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Reinforcing Economic and Trade Diplomacy

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Chapter 1

G20 Diplomacy to Strengthen Global Economic Governance

1. Los Cabos G20 Leaders' Summit 2012

The G20 Leaders' Summit was held in Los Cabos, Mexico, on June 18-19 2012 and was convened during the first half of the year unlike the previous summits due to Mexico's presidential election. While uncertainty of the world economy had inflated due to the aftermath of the fiscal crisis of the Eurozone, the leaders primarily discussed ways to resolve the Eurozone's fiscal crisis.



Los Cabos G20 Summit (Los Cabos, June 18–19, 2012)

The leaders of the Eurozone strengthened their willingness to take all necessary measures to stabilize the Eurozone and to resolve the current crisis through structural reforms, greater fiscal and economic integration, and adjustments to strengthen competitiveness in deficit countries. As a result, the leaders of the Summit adopted the “Los Cabos Action Plan for Growth and Jobs” and declared that all members of the G20 should calibrate the pace of fiscal consolidation and promote specific coordinating measures for global economic growth.

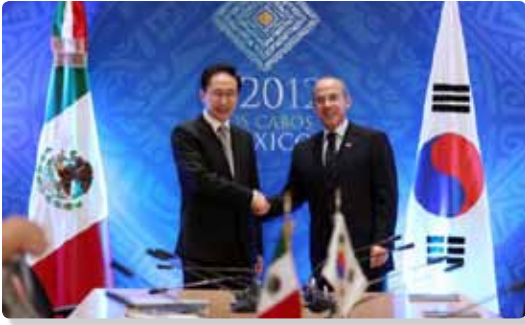
President Lee Myung-bak, based on Korea’s successful experience of recovery from the Asian crisis of 1997, emphasized that the countries concerned in Europe’s debt crisis should decisively reform their systems and that the Eurozone should place greater efforts to reform its flawed system.

In this regard, the leaders agreed to increase the resources available to the IMF by US\$456 billion to strengthen the global capacity to cope with the crisis, and Korea pledged to contribute US\$15 billion. This important outcome of the Los Cabos G20 summit to boost the IMF’s capacity to cope with the global economic crisis by increasing the IMF’s resources was enhanced by the participation of such emerging economies as China, India, Russia, Brazil and Mexico. In addition, the leaders of the G20 delivered a clear message to denounce all forms of protectionist measures and agreed to reaffirm the standstill commitment until 2014 with regard to protectionist measures.

President Lee remarked that the adoption of protectionism during such a difficult period of the world economy would likely place the world in a deeper recession. With many leaders expressing their sympathy with his remarks, he also persuaded a few countries with different views and contributed to the reaffirmation of the standstill commitment until 2014.

Meaningful progress was also made with respect to the development agenda which was introduced by Korea during the Seoul summit. During the Summit, leaders agreed to discuss ways of raising funds for the expansion of investment in infrastructure as a basis of development for developing countries and to carry out an “inclusive green growth” policy to support the green growth policy in developing countries.

In May, one month before the G20 Summit, President Lee Myung-bak, with Mexican President Felipe Calderon Hinojosa, contributed to the German Financial Times, in



Korea–Mexico Summit (Los Cabos, June 17, 2012)

which the two leaders expressed their will to exert their utmost efforts to stabilize the world economy and to alleviate problems caused by climate change. Viewing “green growth” as a key to solving economic and environmental issues, the leaders reiterated their will to develop an

optimum strategy to implement the “green growth” policy.

The Republic of Korea contributed to the formation of the G20 agreement by participating in IMF fund resourcing, reaffirming the need to take bold structural reform and fundamental measures, and taking an initiative to extend the standstill agreement and inclusive green growth policy.

Furthermore, President Lee held a bilateral meeting with President Felipe Calderon and exchanged ideas to strengthen relations between the Republic of Korea and Mexico.

The G20 summit has already been held on seven occasions and has established itself as a top forum for economic cooperation. The G20 summit is expected to exert increasing influence as the global recovery continues to face a number of challenges, requiring cooperation among states.

The Government of the Republic of Korea will actively participate in the G20 summit to reinforce its global status and to contribute to reviving the world economy, building infrastructure that is favorable to Korea’s sustainable growth.

2. Korea’s Activities within the OECD

Korea has continuously reinforced its role as a middle power through its active participation in the Ministerial Council Meeting, Russia’s accession to the OECD, and

enhancement of relations with crucial economic partners, so called ‘Key Partners’ (China, Indonesia, India, Republic of South Africa, and Brazil).

The Ministerial Council Meeting was held in Paris on May 23-24, 2012, under the theme, “All on Board: Policies for Inclusive Growth and Jobs”, reflecting the focus



The Ministerial Council Meeting (Paris, May 23–24, 2012)

on economic growth and employment around the world. In addition, the meeting adopted the “OECD Strategy on Development” including future OECD strategies. Korea contributed to building the development strategy as a co-chair of the special working group in the OECD development strategy. Bark Tae-ho, Minister for Trade, participated in the meeting as a chief delegate and expressed a plan to invest US\$800 thousand in the “East Asia Green Growth strategic project” in an effort to implement the OECD development strategy.

On the other hand, OECD member countries not only made progress on Russia’s accession to the OECD through twenty-two commissions, but also discussed ways to engage Key Partners such as China and Indonesia. While holding interagency meetings with regard to Russia’s accession to the OECD, the Korean Government collected views from the private sector including companies conducting business in Russia. In addition, Korea strengthened diplomatic activities to enhance China’s status to the OECD by holding three meetings to enhance cooperation with China in 2012 (March, July and November) as chair of the Informal Reflection Group of China.

In addition, Korea implemented follow-up measures of the Phase 3 evaluation on Korea of the OECD Anti-bribery Convention (Convention on Combating Bribery of Foreign Public Officials in International Business Transactions). The Korean Government reviewed its progress in the OECD recommendations through consultations among relevant Government agencies including the Ministry of Foreign Affairs and Trade, Ministry of Justice, Anti-corruption & Civil Rights Commission and National Tax

Service. Korea reported its measures for implementation of the recommendations to the Working Group on Anti-bribery of the OECD in October. Korea has served as a role model by implementing the Anti-bribery Convention of the OECD as well as participating in the G20 Anti-corruption Working Group.

3. Korea's Activities within the UN ESCAP

The UN Economic and Social Commission for Asia and the Pacific (UNESCAP) is the Intergovernmental body that encompasses the UN's activities in the Asia-Pacific region. It plays a pivotal role for economic and social development cooperation within the region. Korea has been actively engaged in the ESCAP's efforts to enhance the economic and social development of the Asia-Pacific region. As part of these efforts, the UN ESCAP Subregional Office for East and North-East Asia (SRO-ENEA) was established in Incheon, and the Asian and Pacific Training Centre for Information and Communication Technology for Development (APCICT) also has played a vital role in supporting the UN ESCAP.

The 68th Commission Session of ESCAP was held under the theme, "Growing Together: Economic Integration for an Inclusive and Sustainable Asia-Pacific Century." Held in Bangkok in May 2012, the session was attended by high-level representatives from 62 member states. As the ROK chief delegate, Lee Si-hyung, Deputy Minister for Trade, suggested measures to expand trade liberalization and facilitation, enhance financial cooperation, and strengthen cooperation to reduce the risk of natural disasters. He also presented Korea's continual efforts to make contributions. In addition, Korea played a leading role in adopting a resolution with respect to major issues including follow-up measures of the RIO+20 Summit, promotion of E-trade aimed at trade facilitation in the Asia-Pacific region, a 10-year(2013-22) plan to enhance the rights and interests of the region, and implementation of transportation ministerial meetings in the region.

In addition, Korea has cooperated with the ESCAP in various areas. In 2012, it

launched pilot programs with the ESCAP to realize the low-carbon green growth roadmap in the Asia-Pacific region. Korea will continue to play a leading role in the economic and social development of the Asia-Pacific region through its active participation in the ESCAP.

4. Participation in World Economic Forums: Contribution to the Creation of New Norms

The annual meeting of the World Economic Forum (widely known as the “Davos Forum”) is held every January in Davos, Switzerland. Each country’s leading figures in politics, Government, and business gather together to discuss the challenges faced by the world economy and provide solutions at the Forum. It is becoming a platform for discussion where major global issues can be predicted for the upcoming year and national policies responding to these issues can be viewed at a glance.

In 2012, the Davos Forum was held under the theme, “The Great Transformation: Shaping New Models” on January 25-29. The Korean delegation included Trade Minister Bark Tae-ho and former Chairman of the Presidential Committee for the G20 Summit SaKong Il.

Trade Minister Bark Tae-ho discussed ways to promote the DDA (Doha Development Agenda) negotiations with major trade ministers in the informal economic ministerial meeting, hosted by the Swiss trade minister. In addition, he participated in the session, “What does the business community expect from the WTO in the 21st century?” and shared his view on roles and ways of the WTO with other participants including WTO secretary-general Pascal Lamy.

Mr. SaKong Il, former Chairman of the Presidential Committee for the G20 Summit, participated in the session “Priming Mexico’s G20 Agenda” as the leading panel, and shared the Seoul G20 Summit’s preparation process and future roles and ways of the G20 Summit. In addition, he also participated as a panelist in the debate on globalization, and shared his view on the possibilities and limitations of globalization with leading

figures such as Professor Joseph E. Stiglitz, Nobel laureate in economics. In addition, he discussed the Eurozone's fiscal crisis, social conflict, and distribution of income in the Informal Gathering of World Economic Leaders and in the discussion over job creation post-global economic crisis. The former Chairman also attended the 4th "Korea Night," an annual event hosted by the Federation of Korean Industries and delivered a speech discussing Korea's efforts to resolve the economic crisis as well as the attraction of investing in Korea to foreign investors.

Chapter 2

Expanding the Global FTA Network

1. Overview

Free Trade Agreements (FTAs) are important tools that contribute to the creation of a new engine for continuous growth and help the nation achieve an advanced trading economy. To actively cope with the expansion of regionalism, which has been growing worldwide at a rapid pace, as well as the sharp increase in the number of FTAs throughout the world, the Korean Government created a roadmap for FTAs in 2003. Since then, Korea has been actively pursuing FTAs with its key trading partners in accordance with the roadmap. As a result of such efforts, FTAs with Chile, Singapore, EFTA, ASEAN, India, the European Union (EU), Peru, and the United States entered into force (a total of 8 FTAs with 45 countries as of the end of 2012), while negotiations have concluded FTAs with Turkey and Colombia.

In 2012, as global economic slowdown continues, it became significantly more important for Korea to maintain its trade relations by expanding its FTA network. Accordingly, the Government focused on concluding FTAs with advanced economies

like the U.S. and the EU, while creating favorable conditions for FTA negotiations with Northeast Asian economies, including Japan and China, as well as with emerging markets and resource-rich countries like Peru, Turkey, and Colombia.

As a result of such efforts, the Korea-U.S. FTA entered into force on March 15, 2012 and the Korean Government also made great progress in FTA negotiations with Colombia and Turkey. The Government signed the Korea-Turkey FTA on August 1, 2012 and completed the National Assembly's ratification process, while the Korea-Colombia FTA was formally signed on February 21, 2013.

Meanwhile, the Korean Government paved the way for FTAs with Northeast Asian economies. It held four rounds of negotiations with China since the launch of negotiations in May 2012. The Korean Government held frequent talks with Japan for the resumption of the Korea-Japan FTA negotiations, and announced the launch of the Korea-China-Japan FTA negotiations in November 2012. In an effort to create favorable conditions to conclude other FTAs, Korea is currently negotiating with Indonesia and Vietnam, and completed a feasibility study on an FTA with Malaysia in December 2012.

2. Korea-U.S. FTA

The Free Trade Agreement between Korea and the United States (KORUS FTA) entered into force on March 15, 2012. The 24-chapter Agreement, signed on June 30, 2007, and the Exchange of Letters, signed later on February 10, 2011, all constitute the integral parts of the KORUS FTA. With ratification in the National Assembly on November 22, 2011, preceded by the passage of the Implementation Act in the U.S. Congress on October 12, 2011, the respective domestic legal procedures of Korea and the U.S. were finally completed in 4 years and 5 months since the date of signature. The entry into force of the KORUS FTA has reduced, if not eliminated, the tariff and non-tariff barriers in trade in goods and services, investment, Government procurement, and intellectual property, among others, so that the stakeholders in both countries can benefit from preferential treatment provided by the Agreement.

During the first 10 months after the entry into force of the KORUS FTA, from March 15 to December 31, 2012, Korea's exports to the U.S. reached 47 billion dollars, a 1.2% increase compared to the same period the year before. In particular, the exports of the goods benefiting from FTA preferential tariff treatment increased by 8.1% year on year, while those that do not benefit from the FTA, such as the ones with zero base rates from the beginning, decreased by 2.8%. As for imports, likewise, the goods benefiting from the FTA increased by 2.2% year on year, while those that do not decreased by 16.7%. The utilization rates of the KORUS FTA reached 67% for exports and 61% for imports, which shows that the substantial amount of all preferential goods traded between Korea and the U.S. is actually enjoying the FTA tariff preferences.

In order to consult and oversee the implementation of the Agreement, Korea and the U.S. have established and are running various implementation Committees and Working Groups under the supervision of the Joint Committee, which is chaired by the trade ministers of both countries. The first Joint Committee meeting was held on May 16, 2012, and a total of nine Committees and Working Groups convened in 2012, including Committee on Goods, Service and Investment, and Small and Medium-sized Enterprises (SMEs).

The KORUS FTA is a high-standard trade agreement that has comprehensive sectoral coverage encompassing trade in goods and services and investment, among others. When it comes to trade in goods, all tariffs applicable to the industrial, forestry, and marine products originating from Korea and the U.S. will be eliminated. Within five years after the entry into force, 92% of Korea's and 92.8% of the U.S.'s tariff lines will phase out. In the agricultural sector, tariff schedules were differentiated, taking into account the sensitivities of Korean agricultural goods. Cross-border trade in service is liberalized between the two countries, with the possibility of setting out sectors, sub-sectors, or activities for which the Parties may maintain non-conforming measures. The investment chapter protects and promotes investment of a Party in the other Party by providing fair and equal treatment to the investment.

The KORUS FTA is expected to greatly contribute to Korea as it enables Korea to access the U.S. market better, provides further export opportunities, and renews growth momentum by increasing its economic system efficiently. With this high-

quality, comprehensive economic deal, the bilateral relationship between the two strong allies will be taken to a new level.

3. Pursuing FTAs with East Asian Economies

1) Korea-China FTA : On the launch of the Korea-China FTA Negotiation

In the Korea-China summit talks in January 2012, Korean President Lee Myung-bak and Chinese President Hu jintao agreed to launch FTA negotiations immediately after Korea's domestic procedures for the launch of the FTA negotiation are terminated. Shortly thereafter, Korea and China announced the launch of the Korea-China FTA talks on May 2 as Korea has completed the aforementioned domestic proceedings.

During the first round of Korea-China FTA negotiations launched on May 14, 2012, the two countries addressed several issues including administrative and structural requirements which will be groundwork for further negotiations. The two countries agreed on Terms of Reference (TOR) and the establishment of Trade Negotiations Committee (TNC) which will play a leading role in the negotiations. They also exchanged relevant documents including statistics which will be used in the negotiations.

At the second round of Korea-China FTA negotiations held in Jeju, Korea, on July 3-5, 2012, the two sides agreed on the establishment of working groups on Services and investment under the TNC and exchanged views on the coverage of the Agreement. Furthermore, they addressed the sectoral modalities, including trade in goods, services, investment, and rules.

During the third official round of negotiations held in Weihai, China, on August 22-24, 2012, the two countries discussed finalizing modalities for trade in goods, services, investment, and other areas, which will be an integral part of the Agreement.

At the fourth official round of negotiations held in Kyeongju, Korea, on October 30

- November 1, 2012, the two countries discussed issues on trade in goods and Non-Trade Barriers (NTB), and held working groups on service, investment, rule of origins, customs procedures and trade facilitation, trade remedy, and competition policy. Also, the parties held an expert group where they exchanged their in-depth views on intellectual property rights and e-commerce. At the end of the fourth official round, the parties agreed to include independent chapters in the field of intellectual property rights and to establish a working group in the field of e-commerce.

