

Regional Trade Agreement and Korea's Economy

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Benefits of making an agreement - RCEP

CHINA

- Expansion of SME* and economic technology cooperation between China and ASEAN
 - Consideration of joint entry of Korean-Chinese companies into the emerging ASEAN market

*small and medium enterprise

All Countries

- Unification of rules of origin
- Increase in corporate convenience
- Expecting a large increase in investment in the Asia-Pacific region
 - Increasing import and export trade between participating countries, significant tariff cuts, easing non-tariffs and investment barriers

ROK

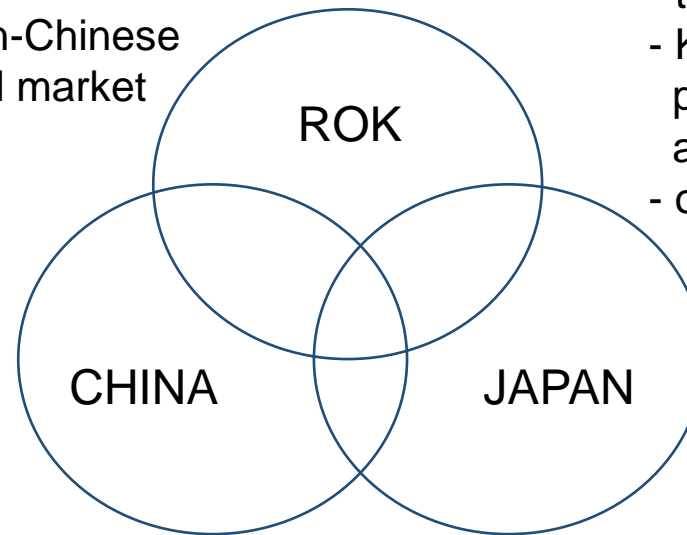
- Securing additional product markets in 10 ASEAN countries
 - tariff elimination rate up to 91.9% ~ 94.5%
 - Korea's traditional core item** and promising post-corona items *** also have secured additional market opening
 - open games and movies market

** automobiles, parts, and steel

*** textiles, machinery parts, medical hygiene products

JAPAN

- Effect of signing the first FTA with Korea
 - expected to serve as the cornerstone of the Korea-Japan FTA and the Korea-China-Japan FTA in the future



Benefits of making an agreement – CPTPP

Republic of Korea

- Effective policy to alleviate the problem of high dependence on China for Korean exports
- an alternative to alleviate the aftermath of the U.S.-China trade conflict by establishing a regional value chain
- Common rules of origin, cross-linked standards and norms will be able to establish a reliable supply chain in the Asia-Pacific region

JAPAN

- became Asia's first regional economic zone and the largest economic power in the region, increased its real GDP by about 1.49%
- Expected to reduce production costs of local companies by expanding exports of finished cars and reducing parts export costs
- secure price competitiveness by eliminating tariffs and help competition with China



Benefits of making an agreement – EAEU

CGE analysis on the benefits of the comprehensive Korea-EAEU FTA in the 2020 report of the Korea Economic Research Institute

1. Welfare effect

ROK : \$880 million is expected to increase consumer welfare

Russia : \$1.7 billion in consumer welfare growth

EAEU countries (except Russia) : \$370 million in consumer welfare increase effect

2. Trade effect

- | | |
|---|--|
| <p>ROK</p> <ul style="list-style-type: none">• imports and exports increasing, positive ripple effect on the trade balance (increased total trade 0.310%),• the greatest effect of improving the trade balance with Russia (\$2.4 billion)• diversification of exports<ul style="list-style-type: none">- The share of total trade in Korea's total trade of Russia and EAEU4 countries has also improved significantly. | <p>EAEU</p> <ul style="list-style-type: none">• Expected high complementarity in economic structure<ul style="list-style-type: none">- ROK : developed and high energy demand industry- EAEU : abundant natural resources based industry |
|---|--|

ROK's progress of the agreements

RCEP

- Discussion began in 2012 and concluded by final signing on November 15, 2020
- Ratification procedures left
- Early ratification opinions were expressed (21.09.13. Korea-ASEAN Economic Ministers' Meeting)

CPTPP

- Currently under active review
- 2021.03. the 18th Trade Promotion Committee (MTIE*) discussed CPTPP-related domestic system improvement plans (digital trade field)
- Simultaneous CPTPP membership was proposed at a joint meeting of the FKI Korea-Taiwan Economic Cooperation Committee

