



**Asia-Pacific
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Free Trade Agreement Utilization Policy - Korea

Submitted by: Korea



**Workshop on Increasing Free Trade
Agreement Utilization by SMEs
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FTA UTILIZATION POLICY OF SOUTH KOREA



기획재정부
MINISTRY OF STRATEGY
AND FINANCE

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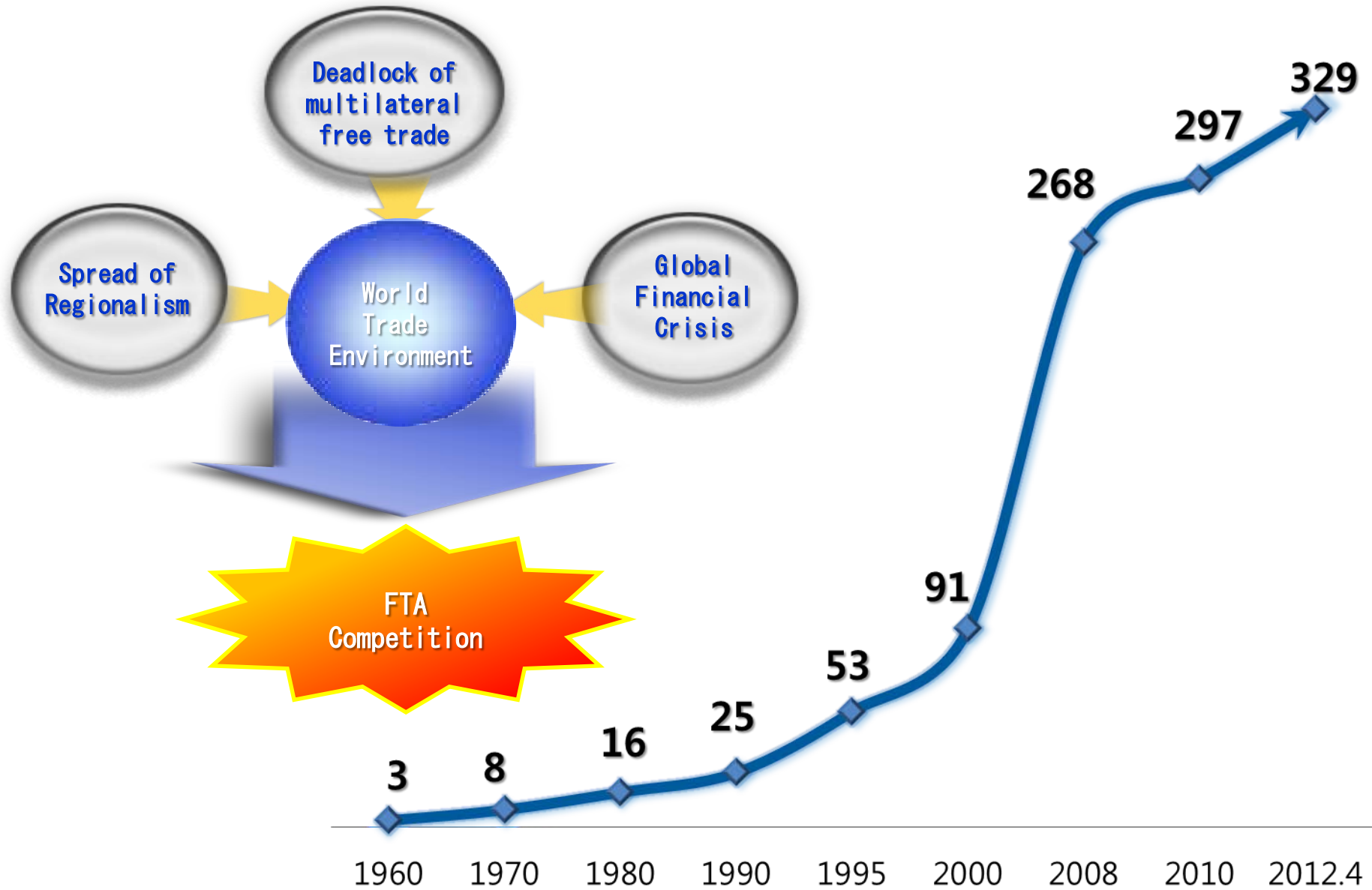
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World Trade Environment, FTA and South Korea



World Trade Environment and FTA



Current State of South Korea's FTA

Korea-Chile FTA (Feb. 2003)

**Simultaneous
Promotion**

Market Access
(Investment, Service,
etc.)