The conclusion of the Korea-China FTA is expected to create economic benefits, including the opportunity to establish a foothold in the Chinese market, China's increased investment in Korea, and increased foreign investment in Korea by foreign investors who wish to establish a foothold in Korea to advance into the Chinese market, which will help create jobs for Korean workers. Korean companies and Korean residents in China are expected to benefit from the Agreement, which will provide them with an institutional framework for protection. Furthermore, the Agreement, in addition to the FTAs with the EU and the U.S., is expected to contribute to the economic integration of Northeast Asia, and Korea will be able to play a significant role in the efforts directed toward economic integration of the region.

2) Korea-Japan FTA : Continued Discussions for the Resumption of Korea-Japan FTA Talks

Korea and Japan launched negotiations for the Korea-Japan FTA in accordance with the Leaders' agreement at a summit in October 2003. The two countries held six rounds of FTA negotiations from December 2003 to November 2004. However, the negotiations were suspended due to differences on key issues including the level of liberalization for agricultural goods.

On April 12, 2008, at a summit meeting with his Japanese counterpart in Tokyo, President Lee Myung-bak agreed to hold working-level consultations to create favorable conditions for the resumption of the Korea-Japan FTA negotiations. From 2008 to May 2011, a series of working-level consultations, which are a follow-up to the summit agreement, were held including two Director-level meetings, two Deputy

Director General-level meetings, and two Director-General level consultations to discuss ways to create favorable conditions for the resumption of the Korea-Japan FTA negotiations, as well as to discuss several key issues including market liberalization and Japan's NTB. However, these meetings did not succeed in narrowing the differences between the two countries. As Japan suggested for more working-level consultations in April 2012, the two countries held three Director-level meetings from April to June 2012. Through the meetings, both countries rolled up their sleeves to create favorable conditions to resume the stalled negotiations and they will give consideration to the resumption of the negotiations depending on the result of such efforts.

Japan, the world's second largest economy, is one of Korea's major economic partners as it owns many cutting-edge technologies and has abundant investment resources. In this regard, a successful FTA with Japan is likely to contribute to strengthening economic cooperation between Korea and Japan as well as in East Asia as a whole in the mid- to long-term. However, the Korean Government should consider the continuing trade deficit and the difficulties Korean companies face in entering the Japanese market.

The task is to create favorable conditions for the resumption of the Korea-Japan FTA talks so that the Korea-Japan FTA may eventually contribute to balance trade with Japan, increase mutual benefits, and enable Korean companies to enter the Japanese market.

4. Progress in FTAs Negotiations with Resource-Rich Countries and Emerging Markets

1) Korea-Turkey FTAs : Signed On

Turkey has the second largest population (approximately 73.7 million) in Europe and a relatively large domestic market. The country achieved an annual growth rate of 8% in 2011 and continues to grow despite the European financial crisis. In addition, Turkey

is located in a strategic area that connects Asia, the Middle East, Europe, and Africa, and is deemed as a post-BRICS nation fulfilling all the necessary requirements for a newly emerging market such as geopolitical importance, market growth potential, and proximity to a major market.

Since the establishment of diplomatic ties with Turkey in 1957, Korea has recorded a continuous trade surplus with Turkey and the surplus volume has increased since 2009. Trade volume also soared 185 times from \$32 million in 1977 to \$5.9 billion in 2011. However, trade volume between the two countries remains small compared to the economic size despite Turkey's strategic importance and its history as an ally of Korea.

Accordingly, the two countries pursued the conclusion of a Korea-Turkey FTA as they agreed that the Agreement will not only expand trade volume and investment, but greatly contribute to strengthening relations between the two countries.

On March 19, 2010, Kim Jong-hoon, then Minister for Trade of the Republic of Korea and Zafer Caglayan, then Turkish Minister of State for Foreign Trade, announced the launch of the Korea-Turkey FTA negotiations after holding a Trade Ministers' meeting in Ankara. Since then, the two sides held four rounds of negotiations in April and July 2010, March 2011, and March 2012, and held several inter-sessional meetings during which they agreed to form the Korea-Turkey FTA into several separate agreements - 1) Framework Agreement, 2) Agreement on Trade in Goods, 3) Agreement on Trade in Services and on Investment, 4) Any other Agreements - and reached a tentative agreement on "Framework Agreement" and "Agreement on Trade in Goods."

On August 1, 2012, Bark Tae-ho, the Minister for Trade of the Republic of Korea and Zafer Caglayan, the Turkish Minister of State for Foreign Trade, signed the Framework Agreement and Agreement on Trade in Goods and agreed to speed up internal procedures for the entry into force of the two agreements.

Afterwards, the Korean National Assembly ratified the Framework Agreement and Agreement on Trade in Goods of the Korea-Turkey FTA on November 22, 2012, completing the Korean's internal procedures for the effectuation of the two agreements. Taking into account Turkey's progress with its domestic procedures, the Korean Government will aim for the Korea-Turkey FTA to take effect in 2013.

2) Korea-Colombia FTA : Signed on February 21, 2013

Colombia is a mid-sized country with the third largest population (approximately 46 million) in Latin America. It is the fourth largest economy (GDP : approximately US\$ 320 billion) in the region with a stable economic growth rate. The nation is the fifth largest oil producer in the Central and South American region and potentially the tenth largest supplier of mineral resources in the world. The country has emerged as an optimal cooperative partner for Korea due to its strategic geographical position connecting Central and South America and abundant natural resources. Taking Colombia's strategic importance into account, the Korean Government has endeavored to strengthen cooperation with Colombia through an FTA.

The two countries announced the conclusion of the Korea-Colombia FTA on June 25, 2012, on the occasion of the presidential visit to Colombia. After the initialization of the agreement on August 31, 2012, Mr. Bark Tae-ho, the Minister for Trade of the Republic of Korea, and Mr. Sergio Diaz-Granados, the Minister of Trade, Industry and Tourism of Colombia, signed the Korea-Colombia FTA in Seoul on February 21, 2012.

3) Korea-Canada FTA : Under Negotiation

Korea and Canada formally announced the launch of the Korea-Canada FTA negotiations at a Trade Ministers' meeting held on July 11, 2005. The two sides held thirteen rounds of negotiations from July 2005 to March 2008. As a result, significant progress has been made in many sectors including goods, rules of origin, services, investment, and Government procurement. Since the 13th round of negotiations, the Korea-Canada FTA negotiations have stalled due to the differences on several issues between Korea and Canada.

At the Korea-Canada Summit meeting held on the occasion of the G20 Summit in Mexico in June 2012, the two leaders shared the view on the need to conclude the Korea-Canada FTA. Accordingly, the Korean Government is pursuing FTA negotiations, paying due consideration to the sensitive products and reflecting the rules and system existing in the Korea-U.S. FTA and the Korea-EU FTA.

Given Canada's abundant energy and mineral resources and the two countries' mutually beneficial trade relationship where Korea exports end products to Canada and imports raw materials from Canada, the FTA is expected to further advance the trade between Korea and Canada.

4) Korea-Indonesia CEPA : Under Negotiation

Indonesia, the largest economy among ASEAN nations, is one of Korea's major trading partners. In recent years, the country has emerged as Korea's eighth largest trading partner and as the largest trading country within ASEAN. However, due to the low level of liberalization and the bilateral trade agreement between Indonesia and Korea's major competitors, it became increasingly necessary to establish a Comprehensive Economic Partnership Agreement (CEPA) with Indonesia.

The two countries agreed to launch a joint feasibility study for the Korea-Indonesia CEPA during a bilateral Trade Ministers' meeting on February 16, 2011. After three rounds of joint study meetings, the joint study report was adopted at the Korea-Indonesia Summit meeting in November 2011.

On March 28, 2012, at the Nuclear Security Summit in Seoul, Lee Myung-bak, President of the Republic of Korea, and ZSusilo Bambang YUDHOYONO, President of Indonesia, announced the launch of the Korea-Indonesia CEPA negotiations. The two sides held two rounds of negotiations in July and December 2012, in which they agreed on Terms of Reference (TOR). To conclude the negotiations at the earliest possible date, the two countries agreed to work further to reach agreement on the remaining issues.

5) Korea-Vietnam FTA : Under Negotiation

Although Vietnam joined ASEAN later than others, it is a rapidly growing economy which is the sixth largest destination for Korean investment. Vietnam's schedule for liberalizing its market for goods, according to the Korea-ASEAN FTA, is to be implemented at a later stage compared to other ASEAN countries, and its MFN tariff

rates have become lower than its preferential tariff rates under the Korea-ASEAN FTA since Vietnam's accession to the WTO in January 2007. Thus, due to the growing concern over the benefits of the Korea-ASEAN FTA, there arose an increasing need for an FTA with Vietnam.

The Korea-Vietnam FTA joint study group was established in accordance with the agreement the two sides reached during a summit meeting held in October 2009. Six rounds of joint study meetings were held from June 2010 until its conclusion in October 2011. Korea and Vietnam adopted the joint study report at the Korea-Vietnam Summit on November 8, 2011 and agreed to concentrate efforts on expanding and strengthening their economic and trade relations. In August 2012, the launch of the Korea-Vietnam FTA (negotiations) was announced at a Trade Ministers' meeting, which will pursue high quality with a comprehensive scope, and discussed the Terms of Reference(TOR) of the Korea-Vietnam FTA.

6) Creating Favorable Conditions for FTAs

(1) Korea-Australia FTA : Under Negotiation

Australia is a major exporter of natural resources and has a highly advanced agricultural industry. Over the past few years, Australia has actively pursued FTAs with its major trading partners to increase its global market access for goods and to reduce transaction costs of importing manufactured goods.

The Korea-Australia FTA negotiations were launched after a joint non-Government feasibility study in 2007, a roundtable meeting in April 2008, and two preliminary meetings in October and December 2008. The Korean Government carried out domestic procedures to launch FTA negotiations by holding a public hearing in January 2009 and conducting consultations with stakeholders, including experts and representatives of relevant industries. During a summit meeting in March 2009, the two sides reached an agreement on launching FTA negotiations and held five rounds of official negotiations from May 2009 to May 2010. Except for several key issues, the two sides reached an agreement on almost every chapter of the agreement, and the discussions on key issues pertaining to market access for goods were narrowed down

to discussions on market liberalization for some important trade items of the two countries.

The FTA between Korea and Australia is expected to contribute to the expansion of bilateral trade and will strengthen existing relations throughout the agricultural and economic sectors of the two countries.

(2) Korea-New Zealand FTA : Under Negotiation

To increase trade in goods and services and expand investment and personnel exchange, Korea and New Zealand reached an agreement to launch a joint non-Government feasibility study for an FTA between the two countries during a Summit meeting held in December 2006.

Throughout 2007 and 2008, the two countries conducted a joint feasibility study on the Korea-New Zealand FTA and held one roundtable meeting and two preliminary meetings between Government officials from both countries in 2008. Through a public hearing in January 2009 and after gathering the opinions of experts and the general public, the Korean Government completed its domestic procedures to launch the Korea-New Zealand FTA negotiations.

The two countries agreed to launch negotiations at the Korea-New Zealand Summit held on March 3, 2009. Four rounds of negotiations were held by May 2010 to discuss rules of origin, service, investment, and other trade rules. However, no further negotiations have been held since due to their differences on the balance of interests in goods and other areas. The two sides discussed the future direction of the Korea-New Zealand FTA negotiations at high-level meetings including the Korea-New Zealand Summit in July 2010 and the Trade Ministers' meetings in February and December 2011.

(3) Korea-Malaysia FTA : Completion of the Joint Feasibility Study for a Korea-Malaysia FTA

During the Korea-Malaysia Summit talks in December 2010, Korea and Malaysia agreed to explore mutually agreeable measures to strengthen their trade and economic relations, including the examination of the possibility of concluding an FTA between

the two countries.

Accordingly, the two sides reached an agreement on the Terms of Reference (TOR) of a joint feasibility study in April 2011 and launched the feasibility study in May 2011. The Korea Institute for International Economic Policy (KIEP) and Malaysia's Ministry of International Trade and Industry conducted the feasibility studies for the prospective FTA for a year and shared the results afterwards. With respect to the outcomes, both sides held a mid-point and final review session, in April 2012 and December 2012, respectively. Korea and Malaysia will continue discussing whether to launch the Korea-Malaysia FTA negotiations based on the results of the study.

5. Pursuing Multilateral FTA(Regional Integration)

1) China-Japan-Korea FTA : On the launch of the CJK FTA Negotiation

In accordance with the agreement reached during the second round of the Korea-Japan-China Trilateral Summit on October 10, 2009, the three countries held a preliminary meeting in January 2010 and successfully launched a China-Japan-Korea joint feasibility study in Seoul in May 2010.

During the Korea-Japan-China Trilateral Summit in May 2010, the leaders of three countries adopted the "Trilateral Cooperation Vision 2020," which outlines specific visions for forming a common market and long-term economic integration. As a result of such efforts, at the Korea-Japan-China Summit meeting in May 2011, the three leaders agreed to complete the Korea-China-Japan joint feasibility study by the end of 2011, rather than the initial deadline which was before the Summit meeting in 2012. The joint feasibility study on the Korea-China-Japan FTA was finally completed during the seventh round of meetings in Pyeongchang held on December 14-16, 2011.

The study forecasts that the FTA may be feasible and deliver economic benefits among the three countries and recommends the Governments of the three countries

to decide on how to proceed with the trilateral FTA and to announce the appropriate course of action. The result and recommendations of the study was reported at the Korea-Japan-China Trilateral Summit in May 2012, and the three countries agreed on the start of preparatory works suggested for the launch of the Korea-China-Japan FTA negotiations within 2012.

Accordingly, the three countries held three rounds of working-level consultations on Korea-China-Japan FTA in Tokyo on June 19-20, in Chingdao on August 21, and in Seoul on September 27, 2012. During the consultations the three countries reached an agreement on Terms of Reference (TOR) and future work plan. After three rounds of working-level consultations, the Korean Government conducted domestic procedures for a legitimate FTA negotiation such as consultations with those who were interested in, public hearing and a report to Committee of Foreign Affairs of the National Assembly.

On the basis of long-term cautious approach, the three countries formally announced the launch of the trilateral FTA negotiations during a Trade Minister's meeting among China, Japan, and Korea held on the sidelines of the East Asia Summit in Phnom Penh on November 20, 2012. The three countries shared the view that the trilateral FTA could bring benefits to all three countries. The FTA is expected to contribute to the prosperity and peace in East Asia at large by reducing political uncertainties through the institutionalization of the trilateral cooperation.

2) The Launch of the RCEP Negotiation

Regional economic integration in the Asia-Pacific has been a topic discussed since the early 21st century. However, due to the expansion of the TPP and the proliferation of bilateral FTAs between countries in Northeast Asia, the concept is currently taking concrete shape. In 2011, ASEAN member countries adopted the Regional Comprehensive Economic Partnership (RCEP) Framework at the 19th East Asia Summit. Since then, the 10 ASEAN countries and the 6 ASEAN FTA Partner countries (Korea, China, Japan, Australia, New Zealand, and India) have been discussing ways to conclude a regional FTA. During the ASEAN Summit meeting held in April 2012, the

leaders evaluated the progress made to launch the RCEP negotiations and also agreed to establish working groups on trade in goods, services and investment at the earliest possible date. The first two rounds of working group meeting on goods were held in June and August 2012, respectively, whereas the working group meeting on services and investment were held in October, conducting scoping exercises of the respective areas. Afterwards, at the ASEAN-FTA Partner Economic Ministers' meeting held August 30, 2012, the participating countries agreed on the text of the RCEP Guiding Principles. On the sidelines of the East Asia Summit in Phnom Pehn on November 2012, the official launch of the RCEP negotiations was announced.

The RCEP is expected to create a market with a combined GDP of 20 trillion dollars and is tantamount to a multilateral FTA concluded among Korea's trading partners that accounts for 47.3% of Korea's total trading volume. According to an economic feasibility study conducted by the Korea Institute for International Economic Policy (KIEP), the RCEP is expected to contribute to 1.76% real GDP growth and an increase in economic welfare by 19.4 billion for Korea. Therefore, the Korean Government will actively participate in the RCEP negotiations so that its position is fully reflected in the process.

6. Smooth Implementation of FTAs and Strengthening Utilization

1) Korea-ASEAN FTA : Implementation of the Agreement

The Governments of the Republic of Korea and the ASEAN member countries agreed on concluding a free trade agreement in accordance with the Framework Agreement on Comprehensive Economic Cooperation signed on December 13, 2005. The Korea-ASEAN Agreement on Trade in Goods entered into force on June 1, 2007, and the Services Agreement and Investment Agreement entered into force on May 1, 2009, and September 1, 2009, respectively. With the entry into force of these three Agreements, the framework for the Korea-ASEAN Free Trade Area was established.

