

KIEP 2017 ANNUAL REPORT

**KOREA
INSTITUTE FOR
INTERNATIONAL
ECONOMIC
POLICY**

Guiding the Korean Economy
Understanding the Global Economy

KOREA INSTITUTE FOR
INTERNATIONAL ECONOMIC POLICY

2017

KIEP ANNUAL REPORT

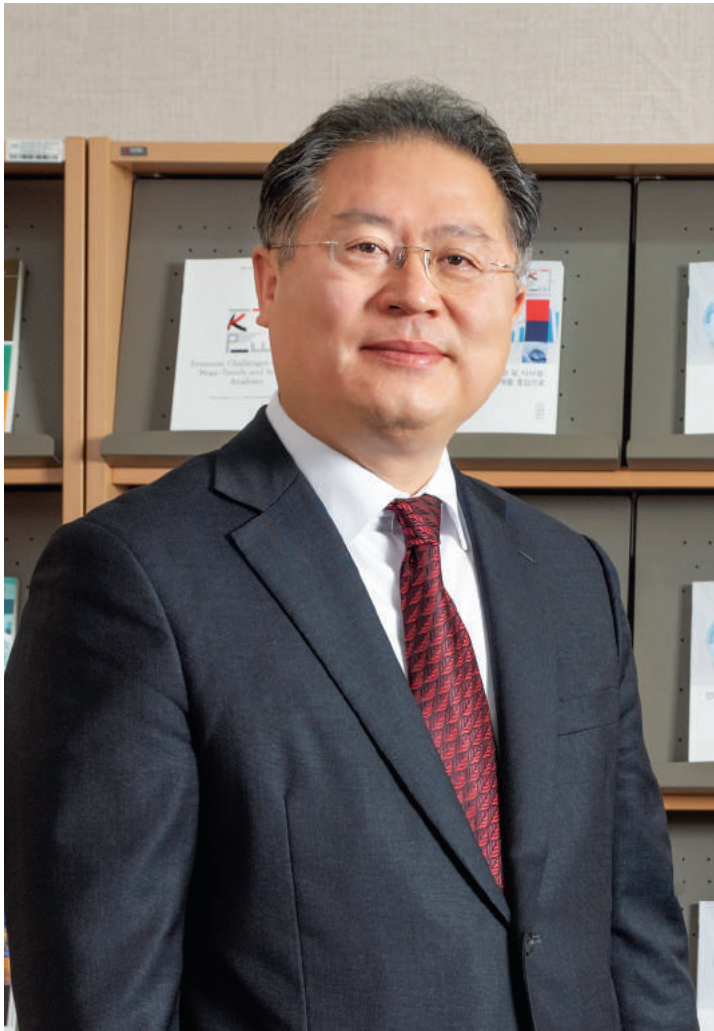




KIEP spearheads the creative advancement of the Korean economy by identifying future trends amidst the turbulent world economy

The world economy is changing at an ever increasing pace as the Fourth Industrial Revolution continues to unfold around us. New economic value is being created and regions are being integrated to change the previous paradigms of the economy. Since its establishment in 1989, KIEP has served as a valuable source of insight into the changing trends of the world economy and provider of effective policy options and international economic strategies. In this year's annual report we look back on KIEP's achievements in 2017 as it guides the Korean economy into the best future possible.

President's Message



On Publishing the 2017 KIEP Annual Report

The year 2017 was a period of escalating external risks for the Korean economy, as advanced economies progressively normalized their monetary policies, the international trend of economic protectionism and nationalistic trade policies continued with the progress of Brexit and the Trump administration's America First policies, and the North Korean nuclear issue deteriorated into a state of discord among the international parties involved.

To cope with these challenges, we at the Korea Institute for International Economic Policy (KIEP) identified eight major policy directions to focus on as we carry out our fundamental mission as a national research institute. The eight areas KIEP will focus its research capabilities on are: the proposal of coping measures in the face of trade protectionism; promoting strategic economic cooperation; the establishment of a Northeast Asia Plus Community of Responsibility; stronger development cooperation to maximize national interests; pursuing economic unification on the Korean Peninsula; the realization of income-led growth policies; the vision of Innovative Growth; and external risk management.

The global economy continues on the path of recovery from the past crisis, but as of yet we lack clear indications that this trend of growth will continue in the long term. The support of neighboring countries will be essential when it comes to the stable establishment of lasting peaceful relations between the two Koreas. As such, the geopolitical significance of Korea will continue to rise.

As our economy navigates these multiple challenges, KIEP will contribute to the establishment of sustainable cooperation strategies through research on the government's New Southern Policy and New Northern Policy; we will guide the national execution of the New Economic Map of the Korean Peninsula, based on reconciliation and cooperation between the two Koreas; we will explore international economic and trade policies that can support the vision of inclusive growth; and we will identify promising new industries to concentrate our national resources in line with the Fourth Industrial Revolution unfolding around us. The research findings we provide will serve as a guide to formulate policy decisions that can drive national development.

On behalf of KIEP, I wish to extend my deep gratitude and appreciation for the interest and support you lend toward our progress. KIEP will continue its work in the areas of regional studies, trade investment, and international macrofinance, earning the trust of the people as we fulfill our mission as a responsible research institute and a national leader of sustainable growth and innovation through policy research.

Korea Institute for International Economic Policy (KIEP)

President **Jae-Young Lee**



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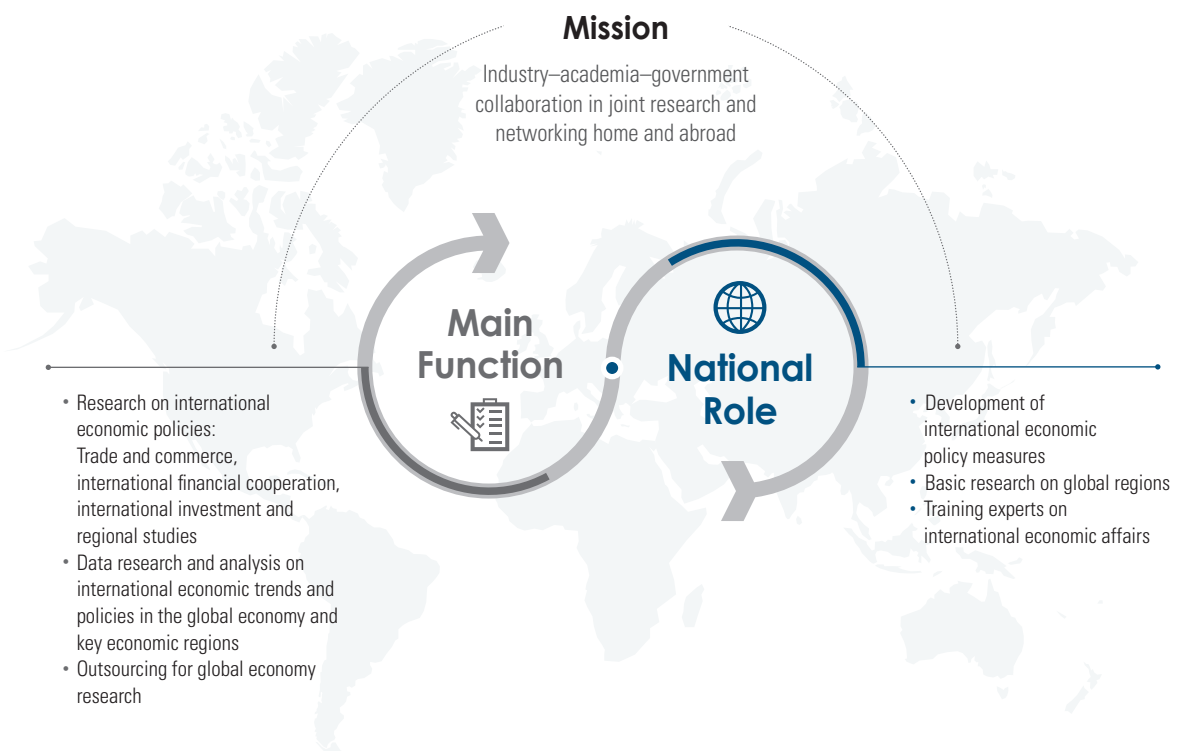
About KIEP