**Trade remedies for
vulnerable areas**

High performance in short time

- In effect (8) : US, EU, Singapore, EFTA, ASEAN, India, EU, Peru
- Concluded (1) : Turkey
- In negotiation (8) : China, Canada, Austria, Mexico, etc.
- Underway (8) : Japan, Korea-Japan-China, etc.



Importance of the FTA utilization policy and the management system



The Importance of FTA Utilization Policy

- **Practical Use of the FTA is critical**
- **Maximize the benefits from FTA by
Minimizing the difficulties faced by SMEs**
 - ▶ **Complicated rules of origin**
 - ▶ **Shortage of professional manpower**
 - ▶ **Shortage of market information to trade partner**
 - ▶ **Problems in making FTA Utilization System**

* Regional FTA Utilization Center Poll :Daegu('11.5), Busan('11.11),
Daejeon('12.2)

Korea FTA Utilization Management System

Ministry of Strategy and Finance

(FTA coordination and policy adjustment authority)

Ministry of Knowledge Economy

(consulting service by business sectors,
in-bound investment promotion)

Korea Customs Service

(Certificate of Origin,
FTA Implementation)

Ministry of Foreign Affairs and Trade

(establishment of foreign and trade
policies, trade negotiations)

Small and Medium Business Administration

(marketing, consulting service for
SMEs)

Ministry of Food, Agriculture, Forestry and Fisheries

(securing risky areas, promotion export)

Ministry of Culture, Sports and Tourism

(Public communication)



FTA Utilization Policy of South Korea



FTA Utilization Policy Meeting



■ Participants

- ▶ Vice Minister of Strategy and Finance (Chair)
- ▶ Deputy minister and Directors of relevant institutions (20 persons)

ex. Gov) , MOSF, MKE, KCS, MIFAFF etc.

Institute) FTA Information & Business Support Center etc.

■ Function

- ▶ Monitor the progress of policies in FTA utilization and coordinate the policies

1. Export promotion
2. Investment promotion
3. Enhancement of industry competitiveness
4. Enhancement of consumer welfare

1. Export Promotion



■ Consulting Service

- ▶ Custom brokers, accountants visit companies to provide consulting service on site, to give information regarding origin certification

* MOSF FTA Consulting : 636 (2010) → 820 (2011) → 1,000 companies (2012)

** FTA Information & Business Support Center : provide consulting service by industry and FTA

■ FTA Professionals Training

- ▶ Subsidize FTA related university courses, and set up FTA academia

* Retired executives of large enterprises are trained to become professional consultants in marketing, production, distribution, trade, etc. and reuse their experience.

1. Export Promotion

■ FTA PASS, FTA KOREA (origin management system)

- ▶ Distribute a government-led developed system to the SMEs

- ▶ Separate system for textile products
: the origin criteria is complicated

■ Seminars

- ▶ Organize FTA seminars for Korean SMEs and buyers from FTA partner countries

* 8 seminars are scheduled in 2012 : U.S. , EU(Hungary, Bulgaria), ASEAN countries

2. Investment Promotion

■ In-bound Investment Promotion

- ▶ Organize IRs in FTA partner countries (US, EU, ASEAN, etc.) and their neighbor countries willing to expand markets
- FTA partner countries
 - (US) IT, Knowledge service industry
 - (EU) Pharmacy, Renewable energy
- FTA non-party countries
 - We invite Japanese and Chinese companies which have a big proportion of export in the EU.
 - * We organize IRs in 4 main cities of Japan(Tokyo, Osaka, Nagoya, Fukuoka) and inland cities of China.