Korean businesses have been able to enjoy the benefits of the Korea-ASEAN FTA in all ten ASEAN countries since Thailand lastly joined the Trade and Service Agreements which entered into force on January 1, 2010.

Due to the smooth implementation of the Korea-ASEAN FTA on Trade in Goods, bilateral trade volume increased by 112% from \$61.8 billion in 2006 to \$131.2 billion in 2012. ASEAN, which was the fifth largest trading partner of Korea in 2006, has now emerged as Korea's second largest trading partner.

■ ■ ■ Increase in Trade since the Entry into Force of Korea-ASEAN FTA

(Unit: \$ million, %)

Year	Exports to ASEAN	Imports from ASEAN	Trade volume	Trade balance
2006	32,066	29,743	61,809	2,323
2012	79,241 [147.1]	51,975 [74.5]	131,222 [112.3]	27,266 [1073]

* Source : KIET, (Rate of increase compared to one year prior to the entry into force of the Agreement)

Korea and ASEAN hold two or three rounds of the Korea-ASEAN FTA Implementing Committee (IC) meetings every year to ensure the successful implementation of the Korea-ASEAN FTA. In 2012, the IC meetings were held in February and July. At the meetings, Korea and ASEAN agreed to simplify the procedure of utilizing preferential origin treatment including the removal of the manufacturer's name and the addition of extra pages to the Certificate of Origin (CO). The two sides also discussed how to reflect these agreements in the text of the Agreement.

In addition, the Second Protocol to amend the Agreement on Trade in Goods signed at the 14th Korea-ASEAN Summit meeting held in Bali, Indonesia, in November 2011, entered into force in advance between Korea and Thailand in July 2012. Thus, Korean companies were finally able to enjoy the benefits of the Korea-ASEAN FTA. It paved the way to implement the Agreement through more simplified amendment procedures. Besides, the work plan for future liberalization of the Agreement on Trade in Goods was adopted at the Korea-ASEAN Economic Ministerial Consultations in August 2012.

to discuss the text-based proposal to improve the Agreement and liberalization in possible ways.

2) Korea-Peru FTA : Implementation of the Agreement

Recognizing the increasing need to put in place a new institutional framework in the form of an FTA to strengthen the complementary trading relations between the two countries, Korea and Peru agreed to launch the Korea-Peru FTA negotiations during a bilateral Summit meeting in November 2008.

After five official rounds of negotiations, two inter-sessional meetings, and three bilateral Trade Ministers' meetings, Kim Jong-hoon, then Minister for Trade of the Republic of Korea, and Martin Perez, then Minister of Trade and Tourism of Peru, announced the conclusion of the Korea-Peru FTA negotiations in Lima on August 30, 2010, and subsequently signed the Agreement in Seoul on March 21, 2011. Following the approval of the National Assembly on June 29, 2011, the Korea-Peru FTA ("Agreement") was brought into effect on August 1, 2011.

During the first twelve months after the entry into force of the Agreement on August 1, 2011, Korea's export to Peru grew by 27.6%, and resulted in 6.2% of increase in bilateral trade volume compared to the year prior to the entry into force of the Agreement. In 2012, the trade volume between Korea and Peru reached US\$3.11 billion, which has almost doubled from US\$1.62 billion in 2008, when the two countries agreed to launch the FTA negotiations. In light of these figures, the Korea-Peru FTA brought positive effects on bilateral trade between the two countries.

■ ■ ■ Bilateral Trade Volume between Korea and Peru

(unit : billion US \$, %)

	2008	2009	2010	2011	2012	Aug 2010~July 2011	Aug 2011~July 2012
Total Trade Volume	16.2 (7.8)	15.6 (-3.9)	19.8 (27.0)	33.3 (67.6)	31.1 (-6.6)	29.3	31.1 (6.2)
Export to Peru	7.2 (54.5)	6.4 (-10.9)	9.4 (47.2)	13.7 (44.9)	14.7 (7.7)	11.5	14.7 (27.6)
Import from Peru	9 (-13.1)	9.2 (1.7)	10.4 (13.0)	19.6 (88.2)	16.4 (-15.9)	17.7	16.3 (-7.8)
Trade Balance	-1.8	-2.8	-1	-5.9	-1.6	-6.2	-1.6

Source : Korea international Trade Association

The first meeting of the Korea-Peru FTA Joint Commission was held in Lima on November 28, 2012, to review the implementation of the Agreement. At the meeting, the two sides noted the positive outcome of the Korea-Peru FTA, discussed other relevant trade issues as well as the respective regional economic integration policies of each side, and reaffirmed their willingness to further cooperate through the Agreement as a vehicle for cooperation. The two sides also held the meetings of the Cooperation Committee and the Committee on Customs, Origin, and Trade Facilitation, focusing on the successful implementation of the Agreement.

3) Korea-EU FTA : Implementation of the Agreement

The Korea-EU FTA aims to provide a very high level of market liberalization. In terms of trade value, tariffs on 100% of Korean products and tariffs on 97% of the EU's products will be eliminated within five years. The Korea-EU FTA is a comprehensive agreement that not only covers the elimination of tariffs on goods, but also includes market liberalization in the services sector as well as other major trade rules such as intellectual property rights, Government procurement, trade remedies, and competition.

The EU, comprised of 27 member countries, is the world's largest market and also Korea's forth largest trading partner in 2012. The Korea-EU FTA is expected to improve

Korean enterprises' access to the world's largest market, facilitate trade between the two partners and attract investment from third countries. All these benefits will enhance the growth potential of the Korean economy and contribute to the creation of quality jobs.

During the eighteen months after the provisional application of the Agreement (July 1, 2011-December 31, 2012), the total trade volume between Korea and the EU decreased by 10.3% due to global economic uncertainties such as the European fiscal crisis. However, the exports of goods enjoying preferential tariff treatment such as automobiles, automotive parts, and kerosene, increased by 6.8% compared to the same period of the previous year. Korea's exports to the EU of non-preferential goods that already enjoyed zero-customs tariff, such as ships, wireless communication devices, and semiconductors, have greatly decreased. However, the increase in exports of goods that enjoy preferential tariff treatment counterbalanced the decrease in exports of goods that receive non-preferential tariff treatment, thereby contributing to slowing the pace of a downward trend in Korea's exports.

Korea and the EU held the second Korea-EU Trade Committee meeting in Brussels on October 16, 2012, for a smooth implementation of the Agreement. At the meeting, Minister for Trade of the Republic of Korea Bark Tae-ho and EU Trade Commissioner Karel De Gucht shared views on one-year effects on the Korea-EU FTA after its entry into force and reviewed the activities of committees and working group established under the Agreement, and also discussed implementation-related issues including customs, trade facilitation, and trade in automobiles. Both sides shared an assessment that the Korea-EU FTA implementation is on the right track and agreed to continue the cooperation for a faithful implementation.

4) Implementation of Other FTAs

(1) Korea-India CEPA : Implementation of the Agreement

The Governments of Korea and India shared the view on the need to conclude an FTA as a new institutional framework to further enhance their growing economic and trade relationship. After twelve rounds of official negotiations and three rounds of inter-

sessional meetings, the Korea-India Comprehensive Economic Partnership Agreement (CEPA) was signed and brought into effect on January 1, 2010.

Since the entry into force of the Agreement, the practical cooperation between the two countries has expanded in bilateral trade, investment, and human resource exchange. Korea's export to India increased by 48.8% while Korea's import from India increased by 67.1% in 2012, and the total trade volume increased by 55% in 2012 compared to 2009, one year prior to the entry into force of the Agreement.

■ ■ ■ Increase in Trade Since the Entry into force of the Korea-India CEPA

(Unit : \$million, %)

Year	Exports to India	Imports from India	Total Trade Volume	Trade Balance
2009	8,013	4,142	12,155	3,872
2012	11,921 (48.8)	6,924 (67.1)	18,845 (55)	4,997 (29)

* Source: Korea International Trade Association, () refers to the rate of increase between 2012 and 2009(one year prior to the entry into force of the Agreement)

Meanwhile, the Korea-India CEPA Joint Committee meeting was held in New Delhi in January 2011 to review the status of the implementation of the Agreement and to discuss relevant issues. During the meeting, both Ministers for Trade noted the positive impact of the Korea-India CEPA and agreed on upgrading the CEPA for their mutual benefits by increasing CEPA utilization and further liberalizing market access. The work on upgrading the CEPA is now underway and the first and second round of Upgrade Working Group meeting were held in New Delhi in May and October 2012 through video conference, respectively.

The Korea-India CEPA is expected to accelerate Korea's economic cooperation with India. According to the result of a study conducted by KIEP in 2009, the removal of tariffs alone will increase Korea's exports to India by US \$ 1.7 billion and Korea's trade surplus by \$1.4 billion over the next ten years. The actual effects of the Korea-India

CEPA are expected to be much greater when taking into consideration the size of the Indian economy, its growth rate, the complementary structure of the two economies, and the increasing volume of trade and investment between the two countries.

(2) Korea-Chile FTA : Implementation of the Agreement

The Korea-Chile Free Trade Agreement, Korea's first FTA, was signed on February 15, 2003, and brought into effect on April 1, 2004. Since the Agreement entered into force, bilateral trade volume between Chile and Korea increased from \$1.58 billion in 2003 to \$7.15 billion in 2012.

For the successful implementation of the Korea-Chile FTA, the two countries held a total of eight rounds of Free Trade Commission (FTC) meetings and Sub-Committee meetings. At the eighth FTC meeting held in Seoul on December 11-12, 2012, the two countries evaluated the outcomes of the Korea-Chile FTA since the seventh FTC meeting, and reviewed the implementation of services, investment, and Government procurement issues. At the meeting, the two sides also exchanged views and information on ways to further improve the Agreement and facilitate smooth implementation of the Agreement.

(3) Korea-EFTA FTA : Implementation of the Agreement

Korea's FTA with the European Free Trade Association (EFTA), consisting of Switzerland, Norway, Iceland, and Liechtenstein, was brought into effect on September 1, 2006. Since the Agreement entered into force, the trade volume between the EFTA and Korea increased from US \$2.9 billion in 2005 to US \$9.2 billion in 2012.

The first meeting and the third meeting of the Korea-EFTA Joint Committee were held to facilitate smooth implementation of the Agreement in Seoul in May 2008 and March 13-14, 2012, respectively. At the meetings of the Korea-EFTA Joint Committee, the two sides evaluated trade relations of the two countries and reviewed the status of implementation of the Agreement. The two sides also addressed various issues including rules of origin and ways to further improve the Agreement in the meeting of the Korea-EFTA Joint Committee.

(4) Korea-Singapore FTA : Implementation of the Agreement

The Korea-Singapore FTA was signed in August 2005 and was brought into force in March 2006.

Since the entry into force of the Agreement, the trade volume between the two countries increased 2.56 times from \$12.7 billion in 2005 (one year prior to the entry into force of the Agreement) to \$32.5 billion in 2012. Contrary to initial concerns that unilateral tariff reduction by Korea would negatively affect Korea's trade balance with Singapore, an absolute custom-free country, the Agreement brought positive outcomes. The impact of the Korea-Singapore FTA is evaluated positively because it brought about not only an increase in trade by tariff elimination but also reinforcement of economic ties and image enhancement of the two countries.

■ ■ ■ Increase in Trade since the Entry into Force of Korea-Singapore FTA

(Unit : \$ million, %)

Year	Exports to Singapore	Imports from Singapore	Trade volume	Trade balance
2005	7,407	5,318	12,725	2,089
2012	22,892 (209)	9,675 (82)	32,567 (156)	13,216 (532)

* Source : KIET (Rate of increase compared to one year prior to the entry into force of the Agreement)

Korea and Singapore held their first Korea-Singapore FTA review meeting for its successful implementation in Singapore in January 2009 and the second review meeting in Seoul on November 29-30, 2012. At the meetings, the two sides reviewed the effects of the Agreement since its entry into force, discussed implementation-related issues including recognition of professional engineers, and consulted on the future direction to improve the Agreement.

Chapter 3

Energy & Resources Cooperation and Green Growth Diplomacy

1. Energy Cooperation Diplomacy

1) Korea's Diplomatic Efforts in Energy Cooperation

In 2012, the Ministry of Foreign Affairs and Trade (MOFAT) actively promoted its cooperation in energy and resources at the summit level. During President Lee Myung-bak's visit to Turkey in February 2012, Korea and Turkey agreed to renew the process of nuclear talks, which was postponed since 2010. Korea also signed a contract to build a thermal power plant in the Afsin area of Turkey. Furthermore, together with Saudi Arabia, Qatar, and the United Arab Emirates (UAE), Korea established cooperative networking to jointly prepare for a response to possible oil and gas supply disruption. Korea also signed a contract with the UAE on oil and gas development in commemoration of the strategic cooperative partnership.

In September 2012, President Lee Myung-bak visited Russia to discuss the possible cooperation on a gas pipeline project from the Russian federation to the

Republic of Korea via the territory of the Democratic People's Republic of Korea. Korea and Kazakhstan agreed to enhance bilateral cooperation in energy resources development, plant construction, and the nuclear power plant sector. Moreover, during Prime Minister Kim Hwang-sik's visit to Mozambique in July 2012, Korea signed a Memorandum of Understanding (MOU) with the Mozambique Government on energy resources development in such fields as geoscience, mineral exploration and development, and technical training.

To enhance partnership with energy resource-abundant countries, the Ministry sent the 'Green Energy Delegation' to the Middle East in May 2012, the Eastern Europe in October 2012, and the Egypt and Israel in November 2012.

Moreover, the Ministry invited high-level officials in charge of energy policy and CEOs of international energy companies to the "Investment Seminar on African Countries" in April 2012, the "1st International Shale Gas Conference" in September 2012, and the "2nd International Energy Cooperation Symposium" in December 2012 held in Seoul respectively to build networks among stakeholders in energy sector and explore new business opportunities.

To promote the country's excellent technology and know-how of nuclear power plant, the Ministry organized a visit for diplomatic corps in Korea (10 countries) to Korea's power generation sites in April 2012. In December 2012, the Ministry also organized a visit to the nuclear facilities, inviting the 10 most promising countries that were interested in future cooperation with Korea in the nuclear industry. Until now, Korea signed agreements for cooperation in the peaceful uses of nuclear energy with 28 countries in total including Turkey, Indonesia, Vietnam, the Czech, and Egypt to promote nuclear energy cooperation.

2) Proactive Participation in International Energy Cooperation

The Ministry actively engaged with energy related international organizations such as the International Renewable Energy Agency (IRENA), the International Energy Agency (IEA). Korea has significantly contributed to the development of the IRENA since the establishment of the agency, serving as one of the 21 council member countries,

to increase the use of renewable energy in international community. Korea was re-elected as a council member for the next two year term 2013-2014. Korea also serves as one of the 7 member countries of the Advisory Committee of the Abu Dhabi Fund for Development (IRENA-ADFD), which was established to provide financial support for renewable energy projects in developing countries to promote renewable energy in those countries.

During the World Future Energy Summit (WFES) in January 2012 held in Abu Dhabi, Prime Minister Kim Hwang-sik delivered a key note speech on Korea's national strategy for low-carbon green growth, which aims for increasing the use of renewable energy while advancing the country in green technology and clean energy sectors.

In addition, Korea has actively participated in the regional energy cooperation. The Asia-Pacific region supported by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) plans to convene its first Asian and Pacific Energy Forum (APEF) on ministerial level in Vladivostok in May 2013 to promote enhanced regional energy security cooperation.

In preparation of the APEF, UNESCAP held sub-regional meetings from October to November 2012. Among the sub-regional meetings, Korea served as chair for the Subregional Consultation Meeting for East and North-East Asia, which was held in Incheon, Korea on November 12-13. To reflect the views from member countries in the Asia-Pacific region, UNESCAP held an Expert Group Meeting on November 21-23 in Bangkok, in which Korea participated as a representing country of the East and North-East Asia region. Korea emphasized the necessity of close energy cooperation in the North-East region during those meetings.

3) Enhanced Energy Cooperation through Diplomatic Missions Overseas

The Ministry established the Global Energy Cooperation Center (GECC) in January 2012. The GECC was designed to serve as a channel between Korean diplomatic missions overseas and Korean energy companies. It provides real-time energy information collected from diplomatic missions overseas through e-mails and the GECC homepage

service with the form of ‘Daily Energy Market Trend Report’, the ‘International Bidding Information,’ and the ‘In-depth Energy Report.’