KIEP, a global think tank founded to guide the Korean economy

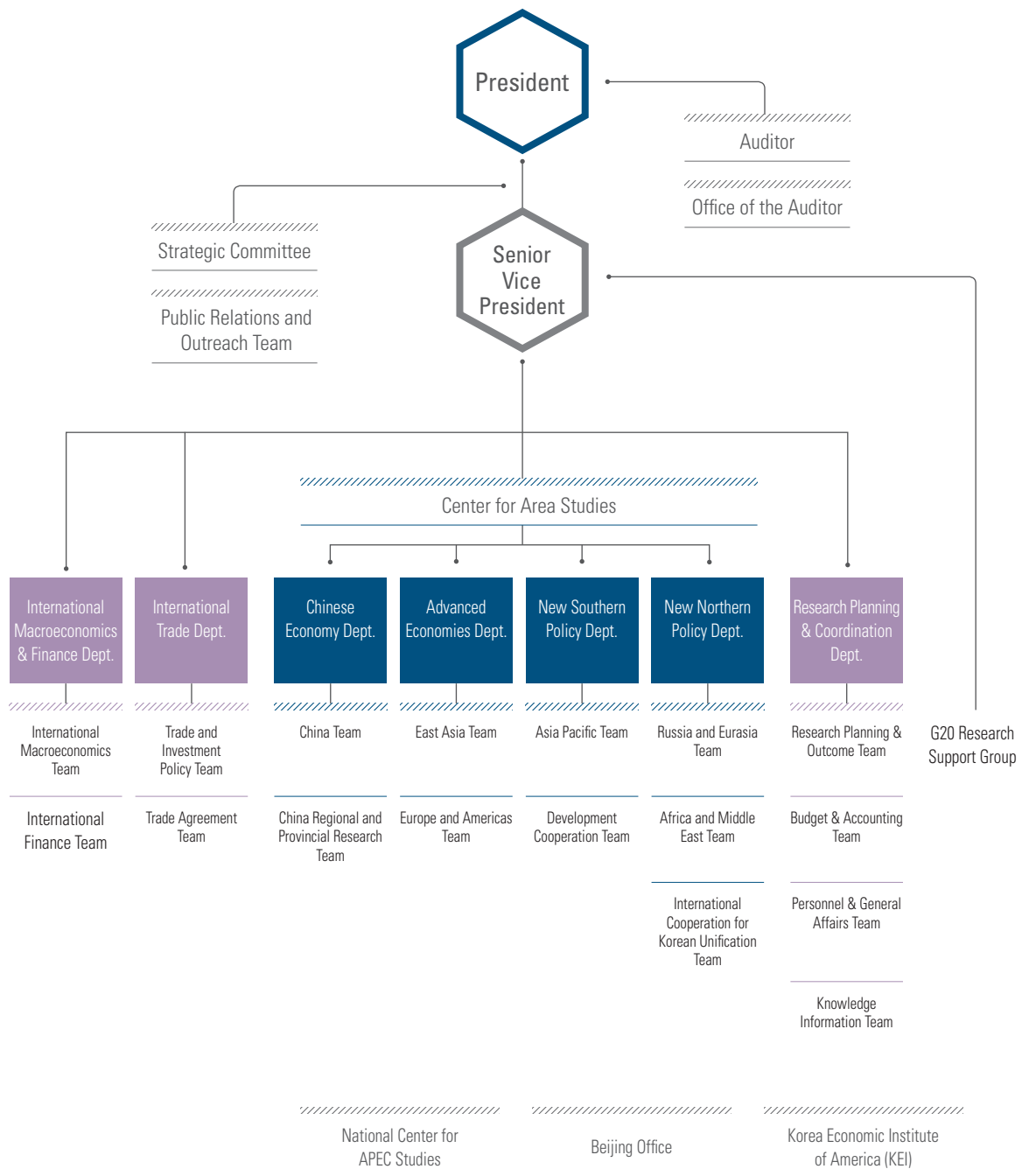
KIEP is a government-funded research institute established to help the Korean economy deal with external challenges associated with fluctuations in the world economy, and to assume the proper role and international standing it deserves in the 21st century.

At the same time, KIEP continues to increase its influence as a leading global think tank and a driver of innovative growth in the Korean economy.

The Institute contributes to the establishment of national policies in the area of international economics by researching and analyzing issues related to the government's New Southern and New Northern policies and new developments in international order and trade.



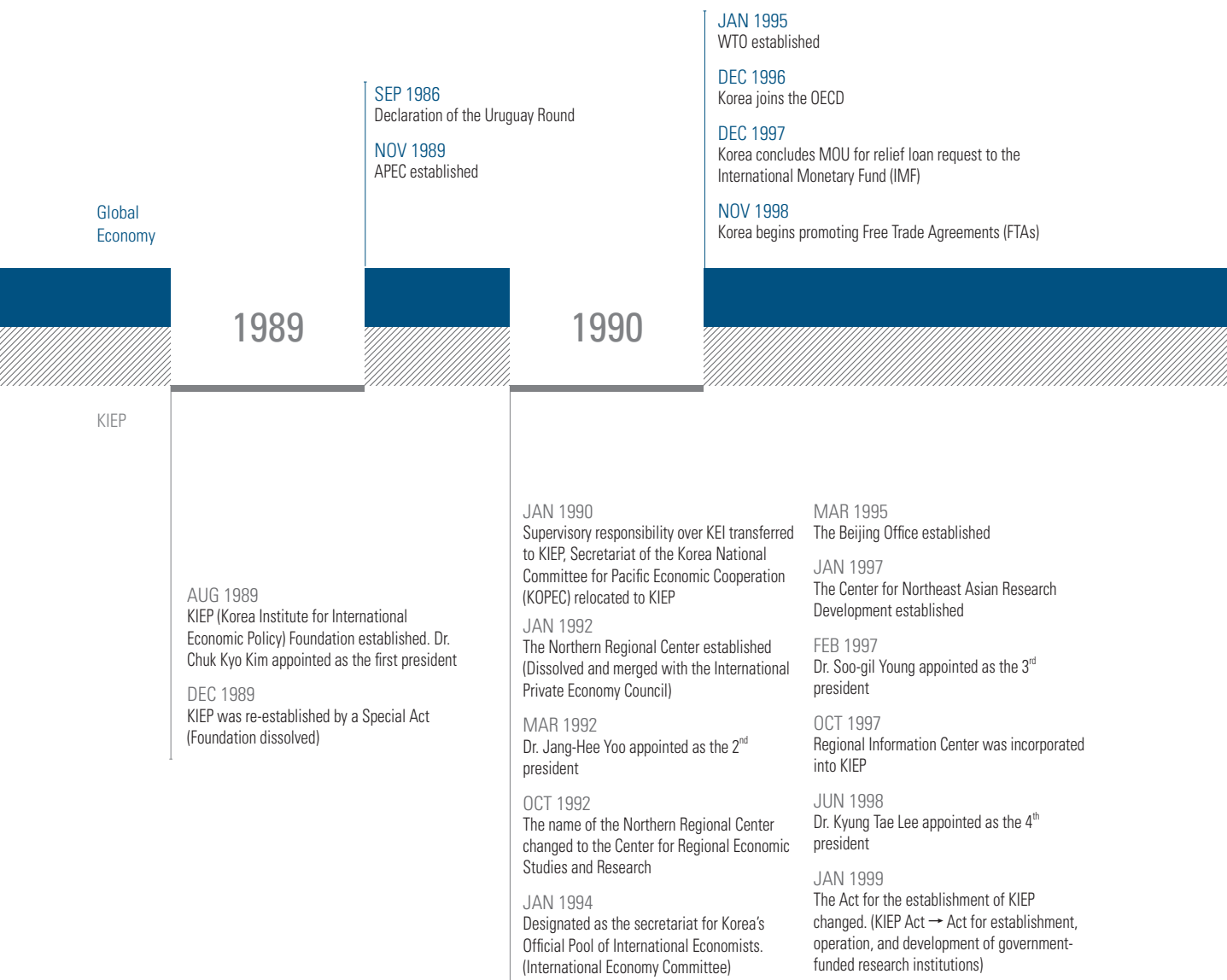
Organization



History

An illustration of KIEP's history, set against major events in the global economy

Since its establishment KIEP has led the Korean economy by contributing to international economic policies and responding to the needs of our time.



OCT 2000

ASEM Summit Conference held in Seoul

APR 2004

Korea-Chile FTA comes into effect as first Korean FTA

NOV 2008

Korea-ASEAN FTA comes into effect

NOV 2009

Korea joins the OECD Development Assistance Committee (OECD-DAC)

2000

APR 2000

The World Regional Research Center established (The Regional Information Center expanded and reorganized)

JAN 2002

Dr. Choong Yong Ahn appointed as the 5th president

MAR 2002

The DDA Research Center established

APR 2003

The Center for Northeast Asian Cooperation established (The Center for Northeastern Asia Research Development expanded and reorganized)

DEC 2004

KIEP designated as a specialized research institution for international events (Regulations on Hosting International Events)

JAN 2005

Dr. Kyung Tae Lee appointed as the 6th president

DEC 2005

The SNU-KIEP EU Center established

MAY 2008

Dr. Wook Chae appointed as the 7th president

JUN 2008

The International Development Cooperation Center established (The Center for Northeastern Economic Cooperation expanded and reorganized)

JUN 2008

The ODA Team established

JAN 2010

Korea-India Comprehensive Economic Partnership Agreement (CEPA) comes into effect

NOV 2010

G20 Summit held in Seoul

JUL 2011

Korea-EU FTA comes into effect

MAR 2012

Korea-USA FTA comes into effect

NOV 2014

Korea-China FTA concluded

2010

FEB 2010

The Regional and Provincial Research Team for China established

MAR 2011

Responsibility for KOPEC Secretariat services transferred to the National Center for APEC Studies at KIEP (the incorporated association of the KOPEC disbanded and absorbed into the KIEP organization)

AUG 2011

The Emerging Region Research Center established (The World Regional Center expanded and reorganized)

MAR 2012

The Korea-China FTA Research Support Group established

APR 2013

The East Asian regional FTA Research Support Group established

AUG 2013

Dr. Il Hwang Lee appointed as the 8th president

JAN 2014

The G20 Research Support Group established

MAY 2014

The KU-KIEP-SBS EU Center established

JAN 2015

The Office of External Coordination established

JUN 2015

The Department of North East Asian Economies and the Strategy Research Team established

JUN 2016

Dr. Jung Taik Hyun appointed as the 9th president

OCT 2015

Negotiations for TPP Agreement concluded

DEC 2015

Korea-New Zealand FTA signed Korea-China FTA comes into effect

JAN 2016

Asian Infrastructure Investment Bank (AIIB) officially launched

JUN 2016

UK referendum results in decision for Brexit

JUL 2016

Korea-Columbia FTA comes into effect

JAN 2017

The U.S. announces its withdrawal from the Trans-Pacific Partnership

MAY 2017

U.S. officially withdraws itself from the Paris Convention

AUG 2017

Beginning of re-negotiation process for the North American FTA
25th Anniversary of Korea-Chinese Relations

DEC 2017

25th Anniversary of Relations between Korea and Vietnam

2018

JAN 2017

Ranked at 34th place in the world among global think tanks by the TTCSP

MAY 2017

KIEP awarded as a leading research institute in 2016

SEP 2017

Special symposium marking the 20th year since the 1997 Asian financial crisis

JAN 2018

KIEP ranked 31st in the 2017 Global Go To Think Tank Index and 5th in International Economic Policy category by TTCSP

MAR 2018

Dr. Jae-Young Lee appointed as the 10th president

APR 2018

The Center for Area Studies re-established (Chinese Economy Dept, Advanced Economies Dept, New Southern Policy Dept, New Northern Policy Dept expanded and reorganized)

Highlight 2017



The following is a selection of research projects in 2017 noted for their excellence in responding to changes in the global economic environment and the establishment of national economic policies.