2. Investment Promotion

■ ‘U-Turn Companies’ Support

- ▶ As production environment improves (ex. FTA) in Korea, we are expanding support for ‘U-Turn companies’ .
- ▶ Expand the range of ‘U-turn company’ and provide a variety of service to improve the effectiveness of the policy
 - Reduction of corporate tax, income tax, duties*,
 - Provide subsidies and offices**

* Tariffs are lowered in case of building production facilities

** Give priority to companies moving in new FEZ

3. Trade Remedies



■ Farming and fishery industry

▶ Strengthen competitiveness and promote export

- Help overseas market access:

Increase Korean companies' export by taking advantage of tariff reduction through FTA effectuation, and extending market access through wholesale/retail distribution

* Focused on strategic products with growth potential and high income effect (Ginseng, Kimchi, laver, oyster, etc.)

- Strengthen competitiveness:

modernize outdated facilities, widen the reduction range of electricity price, extend investment in R&D, promote high-quality brands, etc.

3. Trade Remedies



■ Pharmaceutical Industry

▶ Growth industry of the future

- **Strategies for enhancing competitiveness** (Jan 2012)
 - * new drug production, infrastructure improvement, exportation support
- **Specialty pharmaceutical companies:**
Intensive support on price, tax, finance and R&D
- **Global generic pharmaceutical companies:**
build mass production facilities, provide operation fund, support global marketing, etc.

4. Consumer Welfare



■ Provide Price Information

▶ To enhance consumer surveillance

- Enlarge the research items of import price focused on consumer goods (Korea Customs Service)
: agri-fishery products, household necessities etc.

*products with growth potential and high income effect
ex. Ginseng, Kimchi, laver, oyster, etc.

- Monthly publish import price index of main agri-fishery products(31 items)

* Livestock products(4 items including pork), fishery products (16 items including mackerel), agricultural products(11 items including banana)

- Daily publish import price index of agricultural products (Ministry for food, agriculture, forestry and fisheries)

* banana, orange, sesame, peanuts, grape, beef, pork, croaker, pollack

4. Consumer Welfare



■ Improve distribution system

- ▶ Tighten enforcement on illegal price-fixing between distributors
- Sort items with large gaps between import and consumer prices (Korea Consumer Agency)
- Keep monitoring unfair practices during distribution process
- Study the improvement of distribution system of the main import items by FTAs



FTA Utilization Policy Achievements



Review of Korea-US FTA Effectuation

■ March 15th 2012~June 30th (compared year-to-year)

▶ Korea's export to the US increased 5.5%

* Korea's export decreased 2.2% since the Korea-US FTA took effect

– Export of FTA beneficiary products (auto parts, petrochemical products) increased 10.7%

▶ Import from the US decreased 3.8%

– Import of FTA beneficiary products increased 4.0% while other products decreased 10.4%

▶ FDIs increased 48.2%

– 789 million USD → 1,168 million USD



1 Year Review of Korea-EU FTA Effectuation

■ July 1st 2011~ July 30th 2012 (compared year-to-year)

- ▶ Korea's Export to the EU decreased 12.1%
due to the fiscal crisis in Eurozone
 - However, export of FTA beneficiary products increased 16.3%
: automobiles (29.4%), auto parts (14.7%), petrochemical products (29.7%)
- ▶ Import from the EU increased 13.0%
 - Import of crude oil and petrochemical products
which was nearly 0 before the FTA, increased a lot
 - * crude oil : 0 → 18 billion USD
 - petrochemical products : increased 110.1%
- ▶ FDIs increased 14.3%
3,837 million USD → 4,386 million USD



Closure



- FTA utilization is more important than the FTA itself!
- In the beginning stage of FTA utilization, the government's role is of critical importance.

