Korea's IAP Peer Review Presentation

Purpose: Consideration
Submitted by: APEC Secretariat
Republic of Korea
APEC IAP PEER REVIEW

July, 2007
Cairns, Australia

Korea

Contents

I. Economic & Trade Policy Direction

II. Overview of Economic Performance

III. Towards the Bogor Goals

IV. APEC and Korea
Korea

Economic & Trade Policy Direction

Policy Directions and Strategies

- Strengthening liberalization and international cooperation (1)
  - Reaffirming commitment to the WTO system
    - Strengthening the multilateral trading system, specifically the WTO, continues to be Korea’s top priority.
    - As a strong supporter of the multilateral trading system, Korea has been actively participating in the DDA Negotiations.
Korea
Economic & Trade Policy Direction

❖ Policy Directions and Strategies

- Strengthening liberalization and international cooperation (2)
  - Expanding multi-track FTA negotiations
  - Revitalizing inbound and outbound FDIs
  - Reinforcing economic and financial cooperation

Korea
Economic & Trade Policy Direction

❖ Policy Directions and Strategies

- Korea’s FTA Initiatives
  - Chile (Entered into force in Apr. 2004)
  - Singapore (Entered into force in Mar. 2006)
  - EFTA (Entered into force in Sep. 2006)
  - ASEAN (Framework, Dispute Settlement Mechanism and Trade in Goods Agreements) (Entered into force in Jun. 2007)
  - The U.S (Concluded in Apr. 2007)
  - ASEAN (Trade in Services and Investment) (Launched in Feb. 2005)
  - Canada (Launched in Jul. 2005)
  - Mexico (Launched in Feb. 2006)
  - India (Launched in Mar. 2007)
  - EU (Launched in May. 2007)
  - Japan (Launched in Mar. 2003)
  - China (Started a joint study in Mar. 2007)
  - MERCOSUR (Currently finalizing the Joint Study Report)
Policy Directions and Strategies

- Upgrading the transparency of the economic system
  - Advancing the financial market system on a continual basis
  - Improving flexibility of the labor market
  - Upgrading fiscal institutions and the tax system
  - Fostering a basis for an innovation-driven economy
  - Promoting transparency and productivity through IT

Policy Directions and Strategies

- Managing macro-economy stability
  - Managing price stability
  - Laying the foundation for a stable real estate market
  - Fostering a strong financial and foreign exchange market
  - Strengthening efforts for fiscal efficiency
### Major Economic Indicators

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP Growth (%)</strong></td>
<td>3.1</td>
<td>4.7</td>
<td>4.2</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Unemployment (%)</strong></td>
<td>3.6</td>
<td>3.7</td>
<td>3.7</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Import (US$ bil)</strong></td>
<td>178.8</td>
<td>224.5</td>
<td>261.2</td>
<td>309.4</td>
</tr>
<tr>
<td><strong>Export (US$ bil)</strong></td>
<td>193.8</td>
<td>253.8</td>
<td>284.4</td>
<td>325.5</td>
</tr>
<tr>
<td><strong>FDI (US$ mil)</strong></td>
<td>6,471</td>
<td>12,792</td>
<td>11,563</td>
<td>11,233</td>
</tr>
<tr>
<td><strong>ODI (US$ mil)</strong></td>
<td>5,575</td>
<td>7,903</td>
<td>9,032</td>
<td>18,435</td>
</tr>
<tr>
<td><strong>FX Holdings (US$ bil)</strong></td>
<td>155</td>
<td>199</td>
<td>210</td>
<td>239</td>
</tr>
</tbody>
</table>
Korea

Overview of Economic Performance

❖ Trade with APEC Economies

<table>
<thead>
<tr>
<th>Economy</th>
<th>Volume (US$, bil)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>51.9</td>
<td>16.8</td>
</tr>
<tr>
<td>China</td>
<td>48.6</td>
<td>15.7</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>33.7</td>
<td>10.9</td>
</tr>
<tr>
<td>Australia</td>
<td>11.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>9.3</td>
<td>3.0</td>
</tr>
<tr>
<td>APEC Total</td>
<td>200.5</td>
<td>64.8</td>
</tr>
<tr>
<td>World Total</td>
<td>309.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

❖ Risks and Headwinds

- **Domestic Issues**
  - Instabilities in the domestic real estate and financial and foreign exchange market
  - Slow progress in job growth and income distribution
  - Rapidly aging society

- **Regional and Global Issues**
  - Uncertainty surrounding the world oil market
  - Widening global and regional imbalances
### Korea