- 16 The Impact of E-commerce on International Trade and Employment in Korea
- 18 China's Manufacturing Development and Korea's Countermeasures
- 23 A Study on the Effects of Economic Openness on Korea's Income Distribution
- 25 Structural Factors of Global Trade Slowdown and Their Implications

Most Excellent Research Project in 2017

The Impact of E-commerce on International Trade and Employment in Korea

- LEE Kyu Yub** Associate Research Fellow, Trade and Investment Policy Team,
Department of International Trade
- BAE Chankwon** Research Fellow, Trade and Investment Policy Team,
Department of International Trade
- Lee Sooyoung** Associate Research Fellow, Trade and Investment Policy Team,
Department of International Trade
- PARK Ji Hyun** Senior Researcher, Multilateral Trade Team,
Department of International Trade
- YOO Saebyul** Senior Researcher, Regional Trade Agreement Team,
Department of International Trade



E-commerce is the sale or purchase of goods or services over the Internet or computer network. Despite the importance of e-commerce market, existing papers in Korea have only covered with basic analysis including the size and growth of e-commerce market in Korea. We do not know whether e-commerce activity substitutes or complements existing trade in goods, or whether it creates or destroys jobs. More fundamentally, we do not know the differences between e-commerce firms and non-e-commerce ones.

The first goal of this study is to characterize the e-commerce market in Korea. To show the characteristics of e-commerce market in Korea, we collect the 2010-2016 e-commerce data provided by the Korea Customs, the online shopping trend survey from 2000 to 2016 by the Korea Statistics, and the 2000-2016 reports (including micro-data from 2013 to 2015) from National Information Society Agency, the e-commerce reports and data from 2010 to 2015 by the US Census, and other referenced data in reports including UNCTAD and market agencies. We have carefully summarized and compared the latest trends and features of the e-commerce market in Korea, having the scope of each dataset in mind. We also provides some caveats in interpreting figures in e-commerce import and export data from the Korea Statistics and the Korea Customs in order not to misguide readers in interpreting the different values between them. Many interesting features of the e-commerce market in Korea are included in the study.

This study aims to characterize global B2C e-commerce by firms in Korea and to examine the impact of e-commerce on international trade. Using export statistics through e-commerce provided by Korea Customs, we report the proportion of SMEs engaging in global B2C e-commerce exports is high compared to that in traditional exports in goods. The total volume exported through e-commerce has been rapidly increasing while the price of goods in e-commerce transaction has been decreasing since 2014. Traded goods via e-commerce consist of mainly consumption goods. They are replaced more frequently compared with traditionally traded goods. Next, we examine the relationship between digital intensity

and international trade by using, in industry-level, digital intensity as a key independent variable and total export value as a dependent variable (which is decomposed into average export value and number of goods and ICT development index as one of the control variables. We show that the higher the digital intensity, the greater the total export (as well as average export value and number of goods), implying that e-commerce has a positive impact on exports in goods.

This study also aims to examine the impact of e-commerce on employment by using the Korea Census. We conduct empirical analysis at industry-level and firm-level. At industry-level, we build variables for job creation and destruction of Korea (Davis and Haltiwanger 1992) and digital intensity and do the OLS and Quantile regression. We find no evidence that there is a relationship, on average, between digital intensity and employment growth rate/job creation in manufacturing. This holds true in different quantiles. On the other hand, there is a positive relationship, on average, between digital intensity and employment growth rate/job creation in services industries. Lastly, we find that there is no relationship between digital intensity and job destruction in both manufacturing and services industries.

At firm-level, we construct a new dataset from the Korea Census by using propensity score matching technique (in which propensity scores are generated by logit model) in order to relieve endogeneity issue arising from e-commerce variable. We find that e-commerce firms have, on average, higher employment as well as total compensation than non-e-commerce ones. However, we also find that labor compensation per capita in e-commerce firms is largely equal to or lower than that in non-e-commerce ones, which implies that the increase in total labor compensation at e-commerce firms is mainly driven by employment increase. At firm-level, e-commerce activity has a larger positive impact on employment in manufacturing industries but no impact on agriculture, whereas it has a positive impact only on temporary workers in services industries.

This study provides policy implications for enhancing e-commerce market of Korea as follows: (1) promoting SMEs to engaging global e-commerce export, (2) streamlining customs clearance process for e-commerce, (3) strengthening consumer protection related to e-commerce transaction, (4) international cooperation to enhance global e-commerce, (5) expanding education, vocational training, and retraining programs related to e-commerce, and (6) building comprehensive panel data for e-commerce. **KIEP**



Projects Noted for Excellence in Policy Contribution for 2017

China's Manufacturing Development and Korea's Countermeasures

- LEE Hyuntae** Associate Research Fellow, China Team,
Department of Northeast Asian Economies
- CHOI Jangho** Associate Research Fellow, International Cooperation for Korean
Unification Team, Department of Northeast Asian Economies
- CHOI Hyelin** Associate Research Fellow, International Macroeconomics Team,
Department of International Macroeconomics & Finance
- KIM Youngsun** Researcher, China Team, Department of Northeast Asian Economies
- OH Yunmi** Researcher, China Team, Department of Northeast Asian Economies
- LEE Joonkoo** Assistant Professor, College of Business, Hanyang University



Since 2015, the Chinese government has been strongly promoting its “Made in China 2025” initiative, which aims to accelerate the transformation of China from a “big manufacturing country” into a “world manufacturing power” by boosting manufacturing competitiveness through innovation and nurturing high-tech manufacturing industries. China’s “Made in China 2025” strategy is both a threat and opportunity for Korea. This study aims to analyze the development status of Chinese manufacturing industries and the policy of “Made in China 2025,” and to provide implications and countermeasures.

As a threat, first, “Made in China 2025” could hurt existing manufacturing powers such as Korea, an economy heavily dependent on Chinese exports, by promoting import substitution in the manufacturing industry and increasing global market share. Second, the preferential benefits and financial support provided by “Made in China 2025” to local companies could be used to fund overseas technology and acquisitions, which could lead to difficulties in protecting domestic companies. Third, if “Made in China 2025” leads to excessive investment and redundant investment in specific technologies and industries, it could cause problems such as overproduction, overcapacity, and price collapses around the world. Fourth, if China adopts a policy to prevent foreign companies from entering the domestic market and nurture high-tech new industries through “Made in China 2025,” new trade disputes could increase and pose obstacles for foreign companies.

As an opportunity, first, “Made in China 2025” can create demand for software and equipment in a vast ICT field centering on the new growth high-tech industries: next-generation information technologies, new energy vehicles, high-performance machine tools and robots. Second, the expansion of open-door policy in “Made in China 2025” – such as negative list type foreign investment; safe, transparent and predictable management environment; trade facilitation; industrial adjustment of the steel, chemical, ship sectors through opening up, and support for overseas expansion of the high-speed railway, electric

power equipment, and construction equipment sectors – could increase new business opportunities for foreign companies. Third, each region in China is promoting “Made in China 2025” and this could lead to international cooperation in several sectors based on regional differences in the level of manufacturing development, the industries each region specializes in due to their comparative advantage, and the core industries of “Made in China 2025” by region.

In addition, this study analyzes the Chinese manufacturing industry’s development status in terms of industrial structure and trade structure, using indicators related to China’s manufacturing industry, import and export data, and indicators of localization. First, the results of our industrial structure analysis show that the Chinese manufacturing industry has been actively developing under the Chinese government’s aggressive policy of promoting and investing in the high-tech manufacturing industry. The mid-high technology and high technology sectors’ sales ratio has increased over the past 10 years and R&D investment expenditure on high-technology has increased as well. Second, our analysis of the trade structure shows that the export comparative advantage of China has generally increased regardless of the technology level, but the high-tech sector has been stagnating recently. In addition, import substitution has been progressing at a rapid pace due to the expansion of production and procurement of general intermediate products in China. These results provide the following implications. First, the development status of China’s manufacturing industry and “Made in China 2025” show that the mid-high and high tech industries and new industries related to the 4th industrial revolution are developing remarkably. Therefore, Korea can expect to be fully exposed to competition with China in these areas. Second, from the perspective of technology levels, China’s recent advancement in high-tech and medium-to-low technology industries is remarkable, but high-tech sectors are showing signs of being stalled or delayed. It is unclear whether China will be able to achieve the goal of developing its own technologies and product competitiveness in these sectors as rapidly as planned.

In addition, this study analyzes the effect that the recent development in China’s manufacturing sector has had on Chinese global value chains (GVC), employing a GVC analysis based on WIOD and ADB data. As a result of the analysis, the proportion of intermediate goods in the Chinese domestic market has increased significantly in the areas of textile manufacturing, clothing and leather manufacturing, computers, electronics, and optical product manufacturing (by industry), and in mid-high manufacturing (by technology). The proportion of gross exports’ overseas value-added has declined gradually and dependency on foreign countries has decreased. We also confirmed that China has been shifting from a rear to front position in the GVCs, as its GVC participation based on vertical specialization has decreased. Also an analysis of China’s exports to Korea - mainly in the manufacturing of electrical and optical components, chemical and chemical products, and primary metal and metal processing industries, which account for a large trade volume between Korea and China - shows that China’s GVC participation rate decreased while Korea’s position in GVCs has relatively increased as the overseas value-added portion of its intermediate goods declined. The increase in intermediate goods imports due to China’s economic growth was greater than the import substitution of intermediate goods, which had no negative impact on Korea’s intermediate exports to China.



