


# Opinions

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## Korea's FTA Policy and a New Trade Roadmap



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**2** 013 was a year that has seen major changes in trade order all across the globe. The US and EU began negotiations for Transatlantic Trade and Investment Partnership (TTIP) in the beginning of the year, and Japan participated in negotiations for Trans-Pacific Partnership (TPP) led by the US. Also, the negotiations for the WTO Doha Development Agenda (DDA), which began in 2001, came to fruition last December in the form of a Bali package after a 12-year period. To sum up, whereas bilateral FTAs have been active thus far, in 2013, there has been a surge in regionalism and multilateralism.

Korea has also seen its fair share of trade policy changes this year. To begin with, the trade functions were transferred to

the Ministry of Industry, Trade and Energy from the Ministry of Foreign Affairs and Trade with the advent of the Park Geun-Hye administration in the beginning of the year. Moreover, the government announced a new trade roadmap that will replace the FTA roadmap. The new trade roadmap may be distinguished from the past FTA roadmap in two significant aspects. First, from a policy direction perspective, the new trade roadmap will pursue mutually beneficial FTA externally while also pursuing communication-based FTA internally. The other aspect is that the policy objective has changed from becoming an FTA hub country to becoming a linchpin in regional economic integration.

Being an FTA hub and a linchpin are similar in that they both represent continuations in trade and investment liberalizations. However, at a fundamental level, the two are different in that being an FTA hub is predicated on bilateral FTAs while linchpin is based on regional economic integration. Regional economic integration could be said to have a significantly greater ripple effect than bilateral FTAs since it involves a higher number of participants in the negotiations than bilateral FTAs and because it has a possibility for expansion in the future. As an example, it can soften the so-called spaghetti-bowl effect, a phenomenon where the utilization of the FTA is limited due to the fact that overlapping FTAs in a region each have a different rule of origin from others. What is more important is that because multiple nations participate in the discussions of regulations, there is a network effect. In other words, the trade regulations agreed upon by many countries during the integration of the regional economy affect not only the negotiating nations but also those other nations that export to these countries. Therefore, the already participating nations can enjoy the benefits of early participation as more countries accept such rule - i.e., nations that participate in a network that share certain regulations. The size of such benefit will continue to increase as the number of countries that accept the rules increase. As a result, the trade rules in regional economic integration could develop into a global standard in the future unlike the mutual recognition under bilateral FTAs.

Issues related to enactment of new global regulations are becoming increasingly important. Although the WTO DDA negotiations have resulted in the Bali Package, the developing countries and developed countries are still at odds with one another in many issues. Also, in comparison with 2001 when the DDA negotiation began, many new issues have emerged in international trade. But these issues cannot be dealt with during DDA negotiations. In these circumstances, major developed countries such as the US, E.U. and Japan are exerting efforts to create new trade order, including new issues, centered on the

developed countries. On the other hand, those developing countries that have been left out of such new trade order centered on the developed countries will have to either be absorbed into the developed country-led economic integration which is already in progress or separately discuss trade regulations as a measure against the developed countries.

Korea is now at a crossroad of new changes. On one hand, it will have to pursue bilateral FTAs for mutual benefits with new emerging economies and resource abundant countries to enjoy concrete results, while on the other hand, it has to participate proactively in economic integration in the Asia-Pacific Region so that it could take a central role in the new international trade order in the long run. 