#### Towards the Bogor Goals

<table>
<thead>
<tr>
<th>Policy Tools</th>
<th>Approaches to Implement</th>
<th>Areas to be Progressed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening Liberalization and</td>
<td>• Promoting measures to make progress at the DDA</td>
<td>• Tariffs</td>
</tr>
<tr>
<td>International Cooperation</td>
<td>negotiations</td>
<td>• Non Tariff Measures</td>
</tr>
<tr>
<td></td>
<td>• Reinforcing regional cooperation in APEC</td>
<td>• Services, Investment</td>
</tr>
<tr>
<td></td>
<td>• Contributing to establishing an Asia-Pacific Economic</td>
<td>• Intellectual Property</td>
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<td></td>
<td>Community</td>
<td>• Implementation of WTO Obligations</td>
</tr>
<tr>
<td></td>
<td>• Pursuing multi-track FTAs</td>
<td>• Rules of Origin</td>
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<tr>
<td>Upgrading Economic System Total</td>
<td>• Intensifying structural reform to establish a fair,</td>
<td>• Services</td>
</tr>
<tr>
<td></td>
<td>transparent and efficient market order</td>
<td>• Investment</td>
</tr>
<tr>
<td></td>
<td>• Financial Reform</td>
<td>• Standards &amp; Conformance</td>
</tr>
<tr>
<td></td>
<td>• Regulatory Reform</td>
<td>• Customs Procedures</td>
</tr>
<tr>
<td></td>
<td>• Competition Policy</td>
<td>• Competition Policy</td>
</tr>
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<td></td>
<td></td>
<td>• GP</td>
</tr>
<tr>
<td>Securing Equitable and Sustainable Growth</td>
<td>• Strengthening capacity building</td>
<td>• Deregulation / Regulatory Review</td>
</tr>
<tr>
<td></td>
<td>• Expanding ODA</td>
<td>• Mobility of Business People</td>
</tr>
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<td></td>
<td>• Strengthening technical assistance</td>
<td>• Human Resource Development</td>
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</tbody>
</table>

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**Behind the Border Issues Capacity Building**
## Korea

### Towards the Bogor Goals

#### Trade Liberalization

<table>
<thead>
<tr>
<th>Area</th>
<th>Major Achievements Since 2003</th>
<th>Best Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tariffs</td>
<td>- <strong>Bound Tariffs</strong>&lt;br&gt; 1. Reached 91.5% of total tariff lines 2. Simple average bound tariff rate (import weighted average bound tariff rate) is lowered from 27.6% (15.4%) in 1996 to 17.2% (15.4%) in 2006.</td>
<td>- <strong>Transparency of the tariff regime</strong>&lt;br&gt; 1. Relevant information on the tariff system and tariff rate is posted well in advance on the government gazette and website of the Korean Customs Service (<a href="http://www.customs.go.kr/eng/">http://www.customs.go.kr/eng/</a>).</td>
</tr>
<tr>
<td></td>
<td>- <strong>Unilateral tariff reduction</strong>&lt;br&gt; 1. Tariffs on major energy items are lowered from 5% to 3%</td>
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**APEC IAP PEER REVIEW 15/28**

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## Korea

### Towards the Bogor Goals

#### Trade Liberalization

<table>
<thead>
<tr>
<th>Area</th>
<th>Major Achievements Since 2003</th>
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</thead>
<tbody>
<tr>
<td>Services</td>
<td>- <strong>Communication Services : Audio-visual</strong>&lt;br&gt; 1. Percentage of shares by foreign investors in cable broadcasting and program providing business have increased from 33% to 49%. 2. <strong>Education Services</strong>&lt;br&gt; 1. As of February 1, 2005, domestic universities are allowed to confer joint degrees with foreign universities that have obtained accreditation from foreign governments or authorized accreditation bodies. 3. <strong>Financial Services</strong>&lt;br&gt; 1. A person who owns the subsidiary of an insurance company as well as a person who runs a insurance company directly in a foreign country can be licensed to conduct an insurance business.</td>
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**APEC IAP PEER REVIEW 16/28**
### Korea