The GECC also actively consults with energy companies in the forms of meetings or telephone calls, and through the ‘Cyber Help Corner’ on the GECC homepage. Furthermore, the GECC organizes business meetings and seminars to provide Korean energy companies with opportunities to build partnerships with high-level officials in charge of energy policy, energy experts, and businessmen from energy resource-abundant countries.

The Ministry is running 50 Diplomatic Missions designed primarily to focus on energy projects. The missions have actively promoted energy cooperation diplomacy by organizing energy seminars and building regional energy network. In 2012, the Ministry held a total of 54 energy events (26 on renewable energy, 20 on energy resources development, and 7 on nuclear energy) and will hold those events on a regular basis for continued cooperation.

In addition, in collaboration with the Prime Minister’s office and the Ministry of Knowledge and Economy (MKE) as well as energy companies, and academic and research institutions, the Ministry held several successful seminars to promote public-private cooperation in the energy sector. In 2012, the Ministry convened seminars on energy policy quarterly to discuss the way of improving the country’s energy security and enhancing the role of the Ministry in pursuing energy cooperation diplomacy.

2. Diplomatic Efforts to Realize the Low Carbon, Green Growth Vision

On August 15, 2008, while celebrating the 60th National Founding Day of the Republic of Korea, President Lee Myung-bak declared “Low Carbon, Green Growth” (LCGG) as a new national vision for the next 60 years. LCGG delineates a new development paradigm that aims to address the issue of climate change while stimulating economic growth. The Ministry of Foreign Affairs and Trade has been making endeavors to spread

this vision in the international community. As part of the efforts, Korea took the lead in the establishment of the East Asia Climate Partnership (EACP) and hosted several EACP forums. Moreover, the Global Green Growth Institute (GGGI) was successfully converted into an international organization. Furthermore, Korea won the bid to host the Green Climate Fund (GCF) Secretariat. In the same context, an ambassador for Green Growth was appointed, who has been promoting national green growth strategy ever since.

In July 2008, at the G8 summit in Tokyo, President Lee proposed to establish the EACP and announced a plan to provide \$200 million worth of assistance from 2008 to 2012 in order to help East Asian developing countries adapt to climate change. Taking this opportunity, Korea has shared its LCGG vision with East Asian countries and contributed to mitigating climate change by supporting developing countries susceptible to climate change in the East Asian region.

In addition, the GGGI was inaugurated in June 2010 as a “Think and Act Tank” with a view to spreading the green growth strategy at an international level and helping developing countries plan green growth policies. The GGGI has implemented various projects that support the establishment of the green growth strategy in developing countries such as Cambodia, Indonesia, Brazil, Ethiopia and China. During the Rio+20 Summit held in Rio de Janeiro in June 2012, Korea and 15 other nations signed the establishment agreement of the GGGI, and heads of Government from Korea, Australia, Denmark, Ethiopia, Guyana, and Kiribati, and the Secretary-General of the United Nations attended and celebrated the signing ceremony. Later, Indonesia and Mexico joined the GGGI, and the GGGI has contributed to spreading the green growth strategy at the international level.

Korea played a leading role in the establishment of the GGGI, the first international organization aimed at addressing the green growth issue. Unlike other international organizations, the GGGI is a hybrid-type organization that builds on Public-Private Partnership (PPP) for achieving its goals. The GGGI is consisted of decision-making bodies like the Assembly and the Council. The Secretariat of the GGGI is located in Seoul and financed by voluntary contributions from contributing nations. Every year, Korea contributes \$10 million to the GGGI, and other contributing nations including Denmark, Australia, Norway, the United Arab States and Qatar contribute over \$5

million respectively.

In efforts to strengthen cooperation in the field of green growth and promote the green growth strategy at the international level, Korea and Denmark established a Green Growth Alliance during President Lee's visit to Denmark in May 2011. The alliance marks the first "value alliance", which is in stark contrast with traditional alliances characterized by exclusive combination of allies. The Korea-Denmark alliance is regarded as a new type of foreign policy in line with a new paradigm in the era of climate change. Korean and Danish research institutes, businesses and academia signed a number of Memorandum of Understandings on mutual cooperation. Currently, a Denmark-led Global Green Growth Forum(3GF) is held on a regular basis. On October 8, 2011, Korea and Denmark signed "an agreement to institutionalize the Korea-Danish Green Growth Alliance" that requires the allies to annually hold a Green Growth Alliance meeting.

Moreover, Korea held the second Global Green Growth Summit in April 2012, following the first Summit in June 2011. Global leaders from Governments, international organizations, academia, and businesses participated in the Summit where they discussed ways to forge international cooperation and establish effective global governance for green growth.

3. Attending UN-led Negotiations on Climate Change and Hosting the Green Climate Fund Secretariat

In October 2012, Korea hosted the pre-COP18 meeting in Seoul and the secretariat of Green Climate Fund(GCF) in Songdo. The GCF will be the major operating entity of the financial mechanism which channels financial support from the developed countries to the developing countries, helping them tackle climate change. Furthermore, hosting the international organization such as GCF is expected to serve as a momentum for Korea to play the leading role on both green growth and climate change.

4. Enhancing Environmental Cooperation

1) Enhancing Environmental Cooperation in Northeast Asia

Due to the Northeast Asian region's high population density, rapid economic growth, and geographical proximity between the countries, various environmental problems have been further aggravated, such as yellow dust, acid rain, and marine pollution. Northeast Asian countries have been seeking bilateral cooperation on these issues especially because the environmental problems of one country can greatly affect the neighboring countries.

Korea has been holding the bilateral meeting of the Joint Committee on Environmental Cooperation with China, Japan, and the Russian Federation every year. Environmental policies including bilateral cooperation activities, air-marine pollution, biodiversity, and the current condition of both countries are reviewed during the meeting.

Korea took part in the North East Asia Sub-regional Programme for Environment Cooperation(NEASPEC) with China, Japan, the Russian Federation, and Mongolia to jointly address environmental challenges including yellow dust, air-marine pollution, and preservation of ecosystem in this subregion. In December 2012, the 17th Senior Officials Meeting of NEASPEC was held in China during which Korea's suggestion for building networks to strengthen Marine Protected Areas in Northeast Asia was identified among participants as the next cooperation activity.

Moreover, Intergovernmental Meeting of the Northwest Pacific Action Plan(NOWPAP) with the participation of Korea, China, Japan, and the Russian Federation is held annually to protect marine and coastal environment. The four countries have discussed the protection of biodiversity and the preservation of marine environments in the northwest pacific area.

2) Enhancing Global Environmental Cooperation

Global environmental issues range from air pollution and destruction of the ecosystem and marine environment to hazardous waste and chemical substances. About 160 environmental agreements have been brought into effect through the UN, OECD, and other international organizations to address such environmental challenges.

Korea is a member of the Convention on Biological Diversity, Convention on International Trade in Endangered Species of Wild Fauna and Flora(CITES), Convention on Wetlands of International Importance, Waterfowl Habitat(aka Ramsar Convention), and UNESCO's Programme on Man and the Biosphere(MAB). In order to contribute to biodiversity factors and chemical waste management, Korea has been actively participating in the Basel Convention on the Control of Transboundary Movements of Hazardous Waste and the Disposal, the Stockholm Convention on Persistent Organic Pollutants, and the Rotterdam Convention on the Prior Informed Consent Procedure. In September 2012, Korea hosted the World Conservation Congress of International Union for Conservation of Nature(IUCN) in Jeju Island.

Through those engagements, Korea became one of the leading countries which contribute to address global environmental issues including climate change, food security, green economy and biological diversity.

Chapter 4

Bilateral and Multilateral Trade Diplomacy

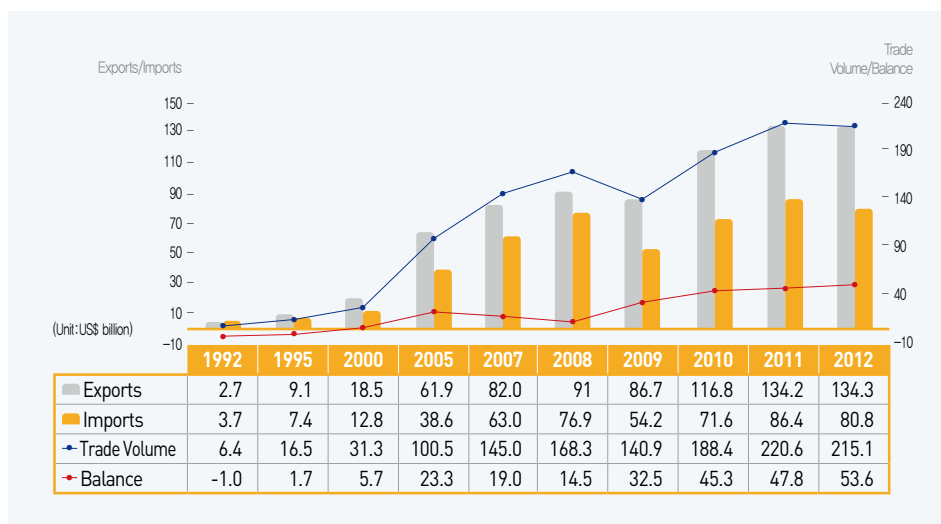
1. Economic Relations with Major Trading Partners

1) Korea-China Economic & Trade Diplomacy

Since the establishment of diplomatic relations in 1992, there has been remarkable progress in ties between Korea and China in the economic and trade areas. China has been Korea's second largest foreign investment destination since 2002, and Korea's largest trading partner since 2003.

The trade volume between the two countries has been rapidly increasing. It totalled to a mere US\$6.4 billion in 1992 when the two countries established diplomatic ties, but soared to US\$220.6 billion by 2011. As of 2012, it totals US\$215.1 billion, accounting for 20.1% of Korea's total trade.¹⁾ Seoul and Beijing agreed to make further efforts to expand the trade volume to US\$300 billion by 2015. Bilateral trade volume between the two countries is expected to increase continuously.

■ ■ ■ Trend in Korea-China Trade since 1992



* source: Korea International Trade Association

Korea's cumulative investment in China reached US\$56.7 billion by the end of 2012. Korea's investment in China in 2012 amounted to US\$6.5 billion. On the other hand, China's cumulative investment in Korea only amounted to US\$4.5 billion by the end of 2012, although its investment in Korea has been on the rise since 2009. Given China's economic policy of stimulating investment abroad and Korea's efforts to invite Chinese capital, China's investment in Korea is expected to further increase.

The two countries have also enhanced cooperation in the industrial sector. The revised version of the 'Joint Study Report on the Vision for Korea-China Economic and Trade Cooperation,' which was signed on the occasion of the Korea-China Summit on October 10, 2009, outlines specific objectives and directions for cooperation in 23 areas of industry and technology, including IT, automobile, steel, shipbuilding, agriculture, finance, logistics, and distribution. This report will serve as a guideline for further development of economic and trade relations between the two countries for the next decade.

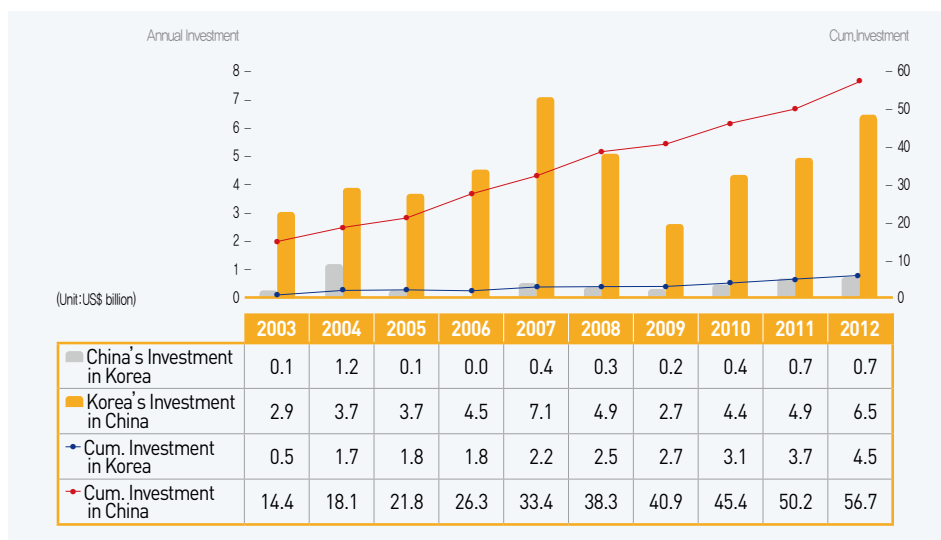
■ ■ ■ 1) As of 2012, China is Korea's largest trading partner. Korea is the third largest trading partner of China, except of Hongkong.

Although several trade irritants have emerged along with the rapidly growing bilateral economic and trade relations, the two countries have strived to smoothly manage and resolve such trade issues by establishing various levels of bilateral consultations such as Summits, the Trade Ministers' Meetings, and Deputy Trade Minister-Level's "Joint Economic Committee" and "Inspection and Quarantine Consultation."

The Korean Government has also been strengthening cooperation with local Governments of China in order to render support for Korean enterprises that are making inroads into the mid-western and northeastern regions of China, by utilizing the Chinese Government's policy of boosting its domestic demand and achieving balanced development among regions. In 2012, Korea held several forums including the "Korea-China Northeast Provinces(Liaoning, Jilin, and Heilongjiang) Economic Cooperation Forum" and the "Korea-China Northwest Provinces(Shanxi, Gansu, and Ningxia) and Korea-Shanxi Province Economic Cooperation Forum."

The Korean Government will consistently strive to strengthen trade and investment relations with China, and will work to prevent trade conflicts in advance.

■ ■ ■ Trend in Korea-China Investment



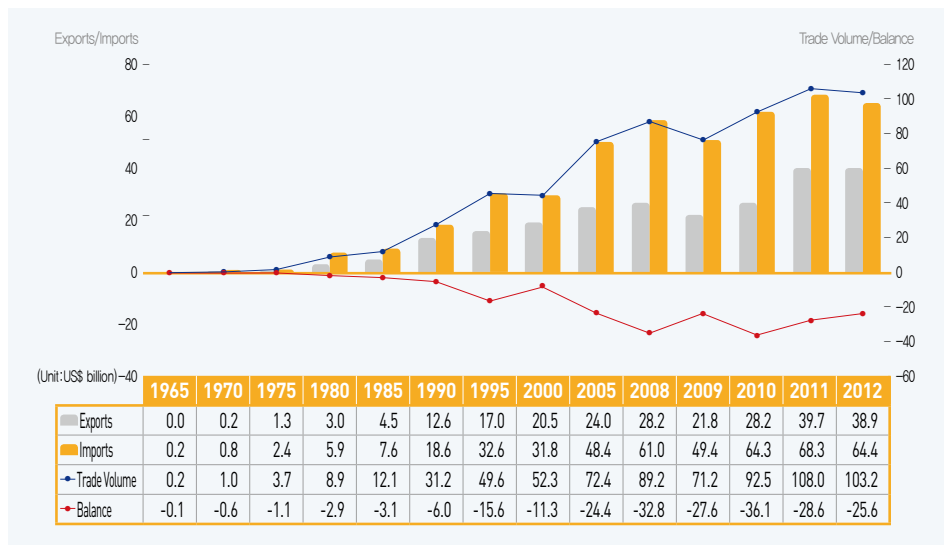
* source : Ministry of Knowledge Economy, Korea ExIm Bank

2) Korea-Japan Economic & Trade Diplomacy

Since the establishment of diplomatic ties in 1965, Korea and Japan have continued to develop their economic and trade relations. The bilateral trade volume temporarily decreased due to the global financial crisis in 2008, but rebounded in 2010, surpassing US\$ 100 billion in 2011 for the first time, and recording US\$103.2 billion in 2012. Currently, Japan is Korea's second largest trading partner following China, and Korea is Japan's third largest trading partner.²⁾

Korea has never recorded a trade surplus with Japan since the establishment of diplomatic relations in 1965, and its trade deficit hit its highest level in 2010 with US\$36.1 billion. However, Korea's trade deficit with Japan sharply decreased in 2011 due to the continuous appreciation of the yen and the disruption in Japan's supply system of components and materials as a result of the disastrous earthquake in March 2011. In 2012, trade deficit continued to fall to US\$25.5 billion.