This study also confirms changes in the status of China's global value chains by analyzing the intra-Asia trade network using the international trade data of major industries. The results indicate a Chinese "centrality," in which most intra-regional trade relations were linked through export or imports from China, in the textile and apparel and mobile phone intra-regional trade networks. In other words, our results confirm that the scope of China's intra-regional specialization structure is gradually expanding upstream of the value chain. Meanwhile, in the automotive industry, China still has not become a leading player in GVCs. And the centrality of China weakened in 2007-2015 as other Asian countries formed new intra-regional trade relations that did not go through China. The implications of the analysis are as follows. First, there is a clear distinction between industries in the intra-regional trade network structure, and these inter-industry differences provide the implication that differentiated strategies for each industry will be needed to respond to the emergence of China. Second, the expansion of China's centrality and role in the value chain is being led by foreign capital firms. Third, the emergence of the new intra-regional trade network is the result of a reorganization in the intra-regional specialization structure, as the Korea-China-Japan-based specialization structure centered on Northeast Asia expands to other regions in Asia such as Southeast Asia and South Asia.

This study seeks the countermeasures of Korea in response to the above opportunity and threat factors. The countermeasures against the opportunity factor of "Made in China 2025" are as follow. First, we should pay attention to the huge demand that China will create by fostering new-growth industries in the "Made in China 2025" initiative. The Korean government should selectively support the technology development of small- and medium-sized companies that possess global competitiveness in the parts, materials and equipment sectors, and strive to secure their sales network in China. Second, it is necessary to actively seek Korean companies' entry into China by utilizing the internationalization of "Made in China 2025" and further opening up of the Chinese capital market. Innovative ICT venture entrepreneurs can increase their chances of success by cooperating with rich funding partners and the broad market in China. We can also consider entering into the Chinese market through preemptive mergers and acquisitions (M&A), equity investments, and joint ventures with promising Chinese companies in new growth industries. Third, Korea should select "key cooperation areas and fields" in each region of China and seek for entry through selection and concentration. In particular, it is necessary to seek strategic entry into regions with high demand for economic cooperation with Korea but with little competition between domestic and foreign companies.

The countermeasures against the threat factors of "Made in China 2025" are as follows. First, China's import substitution and expansion of global market share are inevitable developments, but China still imports core parts and technology from overseas. Therefore, we need to steadily develop high technology, high quality and high valueadded products and identify opportunities within China's fostering of new growth industries and expansion into the global market. Second, there is a possibility of domestic technology and company leakage due to China's aggressive M&A strategies, but M&A can also be one of the ways for Korean companies to enter the Chinese market. Third, there is the possibility of global overproduction due to the concentration of resources in specific industries and technologies in "Made



in China 2025.” Therefore, when the Korean government and industry establish their market supply forecast, facility investment plan, and future strategy, they should take into account the future supply of major industries supported and nurtured under “Made in China 2025” and study the impact on future global markets. Fourth, as the preferential benefits, financial support, and trade barriers provided to local companies under “Made in China 2025” could have a market distorting and deteriorating effect on the competitiveness of foreign capital companies, we will have to continue monitoring the various subsidies for local enterprises and other support measures by China to seek appropriate response measures.

There is also a need for countermeasures against changes in China’s industrial and trade structure. First, China’s manufacturing industry has a wide development gap by industry and technology. Therefore, Korea should design differentiated responses by industry, product, and technology levels. Second, the Chinese manufacturing industry has reached a certain limit in its global market share, especially in the high-technology sector. And this suggests that we need to understand the status of global market share and future market share forecasts for the Chinese manufacturing industry and seek the detailed countermeasures. Third, although import substitution is proceeding in line with China’s expansion of intermediate production and procurement, it should be noted that this trend is also large in terms of industry and product variances, and a countermeasure strategy should be prepared in light of this. In addition, as China’s core components and technologies are still highly dependent on foreign companies, it is necessary to maintain the mass exports of intermediate goods through the development of high-technology, high-quality and high value-added products.

The countermeasures against the GVC phase change in Chinese manufacturing can also be considered as follows. First, we must develop new industries and new products through sustainable innovation, protect core technologies and technicians who possess competitiveness while maintaining differentiated technologies, and make China’s rising in GVC an opportunity for us. Second, regional manufacturing GVCs are likely to be led by China, but the centrality levels of China show big differences depending on the characteristics of each industry and product. Therefore, we should study how GVCs centering on China will form in the new-growth industries of “Made in China 2025” and how Korea will participate in these industries. Third, the expansion of China’s role in the GVC does not necessarily indicate a central role being played by Chinese local companies or a shift to high value-added areas, the role played by foreign companies is still important. Thus companies should position themselves to utilize and benefit from China’s expansion. Fourth, with the Korea-China-Japan-based specialization structure being expanded to other regions in Asia, such as Southeast Asia and South Asia, and the intra-regional specialization structure undergoing a reorganization process, a new intra-regional trade network has emerged that does not have China as its main axis. We should actively seek out third countries as our future production base and consumer market.

Government policy to respond to development in the Chinese manufacturing sector is important. However, the policy-making must be designed from the initial stage to be bottom-up, sector-specific, in which industry and industry experts participate. In addition, the government should prepare policies to foster long-term new growth industries for the next 30 years and cope with “Made in China 2025” and the



4th industrial revolution. It will be essential to establish a neutral and independent control tower that will consistently promote industrial policy, regardless of political changes. Related government departments, research institutes, and industry associations should participate in the project to act as a control tower where information is shared on China's development status, policy changes, and future prospects, and appropriate countermeasures are taken. **KIEP**

Projects Awarded for Excellence during the Korean Government's Agency Evaluations

A Study on the Effects of Economic Openness on Korea's Income Distribution

- KIM Young gui** Research Fellow, Regional Trade Agreement Team,
Department of International Trade
- NAHM Sihoon** Associate Research Fellow, Regional Trade Agreement Team,
Department of International Trade
- KEUM Hyeeyoon** Senior Researcher, Regional Trade Agreement Team,
Department of International Trade
- KIM Nak Nyeon** Professor, Department of Economics, College of Social Sciences,
Dongguk University



As global liberalization has progressed over the past few decades, the income gap between countries has declined gradually but income distribution within the country has continued to deteriorate. As income inequality became a social issue, external causes such as free trade, immigration, and international capital movements began to attract attention. Although Korea is a significant beneficiary country of free trade, public support for free trade has weakened.

The official statistics on income inequality in Korea are known as underestimated, the actual level of Korea is lower than that of the United States, but somewhat higher than those of Europe and Japan. Although their differences in the level of income inequality, government survey data show the same trends; inequality has risen since the mid 1990s, but it has been declining or stagnating since the beginning of 2010.

The reasons for the changes in the income inequality in Korea include ① changes in the structure of the exporting industry, ② slowing of employment, ③ skill-biased technological change, ④ slowing of personal income growth, ⑤ proliferation of performance-based pay system, ⑥ population aging and changes in household composition.

The labor income share fell after the financial crisis in 1997, and then continued to fluctuate. In 2016, it reached 72.2% which is the level before the global financial crisis of 2008. As a result of the decomposition of Gini coefficient by income source, distribution structure of Korea is turned out to be determined mainly by labor income. Income inequality of service workers and unskilled labors increased, and Gini coefficient increased in most industries. The estimates of three parameters (alpha, beta, gamma) representing the income distribution in Korea show that inequality in the low income group has gotten worse rapidly and polarization has progressed.

According to the country level panel analysis, trade liberalization improves income distribution, while

investment liberalization and technological progress deteriorate inequality. Capital liberalization increases high income share, but its effect on overall income inequality is not significant.

Estimation results of industry level analysis are as follows. Export in manufacturing increases labor income share, but foreign investment increases capital return. Also exports have positive effects on the low-income group. The more the competitiveness of a sector improved, the more positive effect was on the low-income group. Foreign investment in the manufacturing industry has negative effects on both the high-income and low-income groups, while FDI in the service industry increase income of the low-income group. The increase in R&D investment was negative for the high-income earners and positive for the low-income earners. **KIEP**



Projects Awarded for Excellence during the Korean Government's Agency Evaluations

Structural Factors of Global Trade Slowdown and Their Implications

CHOI Nakgyoon Senior Research Fellow, Trade and Investment Policy Team,
Department of International Trade

KANG Jungu Principal Researcher, Trade and Investment Policy Team,
Department of International Trade

LEE Hongshik Professor, Department of Economic, Korea University

HAN Chirok Professor, Department of Economic, Korea University



The global trade slowdown since 2012 is reputed to be very astonishing in that it was unpredictable in terms of the magnitude. This trade slowdown was cyclical in that it mainly resulted from the global economic recessions especially in China and Europe. Also, this phenomena can be explained by structural reasons such as the fall in the income elasticity of trade, that is, the rise in income does not contribute to the trade expansion as it used to. This study aims to investigate the structural change in global trade mainly using the world input-output database and to decompose the change in value added exports into three relevant factors.

This study reveals that the composition of global commodity demand has changed in recent years and the share of intermediate goods to the total import has declined as the low economic growth rate, low price level, high interest rate, and high unemployment rate have dominated the global economy since 2012. Chinese re-balancing turns out to have reduced the demand for import from the world as China, the global factory, transitioned from an export-oriented development strategy to policy focusing on domestic demand. The global value chain turns out to have diminished since the global financial crisis, thereby contributing to the global trade slowdown. The non-tariff barriers such as anti-dumping duties, TBT, and SPS, among others, have been more prevalent in recent years while the average tariff rates in most of the countries have been falling since the mid-1990s.

On the other hand, this paper estimated value added exports (VAX) by using the World Input-Output Database released in 2016, in order to analyze causes of the recent global trade slowdown. We also decomposed the change in value added exports into the three factors of value-added coefficients, change in input structure, and change in final demands. According to the results, the change in value added exports in Korea are largely explained by the change in input structure, and change in value-added coefficients. Since 2012, the increase in final demands has played a major role in the recovery of value added exports at

world level, while in Korea, increase in input structure explains more of rise in value added exports. That is to say, the change in value added export is cyclical at the world level, while structural in the case of Korea.

The findings of this study indicate that it is crucial for Korea to reinforce the core competence of domestic industries in line with the following. First, Korean industries need to diversify their export products and gear up for standardization of parts and materials, thereby pursuing preemptive industrial restructuring. Second, Korean industries need to strengthen the knowledge intensity of high-skilled labor and make the best of global value chains. Third, the Korean government needs to support processes to improve transaction practices and incentive systems for large companies and small- and medium-sized companies, thereby establishing a fair market mechanism. Finally, the Korean government will need to contribute to multilateral as well as regional trade liberalization. **KIEP**





Bright 2017



We briefly summarize major research works conducted throughout 2017, representing KIEP's contributions to core national priority tasks.

