the move of Pyongyang. The first is that Pyongyang keeps going on the same line without reforming and takes advantage of its military capability to maintain its influence and voice. In this case, tension and conflict would recur in the N-S relations. But Pyongyang has to risk a gradual death of the system, because without reform and expanded opening of the system, the Pyongyang regime might not be able to perform the basic functions that any political entity should carry out.

Second, Pyongyang might resort to war if it faces an impending threat of collapse from the inside. However, this is suicidal given the fact that Pyongyang would have to fight against the allied forces of the U.S. and Korea. Therefore, war is less likely to occur as a rational choice, but if it ever does break out, it is more likely to be trig-

gered in the wake of internal disturbances in the process of collapse.

Third, North might opt for reform and open the country. This is unreal at the moment given the current structure of domination—that is, totalitarian control of people and information, and idolization of Kim Jong-Il. This scenario will be possible only when the Kim Jong-Il regime has toppled down and a new political elite emerges willing to transform the failed system.

The final and most plausible scenario is that Pyongyang pursues a gradual reconciliation with Seoul, not able to dare provoking a war, nor open the system, nor stick to the existing line of policy in the face of the deepening crisis. This is an acceptable scenario to Seoul. Pyongyang will be able to ensure a large-scale economic assistance in return for a guarantee of peace and coexistence in the form of a peace treaty. By keeping up with the changes in international society and the emerging global civilization, Pyongyang will be able to avoid catastrophic collapse and play some role in building a new order in the process of reunification.

Given these scenarios, time is on Seoul's side. Seoul is not the one who is suffering. Despite the tension between North and South, there is not much possibility of war on the Korean peninsula. What is needed is to steer international environment into one favorable to reunification by coordinating collaboration among the surrounding powers. Until Pyongyang comes to the table with a serious attitude, what Seoul can and should do is let Pyongyang realize that the current line of policy will not work. That is, an improved relationship with the U.S. and Japan alone will not provide Pyongyang with a successful exit from the crisis. Through the combination of the right amount of pressure and inducement, and through collaboration with the U.S. and Japan, Seoul needs to show that it is an essential part of recipe for the survival of the Pyongyang regime. It is imperative for Seoul to be patient and coherent until Pyongyang is ready to talk to Seoul. **VIP**