■ ■ ■ Trend in Korea-Japan Trade since 1965



* source : Korea International Trade Association

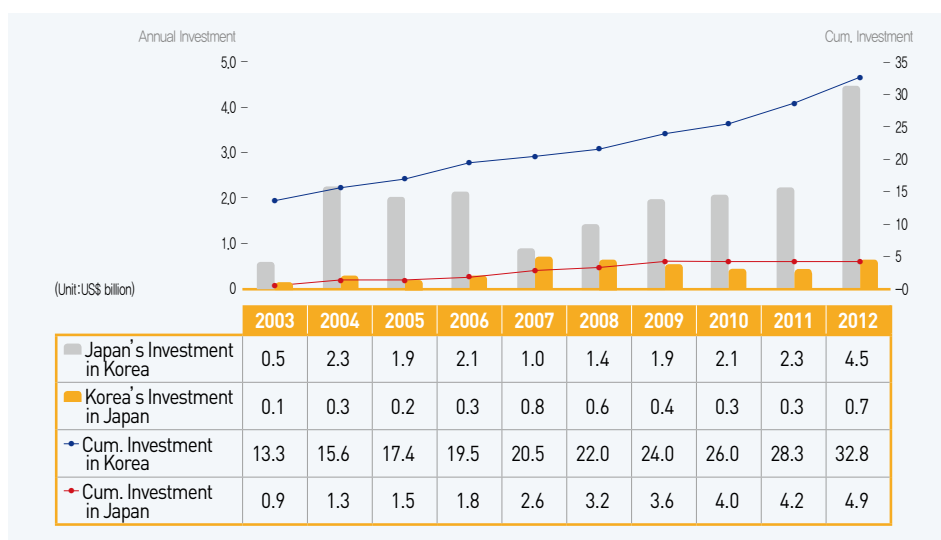
- ■ ■ 2) As of 2012, Japan is Korea's second largest trading partner after China, Korea is the third largest trading partner for Japan.

As a means to reduce Korea's trade deficit with Japan, the Korean Government has formulated policies to sharpen the competitiveness of its companies as well as to provide the necessary infrastructure. Korea has also made various efforts to promote bilateral cooperation in the components and materials industry where the main cause for the trade deficit lies.

One good example of such an effort is the annual "Korea-Japan Components and Materials Procurement and Supply Trade Fair." Furthermore, as a way to boost Japan's investment in Korea, the Korean Government has built industrial complexes for components and materials in the regions such as Gumi and Iksan, and supports cooperation between conglomerates and small and medium-sized businesses of both countries.

Meanwhile, Japan is the second largest investor in Korea following the United States. Its cumulative investment in Korea during the period of 1962-2012 totaled US\$29.2 billion, which accounts for 16.1 percent of the total foreign investment in Korea in the same period. Japan's annual investment in Korea has been on a constant rise since 2007, and amounted to US\$4.5 billion in 2012, which is more than twice the amount invested in 2011.

■ ■ ■ Trend in Korea-Japan Investment



* source : Ministry of Knowledge Economy, Korea ExIm Bank

In order to further develop economic and trade relations, both Governments have held various levels of bilateral consultations such as Summit Meetings, Foreign Ministers' Meetings, Trade Ministers' Meetings, High Level Economic Consultations and Director-General Level Economic and Trade Consultations and thus promoted mutual understanding and cooperation.

The Korean Government continued to make efforts in 2012 to implement subsequent actions of the "Partnership between Korea and Japan to Support the Recovery of the Northeast region of Japan" agreed in the Korea-Japan Summit in 2011. For example, the Korea Tourism Organization established the "Korea-Japan Tourism Exchange Center" in Sendai, Japan in March 2012 and launched a chartered flight between Incheon and Fukushima on a temporary basis as well as conducted related tourism exchange projects in December.

3) Korea-U.S. Trade Relations

Currently, the U.S. is Korea's third largest trading partner after China and Japan, while Korea is the seventh largest trading partner of the U.S.³⁾ Furthermore, as the Korea-U.S. FTA came into force on 15 March 2012, bilateral economic and trade relations between the two countries have deepened.

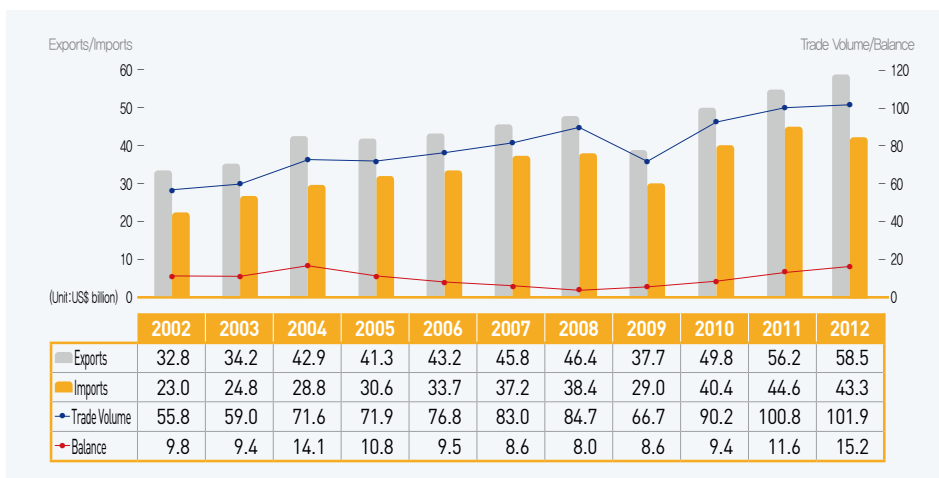
In 2012, bilateral trade volume increased by about 1.1% compared to the previous year (US\$100.8 billion), recording US\$101.9 billion. In 2012, Korea's export to the U.S. amounted to US\$58.5 billion, accounting for 10.7% of Korea's total exports, with strong sales in automobile and automobile parts, wireless communication devices, and semiconductors. Korea's imports from the U.S. amounted to US\$43.3 billion, accounting for 8.3% of Korea's total imports. By order, they are mainly comprised of semiconductors and semiconductor manufacturing equipment, aircraft and animal feed.

The U.S. is the number one destination for Korean overseas investment. Between 1968 and 2012, Korea's cumulative investment in the U.S. reached US\$64.3 billion,

■ ■ ■ 3) As of 2012, the U.S. is Korea's third largest trading partner after China and Japan. Korea is the seventh largest trading partner for the U.S.

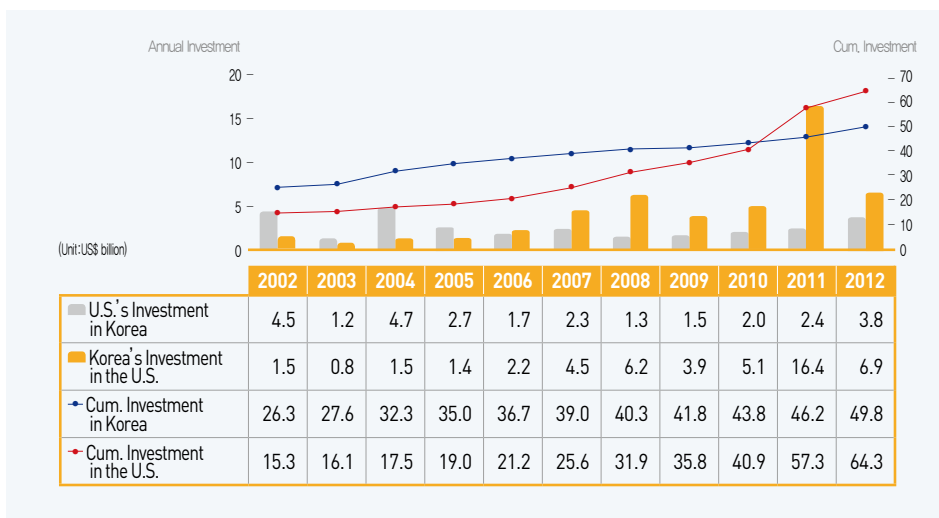
accounting for 19.6% of Korea's total overseas investment (US\$317.5 billion). Moreover, the U.S. is also the largest investor in Korea (excluding the EU), its cumulative investment in Korea reaching US\$49.8 billion between 1962 and 2012.

■ ■ ■ Trend in Korea-U.S. Trade



* source: Korea International Trade Association

■ ■ ■ Trend in Korea-U.S. Investment



* source : Ministry of Knowledge Economy, Korea ExIm Bank

Overall, trade and investment between Korea and the U.S. continues to increase in terms of absolute amount. However, the weight of Korea's trade with the U.S. compared to its total trade continues to show a downward trend due to a rapid expansion in trade between Korea and China as well as intensified competition within the U.S. market.⁴⁾

Despite such a relative downward trend, the U.S. is still the largest economy in the world⁵⁾ and remains to be one of Korea's most important trading partners. With the ratification of the Korea-U.S. FTA on March 15, 2012, the two countries were expected to develop the already strong bilateral economic and trade relations into a more future-oriented, comprehensive and cooperative relationship.

Trade irritants between the two countries have been decreasing compared to the 1980s and 1990s. However, with the expansion of the Korean economy and expansion in business activities, trade issues in new areas are surfacing. Such trade issues not only include trade automobiles, pharmaceutical products, Sanitary and Phytosanitary measures (SPS), Technical Barriers to Trade(TBT), and Intellectual Property Rights(IPR), but also a wide range of new issues in areas such as Genetically Modified Organisms (GMO), financial data transfer, IPR related disputes.

To discuss these trade issues, the two sides hold the Korea-U.S. Bilateral Trade Consultations two or three times a year with venues alternating between Washington and Seoul. In 2012, the consultations were held twice - on June 6 and November 14. They were co-chaired by the Director-General of the Bilateral Trade Bureau of the Ministry of Foreign Affairs and Trade (MOFAT) and the Deputy Assistant U.S. Trade Representative for Korea of the Office of the USTR. The Korea-U.S. Bilateral Trade Consultations launched in 2001 are recognized as having played a positive role in preventing trade disputes and smoothly managing bilateral economic and trade relations.

■ ■ ■ 4) Korea's exports to the U.S. accounted for 21.8% of Korea's total exports in 2000, but fell to 10.7% in 2012. Korea's imports from the U.S. accounted for 17.3% of Korea's total imports in 2000, but fell to 8.3% in 2012.

5) World Bank, World Development Indicators Database(2012,12): U.S. GDP 14,991 trillion dollars in 2011.

Furthermore, on April 2012, the two sides held the Korea-U.S. High Level Economic and Trade Consultation co-chaired by the Deputy Minister for Trade of the Ministry of Foreign Affairs and Trade and the Under Secretary of the U.S. Department of State. Through this consultation, the Korean and the U.S. Government agreed to further strengthen cooperation between the two countries with regard to global economic and trade issues. In this way, the Korean Government holds regular and ad-hoc meetings to ensure that these trade issues do not develop into trade disputes and continue to endeavor to increase access of Korean goods in the U.S. market.

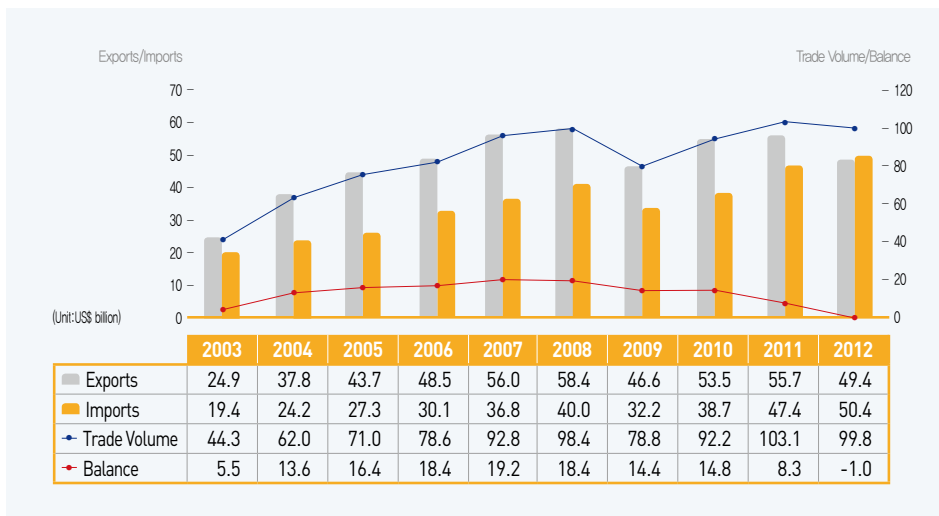
4) Korea-EU Trade Relations

The European Union(EU) is Korea's fourth largest trading partner and the largest investor in the Korean market. Trade volume between Korea and the EU reached almost US\$100 billion.

Despite the overall economic downturn in the EU, the Korea-EU trade has been steadily rising since 2009. However, Korea's export to the EU has been showing a downward trend throughout the year, resulting in an overall decrease in total bilateral trade volume. This is due to the situation in the EU such as a contraction in demand caused by the financial crisis. Hence in 2012, trade volume between Korea and the EU decreased by 3.3% compared to the previous year, amounting to US\$ 99.7 billion, which makes up 9.3% of Korea's total trade volume. As for Korea's exports to the EU, it amounted to US\$ 49.4 billion, accounting for about 9% of Korea's total exports, with strong sales in ships, automobiles and automobile parts, flat panel displays, and wireless communication equipments. Korea's imports from the EU amounted to US\$50.3 billion, accounting for about 9.7% of its total imports, with major imports of automobiles and automobile parts, crude oil, pharmaceutical products, fine chemical products etc.

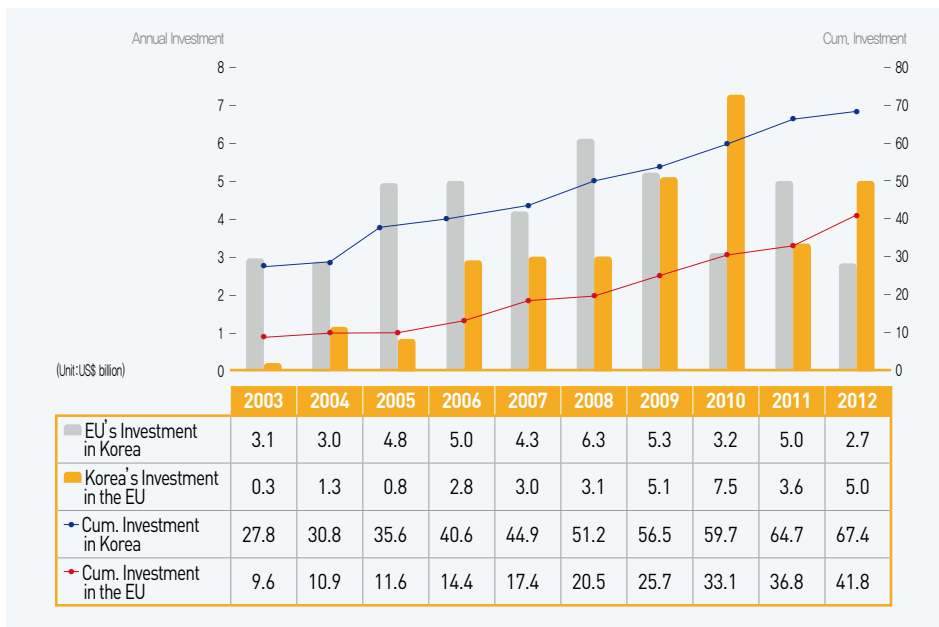
In terms of cumulative investment, the EU ranks as the largest investor in Korea with a cumulative investment of US\$67.4 billion in 2012 which accounts for about one third of total foreign investments in Korea. The cumulative investment of Korea in the EU amounted to US\$41.8.

■ ■ ■ Trend in Korea-EU Trade



* Source: Korea International Trade Association

■ ■ ■ Trend in Korea-EU Investment



*Source: Ministry of Knowledge and Economy, Korea Export Import Bank

In addition, Korea and the EU annually hold a Joint Committee Meeting to discuss bilateral economic and trade issues, pursuant to the Korea-EU Framework Agreement of 1996.

The 10th Joint Committee (September 2012, Brussels) was the first meeting held since the Korea-EU FTA provisionally entered into force on July 1, 2011. At the meeting, Korea and the EU exchanged views on the implementation of the FTA, economic crisis in Europe, and the trend of economic integration in Asia. Both sides also discussed cooperation in various fields such as science, technology, education and the environment as well as various ways to further promote cooperation.