30	Responding to Trade Protectionism
42	Strengthening Strategic Economic Cooperation
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01

Responding to Trade Protectionism

Policy
Analysis

A Study on the Effects of Non-Tariff Measures

CHO Moonhee • KIM Jong Duk • PARK Hyeri • CHUNG Minchirl



| KOR |

This study revisits and investigates the effects of non-tariff measures on trade flows from a theoretical and empirical viewpoint. The theoretical framework provided in the paper shows that changes in trade patterns depend on the relative changes of compliance costs between importing and exporting countries. In particular, the introduction of high standards in developed countries may impose higher compliance costs on producers in developing countries than those in developed countries, reducing imports from developing countries.

Our corresponding empirical analysis investigates the effects of non-tariff measures, primarily SPS and TBT, on imports in eight industries – agriculture/fisheries, mining, textile/garments/other, chemical, metal/non-metallic minerals, transport equipment, electronics and machinery, using the UNCTAD non-tariff measures database. The results are that: the effect of SPS measures on imports is significantly restrictive in the agriculture/fisheries and textile/garment/other industries. TBT measures are also trade-restrictive in most industries except for electronics. Further analysis will be necessary to explain why the electronics industry poses such an exception. These results are in line with theoretical predictions and imply with caveat that not all non-tariff measures in certain industries serve as barriers.

Policy
Analysis

A Study on the Effects of Economic Openness on Korea's Income Distribution

KIM Young gui • NAHM Sihoon • KEUM Hyeyoon • KIM Nak Nyeon



| KOR |

Inequality in Korea has risen since the mid-1990s, but has been declining or stagnating since the beginning of 2010. The reasons for this change in the state of income inequality in Korea include, among others, changes in the structure of the exporting industry, sluggish personal income growth, and changes in household composition. The share of labor income has continued to fluctuate. The distribution structure of Korea is determined mainly by labor income. Income inequality has increased, and the Gini coefficient has increased in most industries. Inequality in the low-income group has worsened rapidly and polarization has progressed. Meanwhile, our country-level panel analysis indicates that trade liberalization improves income distribution, while investment liberalization and technological progress deteriorate inequality. Capital liberalization increases high income share, but its effect on overall income inequality is not significant. An industry-level analysis indicates that exports in the manufacturing sector increase labor income, but foreign investment increases capital return. Foreign investment in the manufacturing industry has negative effects on both high- and low-income groups, while FDI in the service industry increases the income of the low-income group. An increase in R&D investment was negative for high-income earners and positive for low-income earners.

Policy
Analysis**Structural Factors of Global Trade Slowdown
and Their Implications**

| KOR |

CHOI Nakgyoon • KANG Jungu • LEE Hongshik • HAN Chirok

While the recent global trade slowdown was unpredictable in its magnitude, it was cyclical in that it mainly resulted from global economic recessions. This study aims to investigate the structural change in global trade and decompose the change in value added exports.

The composition of global commodity demand has changed in recent years and the share of intermediate goods has declined. Chinese re-balancing has reduced import demand, and the global value chain turns has diminished since the global financial crisis. Non-tariff barriers have become more prevalent in recent years while average tariff rates in most countries have fallen since the mid-1990s. On the other hand, our estimations indicate these changes can be largely explained by the change in input structure and value-added coefficients.

The findings of this study indicate that it is crucial for Korea to reinforce the core competence of its domestic industries by: diversifying export products standardizing parts and materials; strengthening the knowledge intensity of high-skilled labor; and supporting processes to establish a fair market mechanism. The Korean government will need to promote multilateral and regional trade liberalization.

Policy
Analysis**Trump Administration's Trade Policy Toward China**

| KOR |

YOON YeoJoon • KIM Jonghyuk • KWON HyukJu • KIM Wongi

This study analyzes the impact of the new US administration's China trade policy to the Korean economy. Towards this goal, we review the US-China economic relationship and overall trade policy direction of the US administration. The US administration is considering the ramifications of invoking its Section 201, 232, 301 on China as trade remedy measures. The scenarios of such a hard-line US trade policy toward China to the Korean economy include reflected benefits in Korean exports of electronic devices and appliances to the US, a decrease in Korean exports to China, and the possibility of Chinese retaliation against the US deepening conflict between the two biggest economies, leading possibly to a global trade recession.

The trade deflection effect resulting from these scenarios are maximized after one year or one and a half year after the implementation of anti-dumping duties. However, no empirical result was found that US anti-dumping duties would affect the amount of US imports from Korea. The results of a vector autoregression (VAR) model analysis indicate an appreciation of the Chinese yuan, which would help the US to reduce its trade deficits with China, but negatively affect Korea's economy due to a decrease in exports.

Policy
Analysis

The Employment Effect of Exports

WHANG Unjung • LEE Sooyoung • KIM Hyuk Hwang • KANG Youngho



| KOR |

Exports are not creating sufficient jobs, and this is a problem faced by Korea as a manufacturing-based, export-driven economy. Beginning with the question of why export growth is not leading to sufficient job creation, this study examines the relationship between exports and employment from various perspectives. By applying the growth accounting method to decompose the changes in employment induced by exports into the scale and composition effects on employment, we captured the employment effect caused by the changes in the composition of export products. Meanwhile, from an empirical analysis using industry-level data, we confirmed that the higher the capital intensity, the lower the export elasticity of employment. This was followed by the finding that the higher the service industry's upstreamness index, the higher the employment of the service industry from manufacturing exports. Thus, we concluded that the employment effect of exports has weakened as the comparative advantage industry shifts from labor-intensive to labor-saving. Given the limitations in the implementation of industry-level policies, we further looked into firm-level data by paying attention to the allocation of resources among firms within the industry. The industry-level analysis implicates the importance of the participation and expansion of exports by SMEs and strengthening linkages between manufacturing and service industries. Meanwhile, the firm-level analysis led us to emphasize the importance of the government's medium- to long-term corporate policies. Further, the analysis indicates that it is important to make a corporate environment favorable to SMEs, so that SMEs can be utilized as a driving force of sustainable growth through the enhancement of competitiveness.

Policy
Analysis

An Analysis of Service Trade Regulations in Korea, China and Japan and its Policy Implications

CHOI Bo-Young • LEE Boram • LEE Seo Young • PEK Jong Hun • BANG Ho Kyung



| KOR |

In Korea, China and Japan, the share of trade in services out of GDP remains small compared to that of developed countries. In this study, we analyze the regulatory factors that restrict the service trade of the Korea, China and Japan and derive implications for Korea to enhance competitiveness in the services sector by promoting services trade in the three countries. To begin with, we examined the recent trend of trade in services in Korea, China and Japan not only in terms of trade value but also in value added using the World Input Output Database. Next, we measured the restrictiveness of services trade with the OECD Services Trade Restriction Index (STRI), which was then used to further conduct an empirical analysis to investigate how the level of services trade restriction and the difference in services trade regulation affect services trade. We also take a more detailed approach, choosing four industries for an in-depth study: legal services, accounting services, courier services and insurance services. Based on our findings, we recommend a comprehensive and high-level FTA, an official government-level cooperation channel, the development of a more updated, detailed and systematic information system to support the internationalization of Korean firms, and the utilization of cooperation opportunities with regard to special economic zone strategies.

Post-Brexit EU System: Forecast and Policy Implications



| KOR |

JOE Dong-Hee • LEE Cheolwon • OH Taehyun • LEE Hyun Jean • LIM You Jin

The UK's decision to leave the EU has placed the Union in an unprecedented crisis. The move has been echoed by political forces arguing for exit from the Union in other member states, and EU institutions are rushing to propose reforms to the current system. The resulting uncertainty regarding the future of the EU is causing trouble also to third countries including South Korea in their long-term decision makings. Against this backdrop, this report analyzes the problems of the current system of the EU, forecasts its future shape and derives policy implications for the Korean government.

Chapter 1 briefly follows the evolution of Brexit and sketches the importance of the UK within the Union. Chapter 2 analyzes the major problems of the current system in terms of: the lack of a European identity, the current decision-making structure, economic divergence among member states, public finance, management of economic crisis, labor migration and the issue of refugees. Finally, Chapter 3 categorizes possible scenarios of future European integration and proposes five scenarios. Using the AHP method, we estimate the probability distribution among these five scenarios and derive policy implications for the Korean government in each scenario.

The Impact of Cumulative Rules of Origin on Trade Costs: Estimates from FTAs, Economic Effects and Policy Implications

| KOR |

CHUNG Chul • PARK Soon Chan • PARK Innwon • KIM Min-Sun • KWAK Soyoung • CHUNG Minchirl

The year 2015 marked the 20th anniversary of the establishment of the World Trade Organization (WTO). For the past 20 years, even though there were some difficulties in trade negotiations, it achieved several things which are in accord with its original mission; promoting trade liberalization. However since global financial crisis in 2008, the growing criticism of economic policy based on neo-liberalism has created the need for new economic policy paradigm and growth model. In particular, Brexit and the election of Donald Trump as US President have fueled the uncertainty hanging over the global economy and the issue of global trade structural shift has been addressed. Short after his inauguration, President Trump withdrew the U.S. from the TPP and the US new trade policy further contributed to the already difficult condition of the global economy.

Such changes of the international trade environment serve as an important variable in establishing future trade policies in Korea, which is highly sensitive to international trade due to high degree of dependence upon foreign trade. Korea has regarded itself as the most benefited member of the WTO multilateral trade system. Since then, it has expanded its economic policies and became a global FTA hub by implementing simultaneous multiple FTA negotiation strategy. Considering recent changes of the global trade environment, however, it is necessary for Korea to note that spread of the existing bilateral FTAs can cause the spaghetti bowl effect which increase the trade cost due to complexity and diversity of ROO when establishing a new trade policy and strategies in the near future. Also, Korea should consider that the plurilateral FTAs have been implemented in order to overcome the current problems of WTO multilateral trade system and bilateral FTAs.

