

Korea's Perspective on RTAs/BTAs and Its Recent Experiences

Nakgyoon Choi*

I. Recent Experiences

- FTA negotiations with Chile are in progress and six meetings have been held since September 1999.
 - Chile is the most open market in Latin America
 - Political willingness of the two countries
 - Product coverage was one of the most difficult issues
 - Negotiation is now very close to conclusion

- The Korean and Japanese governments agreed to launch a joint research by KIEP and IDE in 1998.
 - KIEP and IDE (Institute of Developing Economies) presented the project results in Tokyo in 2000.
 - K-J joint study group (industry, academia, and government) planned to hold nine meetings by the end of 2003.
 - Two meetings regarding benefits of FTA and trade in goods were held in Seoul and Tokyo this year.

- The Korean government is currently considering Mexico and ASEAN as its FTA partners.

* Director, Department of Trade and Investment Policy, KIEP. The views expressed herein are the views of the author and do not necessarily reflect the views or policies of the ADB or its Board of Directors or the governments they represent. ADB makes no representation concerning and does not guarantee the source originality, accuracy, completeness, or reliability of any statement, information, data, finding, interpretation, advice, opinion, or views presented.

II. Evaluations

- The Korea-Chile FTA was the first FTA negotiation for the Korean economy.
 - Expected benefits from Korea-Chile FTA vs. unexpected opposition from Korean farming community
 - (automobiles, washing machines, refrigerators) vs. (grapes, apples, pears)
 - Scheme of trade adjustment assistance needed

- The Korea-Japan FTA is considered a mid/long-term project compared to the Korea-Chile FTA.
 - Korea's trade deficit against Japan
 - Agricultural sector
 - Non-tariff barriers
 - Foreign direct investment and technology transfer

- It is crucial for the Korean government to reach a FTA agreement to enhance its international reputation in terms of its own trade policies, as well as to attain the economic benefits of the agreements.
 - According to KIEP research, the positive economic effects of a Korea-Chile FTA are projected to be \$660 million in exports and \$260 million in imports, without considering the opportunities of expanding markets to adjacent Latin American countries.
 - Mixed results from Korea-Japan FTA

III. Future Options for RTAs/BTAs

- Korea-Mexico FTA
 - Mexico can be a gateway to the US market (Maquiladora).
 - No serious agricultural issues except melons, oranges, peppers

- Korea-ASEAN FTA
 - 2001 proposal to establish a study group by Singapore
 - Singapore and Thailand vs. Malaysia and Indonesia
 - Not substantial expected benefits compared to Korea-Japan or Korea-China FTA
 - Sensitive products including agricultural and labor-intensive goods

- Korea-China FTA
 - China has been the second largest export market next to the US in 2001.
 - Complementary industrial structure
 - Agricultural issues remaining
 - Possibility of joining China-ASEAN FTA

- Korea-Japan-China-ASEAN FTA
 - ASEAN + 3
 - Large market along with the FTAA and EU
 - Rivalry between Japan and China

- The Korea-US FTA was considered by the US Congress in

2001.

- Trade Promotion Authority

IV. Korea's Perspective on RTAs/BTAs

● Implications for Korean economy

- FTAs not only evade trade barriers but also catalyze the restructuring of trade and industry.
- FTAs can be used as a preemptive policy to overcome economic slowdowns by restructuring domestic economic structures and regulations.

● Basic Policy Direction

- Korea has maintained a policy stance emphasizing a multilateral trade system such as GATT and the WTO.
- However, as regionalism emerges as a new axis of the global trade system, Korea needs to actively engage in establishing FTAs.

● Mission Impossible?

<Domestic>

- Anti-liberalization sentiment
- Mid-term road map for RTAs/BTAs
- Domestic legislation à la the US TAA scheme

<International>

- International political economy: C-J rivalry, US factor
- EAFTA (East Asian Free Trade Agreement): ASEAN + 3
- APEC's open regionalism