#### Towards the Bogor Goals

#### Investment Liberalization

<table>
<thead>
<tr>
<th>Area</th>
<th>Major Achievements Since 2003</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Investment</td>
<td>- Enhanced Investment Liberalization and Facilitation&lt;br&gt;  • Fully opened the theatrical animation market since 1 Jan. 2006  • Efforts for the liberalization through FTAs&lt;br&gt;  • Improving the Investment Environment&lt;br&gt;  • “Plan of Improving Business &amp; Living Environment (2004-2008)”&lt;br&gt;  • Among 156 tasks, 108 tasks were completed&lt;br&gt;  • IKP (Invest Korea Plaza) was established to provide one-step service for foreign investors (Oct. 2006)&lt;br&gt;  • G4F (Government for Foreigners) website was established (Aug. 2006)&lt;br&gt;  • Avoidance of Double Taxation&lt;br&gt;  • Revised existing Double Taxation Treaties with Vietnam, China and Thailand&lt;br&gt;  • Signed new treaties with Nigeria and Australia</td>
<td>- Adheres to the MFN principle in its investment policy&lt;br&gt;  - No discrimination between source economies&lt;br&gt;  - Completely opened the capital market, including the bond and stock market&lt;br&gt;  - No performance requirements such as export or local content obligations that are inconsistent with the WTO/TRIMs Agreement</td>
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#### Trade Facilitation

<table>
<thead>
<tr>
<th>Area</th>
<th>Major Achievements Since 2003</th>
<th>Best Practice</th>
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</thead>
<tbody>
<tr>
<td>Standards &amp; Conformance</td>
<td>- Alignment of standards&lt;br&gt;  • As of Dec. 2006, among 12,978 KS which have corresponded ISO/IEC standards, 12,963 KS are harmonized&lt;br&gt;  • As of 2005, regarding food labeling, Korea is in conformity with 3 international standards</td>
<td>- Publication of the 2nd National Standards Plan&lt;br&gt;  • Provides a direction for standards and conformance from the year 2006 to 2010</td>
</tr>
<tr>
<td>Customs Procedures</td>
<td>- Paperless trading&lt;br&gt;  • Launched the Internet-Based Clearance Portal System for customs clearance&lt;br&gt;  • Implemented a Single Window system with 12 key government agencies handling 93% of total import verification</td>
<td>- Reducing the time and expenses required for clearance&lt;br&gt;  • The import cargo release time from the entry in 2006 has been reduced to an average 3.9 days from 9.6 days in 2003.&lt;br&gt;  • Reduced Expenses required for customs declaration by approximately over US $ 10 mil. annually.</td>
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</tbody>
</table>
### Korea

**Towards the Bogor Goals**

#### Trade Facilitation

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</thead>
<tbody>
<tr>
<td>Business Mobility</td>
<td>■ Enhanced business facilitation and security</td>
<td>■ e-Government for Foreigners (G4F)</td>
</tr>
<tr>
<td></td>
<td>• Exemption of visa related fees for D-8</td>
<td>• G4F provides comprehensive information on immigration policies and procedures on the Internet and full information on visa matters.</td>
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<td></td>
<td>• Overall implementation of MRPS entry/return inspection system in May 2005</td>
<td>■ Korea Immigration Brand (KISS)</td>
</tr>
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<td></td>
<td>• Abolishment of E/D cards for nationals/registered foreigners</td>
<td>• KISS represents innovative brand for the fastest &amp; the most comfortable immigration border service.</td>
</tr>
<tr>
<td></td>
<td>• The formal launch of the API system for passenger clearance in Sep. 2005</td>
<td>• KISS was selected as the winner of UNPSA (UN Public Service Award) for 2007 in the category of public service improvement.</td>
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</table>

#### Other Behind the Border Issues

<table>
<thead>
<tr>
<th>Area</th>
<th>Major Achievements Since 2003</th>
<th>Best Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual Property</td>
<td>■ TRIPs implementation</td>
<td>■ Acceded to the WIPO Copyright Treaty in 2004</td>
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<tr>
<td></td>
<td>• In accordance with the TRIPs Article 31 bis, Korea amended the Patent Act to permit the authorization of compulsory licenses.</td>
<td>■ Amended the Enforcement Decree of the Copyright Act in 2005</td>
</tr>
<tr>
<td></td>
<td>■ Granting of IP Rights</td>
<td>• Facilitating the use of copyright works in the digital field</td>
</tr>
<tr>
<td></td>
<td>• Amended Copyright Act, in 2004, to provide an “Interactive transmission Right” to performers and producers of phonograms as well as copyright holders</td>
<td>■ Passed Copyright Act amendment bill in 2006</td>
</tr>
<tr>
<td></td>
<td>• Granting better protection and reinforcing the protection in the digital field</td>
<td>• Granting better protection and reinforcing the protection in the digital field</td>
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### Korea