In this paper, we analyze the effect of Rules of Origin (ROO) focused on cumulation and the difference between applying to bilateral FTAs and plurilateral FTAs in aspects of trade cost reduction and efficiency improvement. More specifically, we conducted the direct quantitative analysis between ROO and trade cost by analyzing the economic ripple effect to plurilateral FTAs. Therefore, this research aims to estimate the trade cost directly or indirectly, to analyze the economic impact through applying it to the case of the plurilateral FTAs and finally suggests new trade policy directions of Korea.

Policy
References**An Analysis of Korea's Non-Tariff Measures:
Focusing on Link between NTM and HS**

| KOR |

KIM Jong Duk • CHOI Bo-Young • CHO Moonhee • CHUNG Minchirl

This study reports a summary of non-tariff measure database of Korea built upon the MAST non-tariff classification and analyzes the quantitative and qualitative characteristics of Korea's non-tariff measures governing ten largest imported products (HS 2-digit). The study finds that ten largest imported products are concentrated in manufactured industries and hence Technical Barriers to Trade (TBT) are most identified non-tariff measures. Among them, the single most-identified non-tariff measure in Korea's regulatory system is labeling requirements followed by product quality or performance requirement and testing requirement. A simple statistical illustration shows that the correlation between the volume of trade and the number of related measures tends to be higher than the correlation between the volume of imports and the number of related measures. Such correlations are believed to indicate that the measures and regulations stands accordingly to the size and to the extent of development of an industry, not for protectionist intentions.

Policy
References**Study on Financial Services Regulations and
Negotiation Trends of Free Trade Agreement (FTA):
Focused on the Provision of Prudential Measures**

| KOR |

EOM Jun-Hyun

This study aims to draw implications for Korea to develop its FTA policy, by reviewing the financial services regulations of Korea's Free Trade Agreements (FTAs) and compare them with other major countries' so-called 'Best' FTAs. The study overviews the financial services regulations of Korea's and major countries' FTAs, provisions on prudential measures, and reviews relevant dispute settlement cases such as the NAFTA case of Fireman's Fund Insurance Company v United Mexican States.

As a conclusion, this study concludes that the financial authority to take prudential measures might be narrowed by incorporating the investment chapters and its articles on investor-state disputes system (ISDS), and the domestic regulation chapters without limiting the extent incorporated. Other newly added parts in the TPP and the CETA identified in this study need to be further scrutinized for Korea's amendment negotiates with the countries which are the parties to those FTAs. Also, Korea should review the financial service regulations of its FTAs to make necessary amendments and reflect the lessons gained from the WTO case into Korea's FTAs.

Policy
References

An Analysis of RCEP Value Chains and Policy Implications

LA Meeryung



| KOR |

The Regional Comprehensive Economic Partnership (RCEP) is an ongoing multilateral trade agreement involving ASEAN member states, Australia, China, India, Japan, South Korea and New Zealand. With the global trade slowdown, the importance of the RCEP including various dimensions, such as trade in goods, trade in services, investment, trade facilitating measures, competition, intellectual property, e-commerce, is increasing. In this study, a GVC analysis is conducted to identify the intra -regional trade and production network of RCEP-participating countries (RPCs). A number of indicators are provided that capture the RCEP value chains, and a picture is presented of the economic integration within the region. Through this work, we can identify the economic significance of the comprehensive multilateral agreement amid growing complexity of production networks. This study also investigates the level of liberalization in tariffs of ASEAN+1 FTAs, then provides specific policy implications for RPCs to leverage engagement in RCEP value chains.

Policy
References

Towards Deeper Integration Among China, Japan and Korea

CHOI Bo-Young • LEE Seo Young



| ENG |

In this paper, we analyze the contents of all preferential trade agreements (PTAs) of China, Japan, and Korea whose date of entry into force is prior to February 2015, on the basis of sectoral coverage and legal enforceability.

Korea and Japan show a broader sectoral coverage and contain higher number of legally enforceable provisions in recent PTAs. While China's PTAs have shown low coverage of deep provisions in the past, more recent PTAs are converging to the depth of Korea's and Japan's PTAs as China began negotiating PTAs with developed countries.

Overall, the three countries' legal inflation rate is below the world's PTAs and the EU PTAs average, but higher than the average of US PTAs.

Policy
References

The EU's Investment Court System and Prospects for a New Multilateral Investment Dispute Settlement System



| ENG |

YANG Hyeon

The EU's proposal of the Investment Court System during the TTIP negotiation has well represented the cumulative resentment of the public, governments, civil societies as well as academics to the existing ISDS mechanism. The lack of legitimacy, transparency, consistency, and the absence of review mechanism as well as high burden to public finance in the existing system have been criticized as undermining the sovereignty of the State and its right to regulate for legitimate policy objectives such as the environment, health, and safety. Despite some of the merits of the existing ISDS mechanism, the increasing demand for improved safeguards against abusive claims and discretionary power of private adjudicators should be adequately addressed in consideration of the democratic principles and the objectives of sustainable development goals.

Long-term
Trade
Strategies
Study Series

Trade Remedy and its Economic Impact in the Model with World Input-Output Linkage



| KOR |

LEE Kyu Yub • CHO Moon Hee • KANG Jun Gu • PARK Hye Ri • EOM Jun Hyun

This study aims to investigate the economic impact of trade remedies in a general equilibrium model with world input-output linkage by quantifying the trade and welfare effects from trade remedy measures. The main results of our study indicated that, first, the increased trade remedy measures in the world over the last decade have reduced Korea's welfare by 0.167%; second, after examining the economic impact of increased trade remedy measures on Korean steel by the U.S. (or China) ex ante, we find that increased trade remedy measures by the U.S. (or China) worsens Korea's welfare; and lastly, we conclude that there is a possibility that the Korean economy might benefit from a possible US-China trade war if the U.S. has no further import restriction on goods exported by Korean manufacturers. Based on the main results of the study, we provide several policy implications to cope with increased and intensified trade remedy investigation (or measures) around the world at international-level, multi-country-level, government-level, and firm-level.

Long-term
Trade
Strategies
Study Series

The New Development in World Trade Environment and its Implications for Korea's Trade Policy

PARK Sunghoon • HAN Hongyul • SONG Yoocheul • KANG Moonsung • SONG Backhoon



| KOR |

Amidst the 'egoistic' trade policies of the US and rise in isolationism in the global economic and trade environment, together with an increasing fragmentation of production activities based on the expansion of global value chains and the policy of re-shoring by economies looking to expand their economic growth potential, this study pursued to provide policy consultation to the question of how the Korean economy can address the continuous weakening of locational advantages caused by these challenges. With this aim, the study characterizes the main features of recent changes in the world economic and trade order, such as the trends and implications of global value chains (GVCs) and re-shoring. A detailed investigation is conducted of new developments in US trade policy and the proliferation of new protectionism, after which five major challenges to the Korean economy are identified. We develop a basic framework for the future direction of Korea's trade policy and present three long-term visions for Korea's trade policy: ① establishment of an advanced structure for Korea's trade policy, ③ adoption of an inclusive trade policy, and ② trade policy contributing to the stability of international trade order. The research team also derives five trade-policy tasks and nine actions plans.

Working
Paper

Anatomy of the Trade Collapse, Recovery, and Slowdown: Evidence from Korea

LEE Sooyoung



| ENG |

In the last decade, international trade has been marked by an unprecedented collapse, quick recovery, slowdown, another drop, and recovery. Using both aggregate and disaggregated trade statistics of South Korea. This paper shows that while the last drop of trade after 2015 has cyclical aspects, there is evidence that the continued slowdown from 2012 is structural. Also, firm sizes, destination countries, and the mode of transactions affect disaggregated trade flows during the slowdown periods. It is advisable to diversify main export products to lower the influence of oil prices on export prices and to strengthen the cooperation with Vietnam, whose trade barriers have exceptionally diminished throughout the last decade.

Working
Paper**What Determined 2015 TPA Voting Pattern?:
The Role of Trade Negotiating Objectives**

| ENG |

YOON Yeo Joon • LEE Woong

This paper analyzes 2015-TPA voting patterns in the Congress in the context of the trade negotiating objectives. By setting the trade negotiating objectives, the Congress lays out important trade agenda that the Administration is expected to address when it is negotiating trade deals with foreign countries. Therefore setting the objectives is subject of heated debates in the Congress and an important part of TPA. LPM and probit models are used to evaluate the importance of each trade negotiating objectives in 2015-TPA voting decisions. It turns out that the objective on promoting U.S. agricultural exports by reducing unfair trade barriers positively affected the voting decision in favor of the TPA. The objective on enforcing strong labor standards on trade partners also had significant impacts. One other notable result is that how much each congressional region export to China was also an important determinant. This variable is meant to capture several negotiating objectives as well as growing worries of large trade deficits with China. This study documents important issues that U.S. Congress is concerned about in making conducting and implementing trade policies. It may provide insights into the future course of U.S. trade policy and trade deals such as renegotiation of NAFTA and Korea-US FTA.





02

Strengthening Strategic Economic Cooperation

Policy
Analysis

Changes in the Global Trade Environment and Japan's Trade Policy

KIM Gyu-Pan • LEE Hyong-Kun • LEE JungEun • KIM Jegook



| KOR |

Amid changes in the global trade environment, this study focuses on the trade protectionism after the inauguration of the Trump administration, while examining the Japanese government's response to such changes, thereby drawing implications for Korea. Another objective of the study is to examine the competition between Korea and Japan from the perspective of FTAs and analyze Japan's FTA policy and strategy. We look into how the surge of trade protectionism in the US in the 1980s prompted Japan to shift its trade strategy from a "mercantilist" trade policy to one focusing on direct investment or strengthening business partnerships between companies, and how, in response to Trump's protectionism, Japan has proposed a new form of trade council to be called the US-Japan Economic Dialogue. Moving on, we examine Japan's FTA policy and strategy for East Asia, focusing on the AJCEP (ASEAN-Japan FTA), RCEP and the Korea-China-Japan FTA. This is followed by an analysis of what Korea should consider when entering the TPP negotiations, based on Japan's trade strategy as well as the TPP 11 basic agreement, from which we learn, among others, that there is a need to review Korea's current tariff structure. We conclude with an examination of Japan's EU trade policy, focusing on the Japan-EU FTA concluded in December 2017.