In this way, the Korean Government holds close consultations with the EU both on a regular and ad-hoc basis to strengthen bilateral cooperation in economic and trade areas, as well as to ensure that trade issues do not aggravate into trade irritants.

2. Resolving Trade Remedy Measures

The Ministry of Foreign Affairs and Trade endeavors to assist Korean companies when they become subject to trade remedies, such as anti-dumping, safeguard and countervailing duties, by foreign countries. In September 2000, a Trade Remedy Reaction Team was established in the Bilateral Trade Bureau. When Korean companies become subject to unfair procedures or measures with regard to trade remedies, the Reaction Team endeavors to resolve the issue bilaterally with the foreign investigating authority.

The Reaction Team responds actively to trade remedy investigations by submitting Government comments, sending letters from high-level officials, raising the issue in trade consultations, holding consultations with the investigating authorities, and sending the Reaction Team to the investigating country.

As the recent world economic depression continues, many countries are resorting to protectionist trade measures to protect their industry. In 2012 there was a significant increase in new investigations initiated against Korean products, amounting to 26

investigations (compared to 17 the previous year). As of the end of 2012, 118 foreign trade remedy measures were enforced against Korea: 94 anti-dumping measures, 4 countervailing duties, and 20 safeguard measures.

As a way to address this trend, the Trade Remedy Team set up a ‘pre-warning trade remedy reaction system.’ The system entails researching new measures or regulations related to trade by using its vast network of Korean missions abroad and sending this information to the relevant companies through emails, meetings, and seminars.

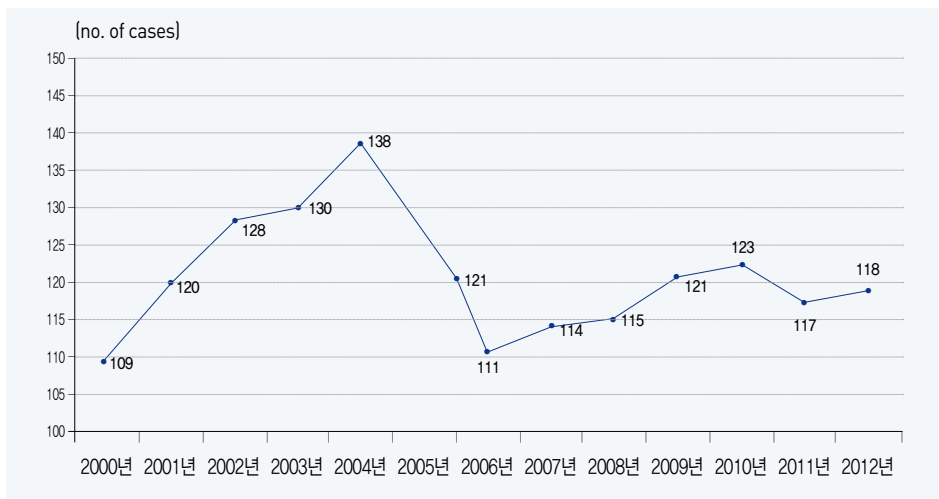
As a result of the activities of the Reaction Team, investigations were terminated or tariffs were lowered in 18 cases. Major cases include △termination without measures being imposed, of the US anti-dumping and countervailing duty investigation against Korean refrigerators △termination of Taiwan’s anti-dumping investigation against Korean carbon steel cold rolled steel products and heavy steel plates, △lowering of Turkey’s anti-dumping duty on Korean polyester staple fiber, and △termination of Brazil’s anti-dumping duty against Korean flat rolled coated steel products. In particular, when the application for initiation of an anti-dumping and countervailing duty investigation against Korean side-by-side refrigerator was registered, the Reaction Team worked closely with the relevant Ministries, Kwangju and Changwon cities, the relevant companies and associations as well as various diplomatic channels to address the issue. As a result, on April 17, 2012, the investigation was terminated without measures being imposed when the US International Trade Commission determined that there was no injury to the US domestic industry due to imports of Korean refrigerators. This meant that Korean companies were able to reduce more than US\$150 million (about 170 won) in tariffs.

Overall, the Reaction Team’s work is estimated to have reduced tariffs by about US\$ 230 million (260 billion won) as trade remedy measures were either not imposed or existing measures were reduced or terminated.

Key Activities of the Trade Remedy Reaction Team

- Consultations with the concerned industries at every stage of investigation
 - The Reaction Team covers every step of the investigation process from before the investigation to the preliminary and final decision stages. The team continuously holds consultations with the relevant industries and associations in order to understand their positions and devise a countermeasure plan.
- Bilateral consultations with foreign investigating authorities
 - The Reaction Team is sent to the investigating country in order to hold bilateral consultations with foreign investigating authorities to communicate the position of the Korean Government and industries and to ask for their cooperation.
- Preparation of Government letters and non-papers
 - The Reaction Team writes letters and non-papers in order to bring the attention of the foreign Government to the pending trade remedy issue, submits non-papers to address the legal issues and presents Korea's stance at high level bilateral meetings

■ ■ ■ Trend in the annual number of trade remedy measures



■ ■ ■ Trade remedy measures against Korean products as of Dec 31, 2012

Total 118 cases (incl. 26 ongoing investigations)

Country	AD	CVD	AD/CVD	Safeguard	Total
1. India	21(1)	0	0	3(1)	24(2)
2. China	17(1)	0	0	0	17(1)
3. U.S.	8	0	4(1)	0	12(1)
4. Turkey	3	0	0	7(1)	10(1)
5. Brazil	8(6)	0	0	0	8(6)
6. Pakistan	7(1)	0	0	0	7(1)
7. Indonesia	4(3)	0	0	4(2)	8(5)
8. Australia	5(1)	0	0	0	5(1)
9. Russia*	1	0	0	2(1)	3(1)
10. Thailand	4(2)	0	0	1(1)	5(3)
11. Canada	4	0	0	0	4
12. EU**	3	0	0	0	3
13. Ukraine	1	0	0	2(1)	3(1)
14. Argentina	2(1)	0	0	0	2(1)
15. South Africa	2	0	0	0	2
16. Malaysia	2(1)	0	0	0	2(1)
17. Mexico	2(1)	0	0	0	2(1)
18. Japan	0	0	0	0	0
19. Philippines	0	0	0	1	1
20. Taiwan	0	0	0	0	0
Total	94(18)	0	4(1)	20(7)	118(26)

※ Numbers inside the parentheses represent the number of cases under investigation

* Includes trade remedies by Russia, Belarus, Kazakhstan Customs Union

** Includes anti-circumvention measures

■ ■ ■ restriction of import

	Product (Regulating country)	Annual Exports	Reduced Tariff Rate	Reduced Tariff amount	Remarks
1	Refrigerator (U.S.)	1,200,000	[AD] Korean : 5.16%-15.41% Mexican : 15.95%- 30.34% [CVD] 2.46%- 12.90%	150,000	USITC determined that there was no injury to the domestic industry and the investigation was terminated without any measures being imposed.
2	Cold rolled steel plate (Taiwan)	20,934	30.30%	6,343	Application for initiation of investigation was withdrawn
3	NBR (Brazil)	1,465	88%	1,289	Determined that there was no injury to the domestic industry and the investigation was terminated
4	DOP (Egypt)	142 (72ton)	109USD/ton	7.8	As a result of the sunset review, anti-dumping measures were terminated
5	Phenol (India)	21,113	27.28%	5,760	As a result of the annual mid-term review, anti-dumping measures were terminated
6	PET Chip (EU)	259,812	Others : 148.3Euro/ton	-	Measures terminated
7	Heavy steel plates (Taiwan)	45,509	35.90%	16,338	Determined that there was no injury to the domestic industry and the investigation was terminated
8	Hot rolled steel plate (Indonesia)	502,139	Others : 3.85%	-	Products manufactured by POSCO but exported by a trading company were categorized as "others" and became subjected to anti-dumping measures. Through close cooperation between MOFAT and the relevant company, these products were recognized as POSCO products and did not become subject to any anti-dumping duties.
9	Polyester Staple Fiber (Turkey)	3,226	3.80%	122	Government comments were sent and bilateral consultations were held so that anti-dumping duties could be lowered during the mid-term review.

10	All Fully Drawn or Fully Oriented Yarn (India)	17,680	0-17.42% Others: 73%	-	Measures terminated
11	Vacuum cleaner (Turkey)	3,205	1st yr. : 34USD/pc, 2nd yr. : 33USD/pc, 3rd yr. : 32USD/pc	-	Measures terminated
12	Flat rolled coated steel (Brazil)	82,949	16.40%	13,604	Determined that there was no injury to the domestic industry and the investigation was terminated
13	Stainless pipe safeguard (Russia)	1,314	15%	197	Korean products were excluded from measures
14	Polyester Staple Fiber (Japan)	23,508	0-13.5%	3,174	Measures terminated
15	Coated Paper (Taiwan)	33,446	0-15.17%	5,074	Application for initiation of investigation was withdrawn
16	Galvanized steel sheet (Argentina)	0	49.67%	-	Measures terminated
17	Automobiles (Ukraine)	204,053	6.46-15.1%	30,385	Final determination still pending
18	Methyl Chloride (China)	77	4-28%	22	Measures terminated
Total		2,420,572		232,316	-

3. Participation in the WTO Doha Development Agenda(DDA) Negotiations

1) Developments in the DDA negotiations

The Doha Development Agenda (DDA) negotiations of the World Trade Organization (WTO) were launched at the Fourth WTO Ministerial Conference in Doha, Qatar in November 2001. The Doha Round was expected to promote trade liberalization and

reinforce the confidence in the multilateral trading system through expanded market access and substantially reduced subsidies, thereby ultimately paving the way for the sustainable development of the world economy. The DDA negotiations, however, proceeded with difficulty as WTO members could not reach an agreement during the negotiations. Developed and developing countries, the major players of which are the U.S., the EU, China, Brazil, and India, have entrenched their positions on key issues, including agricultural and non-agricultural market access and reduction of agricultural subsidies. The Round is now in its twelfth year, well beyond the targeted timeline.

The negotiations have a fluctuant history, with the failure of the Cancun Ministerial Conference in September 2003, followed by the successful agreement on the July Framework in August 2004, a successful Hong Kong Ministerial Conference in December 2005, the suspension of the DDA negotiations in July 2006, and the decision to resume negotiations at the Mini-Ministerial Meeting held in Davos, Switzerland in January 2007. In 2008, a considerable number of issues were settled by a compromise package on modalities, which was presented at the informal mini-ministerial meeting convened in July in Geneva.

After the Seventh Ministerial Conference in 2009, the G20 leaders announced at the G20 Seoul Summit in 2010 a strong political message that called on WTO members to speed up overall negotiations of the Doha Development Round and bring them to a successful conclusion. Therefore, from the beginning of 2011, detailed negotiation targets were set up and intensive negotiations were held. However, the chairs of the Doha negotiating groups failed to prepare new revised texts, and reports on the state of play in each segment of the negotiations were submitted instead.

At the Eighth Ministerial Conference in December 2011, WTO members emphasized the need to inject a new momentum into the stalled DDA and to set up early achievable targets to help restore the confidence in the WTO-led multilateral trading system and fully explore different negotiating approaches for this. From this point of view, there was a consensus of an “Early Harvest” approach to advance negotiations, where progress can be achieved.

In 2012, trade facilitation was emphasized as a early achievable target at the informal Trade Ministers Meeting on the margins of the Davos Forum (January) and the G20

Trade Ministers Meeting (April). However, since the informal Trade Ministers Meeting on the margins of the OECD Ministerial Council Meeting (May), some developing countries objected to advancing trade facilitation solely as a early achievable target and argued for the need to achieve a balance by adding other sectors in which developing countries were interested such as agriculture to the package of early harvest. Thereafter, the group of developing countries in agriculture proposed the inclusion of some issues in agriculture into the package of early harvest to achieve a balance.

In 2013, the DDA negotiations are expected to remain stalled for quite a while unless there is a fundamental change in the current state of a confrontation between the developed and developing countries given the global recession, new trade policies of major members, and the election of a new WTO Director-General. However, WTO Members will actively make efforts to achieve some deliverables in several sectors at the Ninth WTO Ministerial Conference, which will be held in December in Bali, Indonesia, to restore the confidence in the multilateral trading system damaged by the long-term stalemate in the DDA negotiations.

2) Korea's Performance in the Negotiations

As one of the biggest beneficiaries of the multilateral trading system, Korea has worked hard on both bilateral and multilateral levels to secure trade benefits through the successful conclusion of the DDA negotiations.

In 2012, Korea actively participated in a number of high-profile events, including the informal Trade Ministers Meeting at the margins of the Davos Forum (January), the G20 Trade Ministers Meeting (April), the informal Trade Ministers Meeting at the margin of OECD Ministerial Council Meeting (May), and APEC MRT (Ministers responsible for Trade) Meeting (June).

As a bridge between the developed and developing countries, Korea put forth its utmost efforts not only into reflecting its interests and position, but also into raising its profile in the WTO, by underscoring the need to curb the proliferation of protectionist trade measures resulting from the global economic recession and the need to maintain the multilateral trading system led by the WTO. Korea actively participated in

DDA negotiations, making accurate evaluations of the trend of key issue discussions, understanding the position of key parties, such as the U.S., China, and India, and providing effective countermeasures and securing its key interests and sensitive sectors.

The Korean Government has continued to cooperate with like-minded countries to reflect its position in the negotiations. In the agriculture negotiations, Korea's position stems from its membership in the agricultural products importers group and the developing countries group. Korea has also participated in other negotiating groups, seeking improved market access in NAMA and in services. In the rules negotiations, Korea is a part of the group that calls for improvement in the WTO agreement on trade remedy measures.

In addition to such global efforts, the Ministry of Foreign Affairs and Trade has closely coordinated with the relevant ministries and held extensive dialogues with stakeholder groups to formulate negotiating positions. Furthermore, through various public relations activities, the Korean Government has exerted efforts to enhance the public understanding of the WTO negotiation process.

3) Negotiations in Specific Sectors

(1) Agriculture

Not much progress had been made in agriculture negotiations ever since the failure to conclude small packages at the Eighth WTO Ministerial Conference in December, 2011. However, at the informal Trade Ministers Meeting at on the margins of the OECD Ministerial Council Meeting (May), some developing countries began to maintain that advancing trade facilitation solely as a early achievable target would cause an imbalance of interests between the developed and developing countries. They also suggested issues in which developing countries were interested in, such as Tariff Rate Quota (TRQ) administration.

Immediately after the summer of 2012, the Group of 20 developing countries led by Brazil formally proposed TRQ administration, which was stipulated in the fourth revised draft text for Agriculture modalities by the negotiating group chair, as one of

early achievable targets. Then in November, the Group of 20 developing countries led by India also proposed the expansion of Green Box by developing countries for food security purposes, as stipulated in the fourth revised draft text for Agriculture, as one of early achievable targets. Accordingly, the negotiating group chair in agriculture discussed the above proposals with Members through the negotiating group meetings and informal consultations with individual and like-minded countries.

For the stabilization of the current package, which includes a number of measures to protect its vulnerable agricultural sector, Korea actively participated in the agricultural negotiations with close cooperation with like-minded countries. Korea will continue to address its concerns and key interests based on the progress that has been made so far.

(2) NAMA : Non-Agricultural Market Access

In 2012, not much progress was made in agriculture negotiations due to the continued deadlock both in sectoral initiatives and in non-tariff barriers (NTBs) negotiations. At the beginning of the year, the negotiating group meetings were held five times, where Members examined the existing state of NAMA negotiations, gave their views on the future negotiation direction, and suggested a policy to continue consultations for exploring a way to advance the negotiations. However, the stalemate in NAMA negotiations could not be broken. Ahead of his retirement in July, the negotiating group chair, Luzius Wasescha, held an informal negotiation group meeting and circulated his assessment report on the existing state of NAMA negotiations. After a negotiation group meeting in November, the newly-appointed negotiating group chair, Regimi Winzap, evaluated the negotiation conditions and listened to the Members' views on achievable deliverables in the short, medium and long term and the negotiation process.

Non-agricultural goods outnumber agricultural goods in terms of tariff lines and trade volume, and they also have a positive ripple effect on a country's industrial structure as well as economic development through free trade. Taking this into account, Korea has actively engaged in the NAMA negotiations to voice its interests and strengthen its cooperation with other like-minded countries so that the

negotiations can move forward.