EAEU

- MTIE's National Institute of Technology and Standards held a technical regulatory cooperation meeting with EAEU to alleviate trade and technology barriers
- Korea-EAEU FTA negotiations begin (Minister of Economy and Finance Hong Nam-ki)

* The Ministry of Trade, Industry and Energy

Conflicts in the agricultural industry

There are concerns that both agreements will accelerate the opening of the agricultural sector and damage to domestic farms will necessarily be accompanied

RCEP

- **Government** : openness at the existing FTA level, the impact on domestic agriculture will be minimal.
- **"Analyzing the Impact of RCEP Tropical Fruit Tariff Reduction" Study** : Significant likely damage to domestic fruit prices due to increased imports and indirect consumption replacement.
- **Farmers' organization** : Concerns the shrink consumption of domestic agricultural products due to the application of preferential tariffs on animal & plant hygiene quarantine (SPS) and local agri-food processing material

CPTPP

- ROK has already signed FTAs with 10 out of 11 member countries and is latecomers, likely to pay a higher level of price, such as additional opening of agricultural and livestock products
- The impact on domestic agriculture is expected to be greater than ever as SPS, export subsidies, and state-owned enterprises are applying stricter norms than already signed FTAs
- **The Korea Federation of Agricultural Management** : It expressed opposition to joining the club.

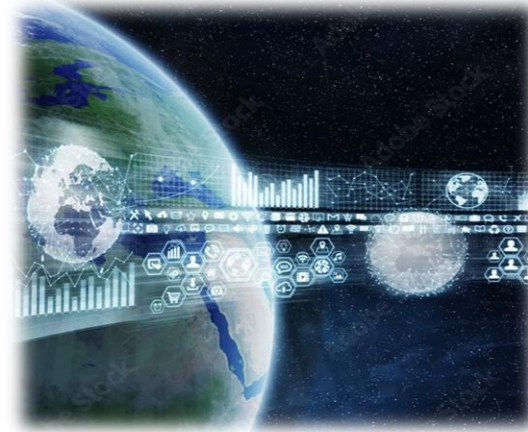
“RCEP” Enter the new market for contents

- 70% of the exports country of the domestic content industry is participating the agreement
 - Expecting greater impact of domestic companies entering the market and continuing to spread the Korean Wave
- Japan and Southeast Asian countries' game, audiovisual, and tourism markets are additionally opened
 - These countries are ROK's major content exporters
 - Establishing regional norms for copyright protection
 - Japan : fully open the cultural service market (except production and broadcasting in the second half of audiovisual)
 - Southeast Asian countries : additionally open up the supply of game services online, investment in animation and television programs and record production, investment in travel and lodging industries
- The Korea Creative Content Agency-Trade Association support for finding overseas sales channels for K-content
 - Hosting a video export consultation meeting for RCEP
 - 181 cases of biz matching with overseas buyers from 47 domestic companies and 77 companies in 6 countries

“CPTPP” The new paradigm of the digital economy

- The possibility of CPTPP expansion and Korea's preemptive lead attempt
 - Yeo Han-gu, head of trade negotiations at MTIE*

“Korea, a traditional IT powerhouse in the era of global digital economy transformation and a leader in digital new deals in the Corona era, is trying to serve as a leadership of a new paradigm”



- September 10, 2021. the procedure for joining the Asia-Pacific Digital Economy Partnership Agreement (DEPA) was implemented.
 - Establishing digital norms and strengthening cooperation among the three CTPPP member countries**

* The Ministry of Trade, Industry and Energy

** Singapore, New Zealand, and Chile

“EAEU” Formation of the foundation for development in the Far East

- Lay the foundation for the Eurasian trade network through the signing of an FTA with EAEU in the service and investment sectors
 - Russia : “9-Bridge Action Plan” cooperative channel
(energy, electricity, railroads, gas, and agriculture and fisheries)
Yeonhaeju Industrial Complex, Bolshoikamen Smart City Support Project, Arctic Hydrogen Base Construction Project
 - Kazakhstan : "Fresh Wind" program
2019. Mid- to long-term programs that contain projects by more than 50 fields
creates practical economic cooperation results across comprehensive fields*
EAEU’s mutual tariff-free trade and manpower movement will be advantageous for expanding our export market
- 2021.07. Korea-New Northern Industry/Technology Cooperation Consultation Meeting (KOTRA)
 - 50 small and medium-sized Korean companies and 40 companies in the New Northern Region (Russia, CIS)
 - A domestic company with small wind power generator production technology is discussing local joint production with a Russian company and cooperate to enter the Eurasian Economic Union (EAEU) market

* industry, resources, energy, science and technology, health care, transportation infrastructure

Thank you