**Towards the Bogor Goals**

#### Other Behind the Border Issues

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<tbody>
<tr>
<td><strong>Competition Policy</strong></td>
<td>• Revision of the Fair Trade Act in 2007</td>
<td>• Refinement of law/regulations to implement a 3-year Market Reform Roadmap for 27 tasks in the three major areas</td>
</tr>
<tr>
<td></td>
<td>- Lowered ceiling on the total amount of shareholding in other domestic companies</td>
<td>- Business groups’ ownership &amp; management structure</td>
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<tr>
<td></td>
<td>- Revised the holding company system</td>
<td>- Enhancing transparency in corporate management</td>
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<td></td>
<td>- Extended the expiry date of the right to request financial transaction information</td>
<td>- Facilitating competition in the market</td>
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<td></td>
<td>- Strengthened the monitoring system</td>
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#### Government Procurement

<table>
<thead>
<tr>
<th>Area</th>
<th>Major Achievements Since 2003</th>
<th>Best Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transparency</strong></td>
<td>• Established Electronic Notice of Tendering through the Government e-Procurement System</td>
<td>• Operation of Public Procurement Service (PPS)</td>
</tr>
<tr>
<td></td>
<td>• Established the subcommittee of the International Contract Dispute Mediation Committee</td>
<td>- Digitalizes the entire procurement process</td>
</tr>
<tr>
<td><strong>Accountability and due process</strong></td>
<td></td>
<td>- Prevents unnecessary contacts between businesses and contracting officials</td>
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<td></td>
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<td>- Minimizes arbitrary decisions by contracting officials</td>
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**APEC IAP PEER REVIEW**

21/28

22/28
### Korea

**Towards the Bogor Goals**

#### Other Behind the Border Issues

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<tr>
<th>Area</th>
<th>Major Achievements Since 2003</th>
<th>Best Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deregulation</td>
<td>• Strengthening Regulatory Impact Analysis (RIA)</td>
<td>• Preparation of the “Basic Act on Administrative Investigation”</td>
</tr>
<tr>
<td>Regulatory Reform</td>
<td>• Enhancing the Basic Act on Administrative Investigation</td>
<td>• Clarify the process of the administrative investigations</td>
</tr>
<tr>
<td></td>
<td>• Improvement of the regulation registration system</td>
<td>• Publication of “Regulatory Reform Manual for local governments.”</td>
</tr>
<tr>
<td></td>
<td>• Monitoring of regulatory reform</td>
<td>• Provides training programs for local government officials</td>
</tr>
<tr>
<td></td>
<td>• Overhaul of regulations that are outdated due to market changes</td>
<td>• Operation of a government-wide regulatory reform system</td>
</tr>
<tr>
<td></td>
<td>• Continuous overhaul of bundle regulations (RRTF)</td>
<td>• Regulatory Reform Committee (RRC) restraints new and strengthened regulations</td>
</tr>
<tr>
<td></td>
<td>• One-stop-trouble shooting service (BDRC)</td>
<td>• Regulatory Reform Task Force improves bundle regulations involving multiple ministries</td>
</tr>
<tr>
<td></td>
<td>• Regulatory reform of local government and extensive regulatory training</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Overhaul of quasi-administrative regulations</td>
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</table>
Key Contributions to the Achievement of the Bogor Goals

Busan Roadmap
- Setting out an ambitious but practical strategy to accelerate progress towards free and open trade and investment
- Broadening the scope of the Goals to the behind the border issues
- Balancing APEC’s efforts to advance free and open trade and investment and other important building blocks for economic development

Key Contributions to the Achievement of the Bogor Goals

Capacity Building
- Seeking ways to narrow gaps in development and infrastructure (e.g. APII, digital divide, knowledge based economy)
- Intensifying efforts to strengthen capacity building activities through institutional frameworks (SMEs, women, socio-economic disparity)
Korea

❖ Renewed Commitment:
   Korea Will
   - Seek co-prosperity with APEC members towards an Asia-Pacific Economic Community
   - Help to draw a successful conclusion of the WTO DDA negotiations
   - Enhance a secure trade environment and trade facilitation
   - Ensure that RTAs/FTAs are consistent with WTO rules and support the Bogor Goals
   - Seek practical ways to meet the challenges of imbalances in the global economy
   - Work together to address capacity building needs
   - Make efforts to promote greater effectiveness of APEC

Republic of Korea
APEC IAP PEER REVIEW

THANK YOU

July, 2007
Cairns, Australia