(3) Services

The negotiations on trade in services under the WTO GATS (General Agreement on Trade in Services) have three large pillars: market access (Art. XIX), domestic regulation (Art. VI:4), and GATS rules (Art. X, XIII, XV). Market access negotiations have been carried out through bilateral and plurilateral request/offer approaches. Plurilateral negotiations have been conducted based on 21 collective requests formulated along sector lines, in which Korea has participated as a demandeur in ten plurilateral groups in the areas including maritime transport, telecommunications, and financial services, and as a request member in nine plurilateral groups in the areas such as legal, audiovisual, and air transport services. Ever since the failure to reach an agreement on modalities for agriculture and NAMA (non-agricultural market access) at the mini-ministerial conference in July 2008, negotiations for services market access were suspended. However, with the services cluster meeting in November 2009, market access negotiations resumed. Intense negotiations were carried out in February, March, and April of 2011 in order to produce tangible results by April, but, according to the report of the Chairman of CTS (Council for Trade in Services) in April 2011, limited progress has been made during this time.

The negotiations on domestic regulations aim to develop multilateral disciplines to facilitate trade in services by ensuring that measures relating to licensing requirements and procedures, qualification requirements and procedures, and technical standards are based on objective and transparent criteria in services sectors where specific commitments are undertaken. Members were engaged in intensive drafting sessions in February, March, and April of 2011, but failed to produce a revised text due to persisting disagreements on several key issues. Therefore, from September 2011, Members suspended text negotiations and shifted their focus to technical issues relating to licensing and qualification requirements and their procedures and technical standards.

According to the report of the Chairman of WPGR (Working Party on GATS Rules) of April 2011, not only were the rules negotiations limited to technical discussions, but

also have failed to even draw a general outline of a conclusion on any of the topics that were discussed, such as emergency safeguard measures, subsidies, and Government procurement in services.

As an alternative to the stalled DDA negotiations on trade in services, 21 developed and developing countries⁶⁾ with much interest in trade in services have been discussing since February 2012 the possibility to launch negotiations on a plurilateral services agreement. The purpose of such negotiations is to pursue the liberalization of trade in services among the countries involved, and then expanding it to all WTO Members, thereby attempting to create a new momentum for the progress in the DDA negotiations on trade in services. A total of 7 meetings were held between February and December of 2012, where the participating countries discussed the framework for negotiations such as objectives, key elements (including text, schedules of commitments and exemptions, and new disciplines) and pathways to multilateralization. Negotiations on a plurilateral services agreement will be launched in March 2013 after the participants secure their domestic negotiating mandate to commence negotiations.

As the services industry is one of the leading industries that will push Korea's economy forward, especially as its development is crucial for the competitiveness of Korea's manufacturing industry, the Korean Government has been actively taking part in services negotiations to strengthen Korea's economic competitiveness and promote overseas expansion of domestic businesses.

Korea has made continuous efforts to achieve a higher level of liberalization in the global services market, focusing on five major infrastructure services sectors: telecommunication, distribution, construction, maritime transport, and financial services.

■ ■ ■ 6) Korea, Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, European Union, Hong Kong, Iceland, Israel, Japan, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Turkey and the United States.

(4) Other fields of negotiation : Rule, Intellectual Property, Trade Facilitation , and Environment, Agreement on Government Procurement

>>> Rule

WTO members engage in the rules negotiation under the 2001 Doha mandate to “clarify and improve disciplines under the Agreement on Implementation of Article VI of the GATT 1994 and the Agreement on Subsidies and Countervailing Measures, while preserving the basic concepts, principles, and effectiveness of these Agreements.” As a member of the Anti-Dumping Friends Group, Korea sought to prevent adverse effects from the possible abuse of anti-dumping measures under the current Anti-Dumping Agreement.

In addition, as one of like-minded countries in the fisheries subsidies negotiations, Korea exerted efforts to make an agreement on balanced discipline that regulates fisheries subsidies. Since the Chair of the negotiating group submitted a report on the revised text in April 2011, negotiations on the rules have remained stagnant through the end of 2012 due to the deadlock of DDA negotiation.

Serious differences remain among exporters, importers, and developing countries on some controversial issues in the anti-dumping negotiations, including zeroing, sunset review, and de minimis rule. Even though no formal session has been held since the chair of rules negotiations circulated the report, WTO members put continuous effort to make progress through informal sessions and technical meetings. Anti-Dumping Friends Group which includes Korea delivered its intention to move forward with the negotiations in an informal meeting with the chair in April 2012.

Fisheries subsidies negotiations have been discussing how to reduce subsidies that has negative effects on the fisheries resources. The chair of the rules negotiation drafted the text on the discipline regulating fisheries subsidies in a form of Annex to the Agreement on Subsidies and Countervailing Measures. There has been a difference in the opinions of the members on the key issues such as prohibited subsidy, special and differential treatment (S&DT), and the fisheries management system (FMS).

To maintain the momentum to the DDA rules negotiation and reflect its position to the discussion, Korea has been actively participating in the negotiating process

by submitting proposals on the problems in fisheries subsidies discipline of the 2007 Chair's Text. Korea submitted its additional proposal in February 2011 that contained some elements on the fisheries management system (FMS) and regulations on illegal, unreported, and unregulated (IUU) fishery. In 2012, members including Norway decided to hold a seminar on fisheries subsidies in the coming year and had informal meetings for the preparations.

Along with other like-minded countries, Korea will continue to actively participate in the rules negotiations and make its voice heard. It will work for the prohibition of zeroing and introduction of automatic sunset in the Anti-Dumping Agreement revision, and will stand for the prevention of excessive prohibition of fisheries subsidies in the process of drafting WTO Fisheries Subsidies Agreement.

>>> Intellectual Property Rights

Negotiations on intellectual property rights related to trade can be divided into two categories: matters related to the WTO TRIPS Agreements (Agreement on Trade-related Aspects of Intellectual Property Rights), and negotiations on the ACTA (Anti-Counterfeiting Trade Agreement).

The WTO TRIPS Council held three regular sessions in 2012, during which they discussed the relationship between the TRIPS Agreement and the CBD (Convention on Biological Diversity) together with disclosure of the source of generic source and associated traditional knowledge.

Major developing countries such as India continued to emphasize the need to amend the TRIPS Agreement so that the disclosure of the source of generic source and associated traditional knowledge, if any, is made for a requirement for patent application. The U.S., Switzerland, Korea, and Japan argued that the TRIPS Agreement does not need to be amended because it does not conflict with the CBD, and urged that the best place to discuss this is in the World Intellectual Property Organization's Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore, where progress is being made on drafting a new legal instrument.

As for the issue of the non-violation complaints⁷⁾ moratorium of the TRIPS Agreement, the 8th Ministerial Conference in Geneva in December 2011 decided to extend the moratorium and discuss the issue again at the 9th Ministerial Conference in 2013.

The ACTA is the first plurilateral agreement, led by the U.S. and Japan in 2006, with an aim to strengthen the enforcement of intellectual property rights. The deal was reached in October 2008, and the agreement on the final text was made in November 2011 after 11 official meetings.

The negotiations for this agreement first started as a countermeasure to the growing counterfeits and piracy. It aimed to establish an international standard at the TRIPS-plus level as well as an international cooperation system for intellectual property rights enforcement in civil and criminal court. A total of 11 countries participated in this negotiation⁸⁾. On October 1, 2011, representatives of 8 countries out of the 11 negotiating countries (Korea, Australia, Canada, Japan, Morocco, New Zealand, Singapore, and the U.S.) that had completed the necessary domestic procedures officially signed the ACTA in Tokyo. As of December 2012, a total of 10 countries (excluding Switzerland) have signed the ACTA.

ACTA shall enter into force thirty days after the date of deposit of the sixth instrument of ratification, acceptance, or approval among those Signatories that have deposited their respective instruments of ratification, acceptance, or approval. As of December 2012, only Japan has deposited its instrument of ratification.

ACTA is significant as the major developed countries agreed to strengthen enforcement regulations (civil procedures, criminal procedures, and border measures) with regard to intellectual property rights, which were already stipulated in the WTO TRIPS Agreement, and establish a cooperation system for effective enforcement.

>>> Trade Facilitation

Negotiations for trade facilitation were conducted to establish a new set of WTO rules to reduce transaction costs and facilitate trade by improving GATT Articles V (Freedom of Transit), VIII (Fees and Formalities connected with Importation and Exportation) and X (Publication and Administration of Trade Regulations).

As a member of the Colorado Group⁹⁾ along with the US, Japan, the EU, Canada, Australia, Switzerland, and other developed countries, Korea has continued to play a leading role in the negotiations. During the nine rounds of negotiations held in 2012, Korea contributed to making a compromise on the text by leading and actively participating in small group meetings. In particular, Korea played a leading role in several bilateral meetings on agenda proposed by Korea such as single-window, establishment of average release times, and risk management. Korea also suggested constructive alternative proposals regarding risk management and contributed to producing a cleaner text.

In November, 2012, Korea hosted the Symposium on Trade Facilitation in Seoul covering specific topics such as single-window, risk management, and the role of trade facilitation in the future of DDA negotiations.

The Symposium attracted approximately 150 participants: the chairperson of the NGTF(Negotiating Group on Trade Facilitation), NGTF delegates of major developing countries, the WTO Secretariat, experts from international organizations such as UNESCAP and WCO, eminent scholars in the field, and other stakeholders. The Symposium was hosted as a way to contribute to the progress of discussion at the NGTF by raising public awareness on trade facilitation.

Moreover, in order to develop a common implementation mechanism, discussions proceeded on the issue of technical assistance and capacity building for developing countries, which has been another key issue in the negotiations.

■ ■ ■ 7) Non-violation complaint is part of the WTO dispute settlement system originally introduced in GATT 1947. It can be invoked if a Government can show that it has been deprived of a reasonably expected benefit because of another Government's action or of any other situation that exists.

8) Korea, Australia, Canada, European Union, Japan, Mexico, Morocco, New Zealand, Singapore, Switzerland and the United States.

9) The Colorado Group, organized in the process of preparing for the 1999 Ministerial Conference in Seattle, is a group that supports the adoption of a new WTO agreement on trade facilitation. Its members include Korea, Australia, Canada, Chile, Colombia, Costa Rica, European Union, Hong Kong, Japan, Morocco, New Zealand, Norway, Paraguay, Singapore, Switzerland and the United States.

Trade and Environment

Discussions on the environment mainly cover 1) the liberalization of environmental goods and services, 2) relationship between specific trade obligations (STO) in Multilateral Environmental Agreements (MEAs) and WTO rules, and 3) information exchange between the WTO and MEAs, and procedural issues regarding the grant of observer status. The focus of talks was on the definition of environmental goods.

As disagreement between the developed and developing countries continued, WTO members agreed to start work on downsizing and refining the list of environmental goods. In October 2009, countries participating in the Friends of the System Group put together a list of 153 environmental goods. Japan, Philippines, Qatar, and Singapore followed suit by submitting their own lists. In January 2011, the Chair of the Committee on Trade and Environment Special Session (CTE-SS) led discussions on 424 goods that were categorized into those regarding regulation of air pollutants, renewable energy, waste management and sewage treatment, and carbon capture. Also, the economic and environmental benefits, tariff rates, and import/export regimes of each category were discussed.

The members held four rounds of CTE special and regular sessions in February, April, May, and November of 2012 and held working-level meetings of the Friends of the System Group on the sidelines of the CTE meetings. At the meetings, various issues relating to liberalizing trade for environmental goods and services were discussed, such as reviewing the list of environmental goods, environment-related regimes, the level of tariff reduction for environmental goods and services, technology transfer to developing countries, and the reduction and elimination of non-tariff barriers for environmental goods and services. After APEC leaders agreed on the lists of 54 environmental goods in September 2012, some WTO members started exploring ways to bring the outcome into the WTO.

Agreement on Government Procurement

Discussions to revise the WTO GPA (Agreement on Government Procurement) began in 1997, and negotiations to expand coverage began in July 2004. After 15 years of negotiations, the talks to revise the GPA and expand coverage were finally concluded

on December 15, 2011. The revised agreement reflects the technological progress in procurement since the last agreement of 1994, clarifies procedures involving Government procurement, and contains provisions on electronic procurement, coverage modification, and preferential treatment for developing countries. Members also expanded coverage by listing additional entities to their offer and lowering threshold levels of Government procurement over which the GPA applies.

Korea actively participated in the negotiations and worked to ensure that Korea's positions on major issues were reflected in the outcome. Korea succeeded in maintaining set-aside notes for small and medium-sized businesses despite pressure from some other Members to delete them.

Korea and the EU opened up their procurement market of conventional railways and urban transport to each other on a reciprocal basis. Moreover, Korea successfully secured the insertion of a new note exempting human feeding programs from the application of the revised GPA.

Since the conclusion of the negotiations to revise the GPA on December 15, 2011, parties to the agreement have taken part in negotiations on the accession of China and New Zealand in earnest. In cooperation with other parties, Korea has sought ways to expand the coverage of the agreement through the accession of the two countries.

4. Building a Foundation for Economic Cooperative Diplomacy

While Korea has continued its efforts to establish nuclear energy agreements to promote bilateral cooperation and construct an institutional foundation for the peaceful use of nuclear energy, it is also promoting aviation liberalization agreements with major aviation countries to strengthen the logistics infrastructure for the expansion of economic cooperation. Moreover, Korea is building the legal bedrock for Korean firms' entry into overseas markets through the conclusion of agreements on the protection of investments, avoidance of double taxation and social security.

1) Nuclear Energy Agreements

Korea has promoted nuclear energy agreements with Mexico, Thailand, Finland and Hungary – prospective importers of Korea’s Nuclear energy – to build the legal foundation for nuclear power exports and to strengthen nuclear energy cooperation. Korea and Mexico signed the Nuclear Energy Agreement during the G20 Los Cabos Summit in June 2012. Korea also agreed on the draft of the Agreement with Thailand, Finland and Hungary through Intergovernmental negotiations in 2012 April, May and November, respectively. The Government is making continuous efforts to establish nuclear energy agreements with EURATOM, Malaysia, etc.

2) Strengthening Aviation Cooperation with Major Aviation Countries

Korea has increased the nation’s airline operational efficiency and improved airline customer service through the conclusion of aviation liberalization agreements with major aviation countries and is working to establish a strong foundation for the increased exchange of human and material resources. Korea reached consensus on the text of the Air Services Agreement with Paraguay in May 2012, and concluded the Agreement with Ecuador in November 2012.

3) Agreements on the Protection of Investments, Avoidance of Double Taxation, and Social Security

To provide legal protection and resolve non-commercial risks such as political impasses in prospective investment destinations for Korean companies wishing to enter a new market, the Government has continued its efforts to conclude social security agreements. The Agreement on the Protection of Investments between Korea and Rwanda entered into force in February 2013, and the Korean Government is negotiating on the conclusion of agreements on the protection of investments with 10 countries including Myanmar, Papua New Guinea, Turkmenistan, Kenya, etc.

And in an effort to prevent the double taxation of corporate earnings of Korean companies operating abroad, Korea signed the double taxation avoidance agreements with four countries – Ecuador, Peru, Bahrain and Kyrgyzstan – and agreed on the text of the Agreement with Serbia.

Furthermore, Korea concluded social security agreements with several countries to avoid the double taxation of income with respect to social security taxes for Korean workers stationed abroad and to assist Korean enterprises in their efforts to advance into overseas markets. In 2012, Korea signed the Social Security Agreement with Turkey and Brazil, and agreed on the text of the Agreement with Sweden and Argentina. Especially with China, Korea concluded the Social Security Agreement which is to save an annual 450 billion won until the end of 2014 and is to cut back a total 300 billion won for 2 years through the health insurance exemption.

Chapter 5

Diplomacy to Promote the Economy and Trade

1. Supporting Overseas Business Activities

The Ministry of Foreign Affairs and Trade (MOFAT) has been strengthening its efforts to assist Korean companies facing difficulties in conducting overseas business and exploring new markets abroad.

To this end, the Trade and Investment Promotion Task Forces (TIPTFs) were established in all overseas Korean diplomatic missions. In general, the TIPIF consists of KOTRA and other private corporations under the auspices of Korean diplomatic missions. They aim to support Korean companies to cope with difficulties in doing business abroad and to attract foreign investment in the domestic market.