Policy
Analysis

Changing Economic Environments in MERCOSUR and Strategic Ways to Foster Business Cooperation between Korea and MERCOSUR

KWON Kisu • KIM Jino • PARK Misook • KIM Hyeoun



| KOR |

Due to MERCOSUR's rapidly changing economic environment, the possibility of starting negotiations for a Korea-MERCOSUR trade agreement is growing. This study responds to such circumstances, with a particular focus on cooperation among firms, which has recently attracted attention as one of the new cooperation measures between Korea and MERCOSUR. Based on an in-depth examination of MERCOSUR's recent economic environment developments, we explore and analyze cases of cooperation between firms, through which we draw implications for Korean firms wishing to cooperate with MERCOSUR firms. We then use quantitative analysis techniques to identify promising areas of cooperation between the two regions, using revealed comparative advantage (RCA) to identify potential areas of cooperation within the export sector, and the input-output tables provided by the United Nations Economic Commission for Latin America and the Caribbean for the investment sector. Drawing from our findings, we suggest ways to invigorate cooperation among firms of Korea and MERCOSUR and conclude by proposing a comprehensive plan for strengthening cooperation between the two regions.

Policy
Analysis**Electricity Industrial Policies in the Middle East and their Implications for Korean Companies**

| KOR |

LEE Kwon Hyung • SON Sung Hyun • JANG Yunhee • RYOU Kwang Ho

In this study, we suggest policy implications for Korean companies that want to expand their business in the Middle Eastern electricity industry, examining industrial policies in the generation, transmission, distribution, and energy efficiency sectors. We begin by taking a look at the supply and demand of electricity in the region and their characteristics, deriving some policy trends such as diversification of power sources, improvement of the efficiency of electricity consumption and supply, and more involvement of the private sector in electricity businesses. The following examination of sectoral policies in the cases of Saudi Arabia, the UAE and Egypt shows that these countries have become more active in expanding renewable power generation and expect to see heavier reliance on private investment. The three countries are also pushing ahead with policies to modernize transmission and distribution lines, introduce smart grid technology and improve the efficiency of energy consumption. Building on these findings, we suggest government policies to help Korean companies expand their market in the Middle Eastern electricity industry, some examples of which would be financial support policies to assist project-developing costs, more support for SMEs, the development of new ICT businesses in the electricity industry such as smart grids, AMI, and ESS, and a control tower for coordinating differing interests among companies, banks and supporting institutions.

Policy
Analysis**Africa's Rising Consumer Market and Korea's Engagement Opportunity through Industrial Zones Development**

| KOR |

PARK Young Ho • JUNG Jae Wook • KIM Yejin

With a billion people, impressive economic growth, a growing middle class, urbanization and increase of purchasing power, Africa is a rising consumer market. In this research we explore the potential means of accessing Africa's consumer market through industrial zones. Building on a review of contributing factors to Africa's consumer market growth from economic and demographic perspectives, while also outlining current consumption patterns, trends and development of distribution channels, and a review of the key characteristics of the African consumer market from a supply and demand perspective, the study goes on to estimate the consumer class size of those able to purchase vehicles and mobile phones, the main export items of Korea. Following a brief explanation of the necessities and reasons for utilizing industrial zones as a means to engage with the African consumer market, the highlight of this study is where we describe strategic measures for using industrial zones as an effective means of entering the African consumer market. Incorporating a Product Space Analysis to diagnose the national economy or industrial structure, the study serves as a pioneer work in examining engagement with the African consumer market through industrial zones.

Policy
Analysis

China's Belt and Road Initiative and Implications for the Korean Economy



| KOR |

LEE Seungshin • LEE Hyuntae • HYUN Sangbaek • NA Suyeob • KIM Youngsun • CHO Gowoon • OH Yunmi

China's new Silk Road initiative, called "One Belt One Road (B&R)," has been placing more emphasis on promoting infrastructure connection and trade facilitation. Despite the achievements that have been made through various regional participation plans, the B&R initiative is faced with several challenges ahead. This is because, among B&R countries, there are many developing and poor countries that are unstable, and since major cooperation at the present stage is promoted mainly by infrastructure cooperation, this is likely to serve as a financial burden on the Chinese government. This report scrutinized Chinese research assessing the progress of the B&R initiative and analyzed the cooperation between China and the B&R countries in infrastructure, funding and trade. We found that it is difficult to make a concrete evaluation of infrastructure cooperation projects conducted in line with the B&R initiative at this stage, because most infrastructure projects are long-term, large-scale projects, while the level of B&R initiative funding is not high, and there is a large gap between regional and national levels. In terms of sector, investment cooperation was more active than trade exchanges. Based on the assessment of progress in China's B&R initiative, this report presents several countermeasures for both companies and government. We believe there is a need to create new cooperation opportunities by utilizing the B&R plans of each local government in China, make institutional efforts to vitalize bilateral mutual investment, and participate in the B&R initiative with a long-term vision.

Policy
Analysis

A Research on the Activation Measures of Korea-China Service Trade: Focused on the Major Industrial and Regional Analysis



| KOR |

LEE Sanghun • JUNG Jihyun • KIM Hongwon • PAK Jinhee • LEE Hanna • CHOI Jiwon • KIM Joohye • CHOI Jaehee

China is actively pushing for a shift in its growth paradigm, by responding swiftly to the new economic environment; the growth speed, economic structure, growth engine, employment and overall economy are now being driven by the service sector. The fact that China's service trade and Korea's exports of services to China are both expanding rapidly should serve as an opportunity to increase the role of Korea's services trade with China in the future. Thus, this study seeks to explore new export engines that can boost trade in the service sector. To this end, we examine ways to boost services trade with China based on an analysis of industries and regions with good prospects. More specifically, a statistical analysis was performed along with an analysis of major policies, to study the development of Chinese service trade at various degrees. We then analyzed the status and policies of service trade, major barriers to trade and the levels of opening across the medical, cultural contents and logistics industries. Following an analysis of the development of service trade, policy objectives in the sector, and major fostering areas in Guangdong Province, Beijing, Shanghai and Shandong, we analyze the content of overseas cooperation and opening policies customized to each region. Based on our findings, we present policy implications and measures for expanding service trade.

Policy
Analysis**Evaluation of Korean SMEs' Management Status in Southeast Asia and Policy Implications**

| KOR |

KWAK Sungil • CHEONG Jaewan • KIM Jegoo • SHIN Minlee

While many Korean SMEs have moved into Southeast Asia, there are still very few studies that have conducted fundamental research into their management status. Considering the shortage of such information, data on Korean SMEs in Southeast Asia is required to prepare the future direction and the support policies for SMEs, and this study was conducted to meet this demand. Based on a summary of how the economy of Southeast Asia is affected by changes in the external environment, such as slowing growth in the Chinese economy, low prices of raw materials, the collapse of mega-FTAs and the recent strengthening of protectionism, we find that Korean SMEs in Southeast Asia were not directly affected by the policy changes in Vietnam, Myanmar, Indonesia and Cambodia, but rather, that they were influenced by domestic policy changes, such as rising labor costs and tax collection. We then analyze the investment strategy of Japanese SMEs in Southeast Asia and introduce the results as a benchmarking example to Korean companies and the government. Next, we analyze the management status and business performance of SMEs entering Southeast Asia. Drawing from the results, we present the direction and implications of SME support policy for Korean SMEs working in Southeast Asia.

Policy
Analysis**Factors Influencing ASEAN FDI and the Policy Implications**

| KOR |

JEONG Hyung-Gon • BANG Ho Kyung • LEE Boram • PEK Jong-Hun

ASEAN is currently the second-largest overseas investment destination and second-largest trading partner for South Korea, which has become more interested in the ASEAN market as it strives to diversify its trade and investment portfolio. Against this backdrop, this research examines the characteristics of ASEAN FDI by income level and doing business conditions, then conducts an empirical analysis of determination factors to draw policy implications for stronger economic cooperation with ASEAN. We begin by looking at FDI determination factors, by examining the theoretical and empirical implications and limitations of Dunning's eclectic model, which is a representative theoretical frame for FDI determination factors, along with the knowledge-capital model proposed by Markusen and Venables. We then focus on ASEAN, by exploring the characteristics of ASEAN FDI inflow and doing business conditions based on a classification of ASEAN countries into three country groups according to GDP per capita, with the aim of understanding the characteristics of ASEAN FDI inflow. Here we find that vertical FDI is predominant in FDI into ASEAN. The study moves on to conduct an empirical analysis of the determination factors of 10 ASEAN countries' FDI inflow for the years of 2003 to 2014, utilizing a covariance structure analysis. Drawing from our findings, we suggest strategies for Korean enterprises to enter the ASEAN market and trade policy implications for the Korean government.

Policy
Analysis

Analysis of the Manufacturing Sector in India and Its Implications for Korea–India Cooperation

LEE Woong • BAE Chankwon • LEE Jung-Mi



| KOR |

India's vision of developing into a global manufacturing hub makes it significant for Korea to establish additional strategies toward the Indian market to diversify its exports. This research explores the structure and characteristics of each sector of the Indian manufacturing industry. The manufacturing industry in India is categorized into 24 sections and 137 divisions by using firm-level data. The current status, system, and policy of the overall manufacturing industry in India is investigated, with a focus on identifying the status of India's manufacturing industry within the global economy through comparison with other major emerging economies. A sectoral analysis is conducted on the areas of market power, performance, research & development (R&D), globalization, among others. Next, we perform a regression analysis using a probabilistic frontier model to estimate the total factor productivity (TFP) of Indian manufacturing industries. Based on the research results, the study provides qualified guidelines for Korean companies to select potential industries for entry into the Indian market. The paper also aims to provide valuable insights in different manufacturing sectors to determine whether the Indian economy is better suited as a production center or as an export market.