Every year, MOFAT hosts an event called “Business Consultations with Ambassadors” in collaboration with the four economic organizations in Korea. Ambassadors and Consul-Generals hold one-on-one meetings with businesspeople, provide information on foreign markets, listen to their views on difficulties of doing business abroad, and help solve these difficulties. Since its inception in 2008, this has become an annual

event that draws the support and keen interest of the participants, and the number of meetings and participating enterprises is continuously on the rise.

Legal Advisory Services are provided for small and medium sized enterprises (SMEs) conducting business overseas. The service began as a pilot project in six embassies and Consulates-General (CGs) in 2008 and expanded to 23 embassies and CGs in 2012.

MOFAT has dispatched Trade and Investment Delegations to major, emerging, and niche markets with a view to helping Korean companies enter new markets and diversify their export routes. Since 1998, more than ten delegations have been sent every year in close consultation with economic organizations, including the Korea Importers Association (KOIMA), Korea International Trade Association (KITA), Korea Federation of Small and Medium Business, and local Governments. In 2012, 12 delegations were dispatched to 22 regions in the world, accomplishing many achievements including a total of US\$ 551 million in trade contracts and negotiations.

Since 2004, MOFAT has been expanding cooperation with its working partners by signing MOUs with the Federation of Korean Industries (FKI), KITA, the Korea Chamber of Commerce and Industry, the Korea Federation of Small and Medium Business, the International Contractors Association of Korea, and the Korean Women Entrepreneurs Association. In particular, an MOU was signed with the Ministry for Food, Agriculture, Forestry and Fisheries in April 2007 in order to boost the export of agricultural products that had difficulty in entering new foreign markets on their own. Since the signing of the MOU, Korean embassies and CGs have hosted various events annually to increase the export of Korean agricultural products.

In 2011, “Business Diplomacy” was launched to reinforce the role of Korean diplomatic missions in assisting Korean companies with their overseas businesses, especially with matters with which private companies have difficulty in tackling individually. In 2012, 46 Korean missions carried out a total of 50 projects, such as providing assistance in supporting bids for national projects, exporting defense articles, and helping businesses to solve a wide array of difficulties.

Since 2011, MOFAT has provided support for the Corporate Social Responsibility (CSR) activities by the Korean companies doing business overseas via diplomatic missions abroad. The Embassies and CGs try to enhance CSR awareness of the

Korean companies, especially the SMEs. They also reach out to local Governments and media for a wider publicity of Korean companies' CSR activities. Moreover, the overseas diplomatic missions make efforts to establish a cooperative network with the authorities in the host countries, such as the local Government and CSR relevant institutes in order to provide better support for CSR activities by the local Korean companies. In 2011, a total of 12 diplomatic missions were selected to carry out pilot projects. In the following year, 20 missions participated to conduct CSR activities. MOFAT will further develop and expand CSR-supportive policies by building up a comprehensive network with the international organizations and the countries with advanced CSR policies.

Furthermore, MOFAT has facilitated the entry of Korean businesses into the UN procurement market. Since 2007, 11 rounds of UN Procurement Seminars have been held, and MOFAT will continue to strengthen efforts for assistance in this area.

2. Attracting Foreign Direct Investment

Foreign Direct Investment (FDI) is defined as investment made by foreigners who own 10 percent or more of the total shares, have voting rights or exercise substantial influence over the management rights of a company by providing a long-term loan with an average repayment period of five or more years. According to the United Nations Conference on Trade and Development (UNCTAD), worldwide FDI in 2010 reached US\$ 1.24 trillion, representing a five percent increase from the previous year, and is on a steady rise in 2011.

In Korea, FDI inflow in 2010 totaled US\$ 13.1 billion, representing a 13.8 percent increase compared to the previous year, which is a relatively positive result compared to other major economies. In 2011, it amounted to US\$ 13.7 billion and in 2012, it increased by 18.9 percent, reaching US\$ 16.3 billion.

■ ■ ■ FDI Inflow in Korea

(Unit: US\$ billion)

Year	2006	2007	2008	2009	2010	2011	2012
Reported	11.3	10.5	11.7	11.5	13.1	13.7	16.3

* Source: Ministry of Knowledge Economy

The Korean Government has been making its utmost efforts to increase the flow of FDI into the country in close cooperation with relevant Government institutes, especially the Foreign Investment Committee and Invest KOREA. MOFAT has been focusing its efforts on attracting foreign investment through its diplomatic missions abroad. Moreover, MOFAT has been paying keen attention to resolving the difficulties of foreign companies already doing business in Korea. In this regard, promotional activities overseas have been carried out in relation to Korea's improved business environment.

As part of such efforts, diplomatic missions have been providing active support to attract foreign direct investment, especially through the Trade and Investment Promotion Task Forces (TIPTFs), which seek potential foreign investors, promote Korea's assistance programs for foreign investors, and address difficulties faced by foreign companies operating in Korea.

MOFAT plans to strengthen its efforts to attract FDI by consolidating a legal and institutional basis through measures such as concluding Free Trade Agreements (FTAs) and Bilateral Investment Treaties (BITs), as well as by boosting the promotion of Korea's improved investment environment through diplomatic missions.

3. Providing Information on Economy and Trade

MOFAT has been operating an e-mail service, which provides relevant economic organizations and local Governments with information on Government procurement, bidding projects, and other important data collected from diplomatic missions abroad. MOFAT has added new sections of "Current Market Issues" and "Information

on Overseas Tenders” to its website where it posts various information on economy and trade reported from diplomatic missions abroad. Moreover, the officials in charge of economic affairs at diplomatic missions directly upload information on overseas tenders on the International Contractors Association of Korea (ICAK) website so that Korean companies are given useful and timely information.

Furthermore, every diplomatic mission has been operating a Cyber Business Service on its website since December 2001 with a view to providing one-to-one customized consultation for Korean companies regarding their queries on the market situation of the countries in which they operate business.

MOFAT has also published several books on foreign markets to meet the needs of Korean companies. 「A Comprehensive Survey of the Trade Environment」, a compilation of information, research, and analysis on the trade environment of major trading partners, has been published every year since 1998 and distributed to economic organizations and companies.¹⁾ Moreover, since 2007, MOFAT has been continuously publishing 「A Casebook on Business Difficulties & Resolution」, a record of successfully resolved trade irritants and various difficulties experienced by Korean companies in their business activities overseas.

4. Support for the International Exposition in Yeosu, Korea 2012

1) Preparations for hosting Expo 2012 in Yeosu, Korea

After the Bureau International des Expositions (BIE) announced Yeosu as the host city of the 2012 Expo at the 142nd General Assembly on 27 November 2007, the 「Special Act in Support for the International Exposition 2012 Yeosu Korea」 was enacted to ensure systematic preparations for the event. A Government Support Committee (with the Prime Minister as Chairman) and a Working Group Committee (with the Vice Minister for Government Policy of the Prime Minister’s Office as Chairman) were established

to render pan-Governmental support for the Yeosu Expo and carry out promotional activities.

2) Promoting the participation of foreign countries in Expo 2012 Yeosu Korea

MOFAT, in association with the Organizing Committee of Yeosu Expo, has carried out promotional activities from 2009. Its activities included sending official invitations to BIE member countries and international organizations, distributing a variety of promotional materials, and dispatching delegations to various countries with a view to ensuring the greatest possible participation. MOFAT actively encouraged the participation of BIE members and international organizations through diplomatic missions abroad in order to attract the participation of more than 100 countries and 5 international organizations. With the participation of 104 countries and 10 international organizations including the UN and OECD, Yeosu Expo attained its initial goal. From the latter half of 2011, MOFAT expanded its contribution to Yeosu Expo by doubling the efforts by overseas missions to promote the Expo.

With the support from MOFAT, Yeosu Expo was visited by more than eight million people. Moreover, by assisting the Organizing Committee in inviting foreign dignitaries including heads of state on the occasion of opening and closing ceremony and National Day ceremony of each participating country, MOFAT further promoted the international profile of the Yeosu Expo.

- ■ ■ 1) 「A Comprehensive Survey of the Trade Environment 2012」 is comprised of five volumes. 「Trade Environment by Area」 analyzes trade barriers and categorizes the cases into the following 15 areas: tariff, trade remedy, customs procedure, safeguard, anti-dumping·countervailing duty, subsidy, rules of origin, Government procurement, technical barrier, intellectual property rights (IPR), service, investment, environment, competition policy, and finance. The other four books titled, 「Trade Environment by Region」 analyze economic status, trade&investment relations with Korea, and status of trade barriers in the following four regions (total of 81 countries) : Asia/Oceania, Americas, Africa/Middle East, and Europe.

Facts about the International Exposition Yeosu Korea 2012

Title | International Exposition Yeosu Korea 2012

Date | May 12 – August 12, 2012 (three months)

Location | Yeosu new harbor area, Yeosu, Jeonam

Theme | The Living Ocean and Coast : Diversity of Resources and Sustainable Activities

Number of participants | 104 countries, 10 international organizations, 10 companies and
16 local Government



Expansion of the Foundation for Economic and Trade Diplomacy

1. Establishment of Trade Policy Infrastructure and Reinforcement of Opinion Convergence

1) Act on Procedures for the Conclusion of a Trade Agreement and its Implementation

As the Korean Government concluded both the Korea-U.S. FTA and the Korea-EU FTA and entered into FTA negotiations with China, Korea's trade agreements have become more diversified and complicated than ever before. Procedures for the conclusion of a trade agreement and its implementation have also become complicated due to conflicting interests, which were partly confirmed in the process of the ratification of the Korea-U.S. FTA in 2011.

Meanwhile, some experts strongly argued that considering the broad and significant influences a trade agreement may have on the entire economy, it is necessary to establish a new law to regulate procedures for the conclusion of a trade

agreement and its implementation. After considerable discussion, the Korean National Assembly passed an Act on Procedures for the Conclusion of a Trade Agreement and its Implementation in December 2011, and the Act entered into force on January 17, 2012. However, according to its supplementary provision, the Act actually took effect on July 18, after 6 months of preparation such as enacting an implementing ordinance for the Act.

The Act on Procedures for the Conclusion of a Trade Agreement and its Implementation imposes legal duties by different stages of important trade agreements including FTAs on the Korean Government. For example, before entering into FTA negotiations, the Government should report a master plan for the negotiations to the National Assembly in addition to holding public hearings on the trade agreement and conducting a study on its economic feasibility. After it has entered into negotiations, the Government should report to the National Assembly in case of substantial changes to the master plan for the negotiations or economic effects of the trade agreement. When an agreement is reached with the other country, the Government has to assess the effects of the trade agreement on the national economy, finance, industry, employment, etc. Moreover, the Government is expected to give a report to the National Assembly on the progress and results of the negotiations and increase in public awareness of the trade agreement. The Act also stipulates that an effect assessment of the trade agreement, estimated costs, and measures for implementing the agreement, including amending relevant laws, should be submitted to the National Assembly for ratification of the agreement.

The Act on Procedures for the Conclusion of a Trade Agreement and its Implementation is considered to be an important institutional framework that regulates the whole process of concluding and implementing trade agreements, which will facilitate the communication process between the Government and various interest groups and enhance publicity on trade negotiations.

2) Non-official Advisory Committee on Trade Negotiations

The Act on Procedures for the Conclusion of a Trade Agreement and its

Implementation stipulates in Article 21 that the Ministry of Foreign Affairs and Trade establish a Non-official Advisory Committee on Trade Negotiations.

According to this article, the Ministry organized the Advisory Committee composed of 30 non-Governmental experts in international economy and trade, and held its first meeting on November 23, 2012. In the meeting, Committee members and trade officials of the Ministry discussed pending trade issues including negotiations on Korea-China FTA, Korea-China-Japan FTA, RCEP (Regional Comprehensive Economic Partnership), etc.

Through this Advisory Committee, the Ministry will take professional advice on trade policy and negotiations, which will eventually enhance public participation and understanding on procedures for the conclusion of a trade agreement and its implementation.

3) Trade Negotiation Advisory Committee

In order to improve the procedural legitimacy and professionalism of the trade policy, the Trade Negotiation Advisory Committee was established as a subcommittee of the Ministry of Foreign Affairs and Trade(MOFAT)'s policy advisory committee in August 2006.

The advisory committee consists of 20 personnel from the academic, industrial, and research communities, thus establishing a balanced expertise. The committee is chaired by the Minister for Trade once or twice a year, and through this committee the ministry gathers the opinions of advisory personnel about the direction and the progress of Korea's trade policy.

In August 2012, the 4th Trade Advisory Committee was launched with reorganized advisory personnel for a term of two years, and on September 14th, the 11th advisory committee conference was held. In this conference, advisory members reviewed the major tasks led by the Office of the Minister for Trade during 2012, and exchanged views on Korea's FTA promotion trends and future measures, especially trends in promoting an East Asian FTA.

4) Ministry of Foreign Affairs and Trade-KIEP Policy Research Council

In accordance with the advice from the Prime Minister's office, MOFAT established the Policy Research Council, a constant consultation system, in October 2009 in order to exchange views on agendas on economy and trade policies with the Korea Institute for International Economic Policy(KIEP), the national research agency of world economy, trade and commerce. The Council is held once or twice a year, through which the Government's demand for policy could be reasonably reflected on KIEP researchers' policy study. Therefore, research utilization improved and the Government could obtain more timely policy measures.

On December 13, 2012, the Government held the 5th Policy Research Council where the members of the council shared their views on the 2013 world economy outlook and 2013 KIEP research plan and proposed new study projects. Given that a new Government administration was expected, MOFAT particularly requested KIEP for a medium and long-term (3-5 years forecast) trade strategy-related research. Meanwhile, this 5th meeting was differentiated from the former meetings as working-level meetings between each bureau of the Office of the Minister for Trade and KIEP held in advance.

2. Enhancement of Public Understanding on Trade Policy

1) Enhancement of Understanding on Trade Policy Towards the ordinary People and the Press

The MOFAT has been holding regular briefings chaired by Deputy Minister for Trade(18 times) and systematically conveyed the information on economy and trade-related issues and the position of the Government in order to enhance the media and the

public's understanding on economy and trade policy and gather national consensus. Besides, in the case of more important pending issues, which have powerful spill-over effects, the Minister for Trade or the Deputy Minister for FTA occasionally provided an in-depth briefing and delivered accurate information.¹⁾

Moreover, through interviews, contributions, and meetings with domestic and foreign press, MOFAT tries to spread Korea's economy and trade-related policy agendas domestically as well as internationally and to convey accurate messages.²⁾

In addition, MOFAT announces Governmental policy activities by periodically distributing various promotional materials such as press releases, transcripts of briefings, speeches, contributions to the web-site, Public Customer Relationship Management(PCRM), and the press corps. Meanwhile, the ministry conducts questionnaire surveys on policy promotion activity on economy and trade part to the PCRM(2012.11.19.-23) and the press corps(2012.2.9.-3.2), the results of which are used to build necessary information infrastructures to improve policy promotion activity about economy and trade.

2) Strengthening Interactive Communication through Direct Promotional Activity to the People

In accordance with the people's increasing interest in trade policy, MOFAT tries to gather more national consensus on major trade policies through a more active publicity and people-friendly promotion activities. It actively holds lectures, meetings, and policy information sessions for various social members from the public, industries, and academia, and listens and collects the people's opinion about the Government's policies. For example, the Minister for Trade visited Busan, Gwangju, and Jeju. Meeting

- ■ ■ 1) occasional briefings were held 16 times : effectuation of the Korea-U.S. FTA (3 times), negotiation on the Korea-China FTA(7 times), and Minister for Trade's candidacy for WTO Secretary-General post etc.
- 2) media interview (total 102times) : broadcast(47), newspaper(19), foreign press(13), etc(23) contribution (total 37times) : domestic and foreign main daily newspaper pending issue meeting (total 115times) with the press corps to the Office of Minister for Trade, heads of economy and industry reporters, regional press etc.

with the representatives and the person-concerned of local industry, he explained the Government's FTA plan and collected their opinions. Furthermore, MOFAT endeavors to communicate with the people through various occasions such as university lectures, forums, policy seminars, and conferences.

In addition, MOFAT has a plan to make public on-line promotion contents to keep pace with the flow of new media. For instance, the ministry made the Minister for Trade's lecture video named 'our country's future trade vision' and up-loaded it on its homepage and SNS (Twitter, Facebook, Youtube), and also interviewed with MOFAT's policy blog reporter on the pending trade issues. Also, in efforts to diversify its trade policy promotion plans, MOFAT held 'The 1st thesis competition for economy and trade among college students hosted by the Ministry of Foreign Affairs and Trade,' where 67 theses were submitted and 142 people applied.