Policy
Analysis

A New Framework for Industrial Cooperation between Korea and the EAEU

PARK Jounggho • YEOM Dongho • KANG Boogyun • MIN Jiyoung • YUN ChiHyun



| KOR |

This study examines the key objectives and characteristics of each of the EAEU member countries' industrial policies. Member countries show four characteristics in common. Firstly, they aim to foster high-tech industries by building the foundations necessary for the development of the manufacturing industry, along with promoting exports in the traditional industries. Secondly, they show closer attention to the development of alternative energy and smart power generation systems, in order to foster strategic industries. Thirdly, in line with development of the pharmaceutical industry, they place emphasis on biotechnology and new material development such as advanced biotechnology and nanotechnology. Lastly, they regard information and communication technology as one of the most promising growth engine industries, in preparation for the fourth industrial revolution. The promising sectors of industrial cooperation between Korea and the EAEU member countries are identified as renewable energy, machinery, pharmaceutical and medical industry, aviation and space industry, IT, agriculture, and education. Focusing on these areas, it will be necessary to seek practical cooperation measures, establish plans for individual sectors through systematic analysis, while maintaining efficient operation of an industrial cooperation system between Korea and the EAEU.

Policy
Analysis

China's Manufacturing Development and Korea's Countermeasures



| KOR |

LEE Hyuntae • CHOI Jangho • CHOI Hyelin • KIM Youngsun • OH Yunmi • LEE Joonkoo

China's strongly promoted "Made in China 2025" initiative is both a threat and opportunity for Korea. This study aims to analyze the development status of Chinese manufacturing industries and the policy of "Made in China 2025," and to provide implications and countermeasures. Following an examination of how exactly this initiative serves as a threat and opportunity, we analyze the Chinese manufacturing industry's development status in terms of industrial structure and trade structure, using indicators related to China's manufacturing industry, import and export data, and indicators of localization. Based on the findings, we analyze the effect that the recent development in China's manufacturing sector has had on Chinese global value chains (GVCs), employing a GVC analysis based on WIOD and ADB data. The results show that China has been shifting from a rear to front position in the GVCs, as its GVC participation based on vertical specialization has decreased. The study also confirms changes in the status of China's global value chains by analyzing the intra-Asia trade network using the international trade data of major industries, finding that the scope of China's intra-regional specialization structure is gradually expanding upstream of the value chain. We conclude by presenting countermeasures that should be taken by Korea in response to the opportunity and threat factors, and changes occurring in China.

Policy
References

APEC Regional Economic Integration and Policy Implication



| KOR |

KIM Sangkyom

APEC's vision to create a single economic community aims to reduce obstacles of trade in goods and services and increase the transparency and efficiency of the economic system. Successful regulatory reforms and conformity to the international rules and standards embodied in the FTAAP framework will eventually provide the Korean economy with increased participation in global value chains (GVCs), the export and investment markets, and strengthen political and economic ties among members. Against this backdrop, this paper attempts to draw policy implications and suggest concrete areas and ways in which Korea can contribute to the progress of APEC REI activities and share the benefits of integration with other members. Korea could consider designing a new integration model, building on its existing FTA networks with major powers. The development of the "APEC Regulation Principle of Service Sector" will contribute to the fostering of the 4th industrial revolution with the growth of communication, IT and professional service sectors in member economies. Korea could make tailored policy suggestions in the area of human resource development, and take advantage of the experience in developed APEC members. Potential areas must be identified which are likely to make a positive contribution to the REI process.

Policy
References**Economic Cooperation between the Republic of Korea and Yanbian Korean Autonomous Prefecture in China and Development Plans**

| KOR |

LIM Sooho • KIM Junyoung • PARK Jongsang • AN Guo-Shan • PIAO Yi-Feng

Yanbian, a border area between the northeastern part of the Korean Peninsula and China, is an important hub for Northeast Asia and an important gateway to China and Eurasia. This study sought to identify more concrete cooperation plans in the short and medium term, based on the necessity of economic cooperation for Korea in the Yanbian area. For this purpose, we analyze the process and status of the economic development of Yanbian and analyze the economic cooperation process and obstacles between Korea and Yanbian. While the Yanbian economy remained relatively undeveloped for a long time, the region has seen significant growth in recent years, with economic cooperation with Korea also contributing greatly to the region's economic development. However, Korea's contribution to the economic development of Yanbian has been decreasing compared to the past, meaning Korea needs a new approach to the region. To investigate this, our study evaluates the accomplishments and obstacles to economic cooperation experienced by Korean entrepreneurs engaged in business with Yanbian, while also evaluating the demand for Korean cooperation. We attempt to divide the development strategies of the two regions into macro strategies and detailed policies, and based on these, present detailed policy directions. Our findings will be relevant at this opportune time for South Korea to devise a new approach to the developed Chinese economy, as 2017 marks the 25th anniversary of diplomatic relations between China and Korea.

Policy
References**China and Southeast Asia:
Expanding Economic Engagement**

| KOR |

OH Yoon Ah • SHIN Minlee • KIM Mi Lim • LEE Sinae

With China emerging as a key partner of Southeast Asia, the region's economies have significantly benefited from the strong economic growth of China over the years, although the resulting dependency on China has created political and economic vulnerability in the region. We explore the relationship between the two regions, to steer these relationships toward more mutually beneficial ones and to derive implications. We found that intermediate goods account for more than 50 percent for both Southeast Asia's exports and imports with China, reflecting the establishment of a regional production network across East Asia. Meanwhile, agricultural trade is a strategic area for bilateral economic relations, especially in the form of Southeast Asian agricultural exports to China, and as for trade in services, tourism is one of the key sectors between the two regions. It should also be noted that China's FDI in Southeast Asia is growing fast from a low base, and that infrastructure development is the most visible area of China's rising economic influence in Southeast Asia under the Belt and Road Initiative. Based on these findings, we suggest ways for Korea to respond to the changing economic landscape in Southeast Asia proactively and constructively.

Policy
References

Korea's Economic Cooperation Tasks and Strategy for Northeast China in the 13th Five-Year Plan Period



| KOR |

LEE Hyuntae • LEE Sanghun • KIM Junyoung • YOON Gysuop

In Northeast China, the common problems experienced by the Chinese economy have been exacerbated by structural problems, making it an area with the lowest growth rate. Accordingly, economic exchanges between Korea and Northeast China have diminished, and in light of such deteriorating economic relations, this study intends to seek a new economic cooperation strategy for Korea in the Northeast China region. More specifically, economic exchanges such as Korea-Northeast trade, investment, and local enterprise performance are decreasing. In particular, the business difficulties of local companies are becoming more pronounced, with the majority of Korean companies enduring acute difficulties in their operations. This situation is caused by problems within the Northeastern provinces themselves, as well as problems within the local companies. Drawing from our findings, we divide the important tasks of the Northeast Economic Cooperation Strategy into their respective stages. We propose long-term and short-term economic cooperation measures with the Northeast region considering the long-term improvement of ROK-China relations. Moving further to the stage where inter-Korean relations have improved and North Korea has gradually opened up, we believe it will become possible to consider a land route between Korea and the three Northeast provinces. Finally, after reunification, it will become possible to construct a trans-border industrial belt in the northern part of the Korean peninsula.

Policy
References

A Research on Expansion of Economic Cooperation with Shandong Province in China through Utilizing the Korea-China FTA



| KOR |

LEE Sanghun • KIM Joo Hye

Korea is an important partner in China's external opening policy and overseas economic cooperation, and the Korea-China FTA happens to be considered the most comprehensive and highest-level FTA signed by China. China is pursuing pilot policies where local governments lead efforts to expand economic cooperation with signatory countries of FTAs that have been concluded. In a similar move, if Korea can cooperate with local governments in China to promote bilateral pilot projects that meet the economic conditions of the region, this would boost intergovernmental cooperation between the two nations. Shandong could be considered as the priority area for cooperation in this aspect. Considering that Shandong province is the most active in economic cooperation with Korea and has already been conducting economic cooperation with Korea for a long time, Korea should formulate plans to utilize Shandong as a base area for expanding the performance of the Korea-China FTA, and further develop a successful cooperation model. This requires a transition to a cooperation paradigm that fits the new economic environment, with labor-intensive manufacturing and SME-oriented cooperation being rapidly shifted to high-tech industries, high-tech and service-oriented cooperation. In the future, Korea should use Shandong as a base and test bed for economic cooperation with China and expand the achievements in and models in Shandong Province to all regions of China.

Studies in
Comprehensive
Regional
Strategies

Mobile Healthcare in Africa and Korea's Cooperation Plan: Focus on East Africa

JUNG Jae Wook · LEE Boyan



| KOR |

Mobile healthcare, or m-health, is defined as all kinds of healthcare services provided through wireless communication devices. In this study, we analyze the status and prospects of m-health industries in the major East African countries of Kenya and Rwanda, and research the cooperation approach of the Korean government and m-health enterprises. The paper also includes detailed information about local cooperative government's m-health and healthcare policy, current m-health projects and strategies of major donor countries and multilateral developing agencies, and the technology and market status of the mobile health industry in Korea. Based on the local and industrial information, we suggest policy implications to design a new development cooperation project from which both cooperative governments that need improvement in healthcare services and Korean m-health companies that seek new markets mutually benefit. We found that since most projects in Africa are led by partner governments, especially healthcare projects, a partnership with local cooperative governments is most important. From an industrial point of view, we noted that it is vital to focus on collecting data and obtaining references to advance technology in the long term, in addition to expanding the public health sector procurement market. This study shows us that for Korea, it will be worthwhile to pay close attention to the multiplicative potentials forming in the m-health sector for Africa.

Studies in
Comprehensive
Regional
Strategies

Selected Promising Industries in Romania and Industrial Cooperation between Korea and Romania

LEE Cheolwon · LEE Hyun Jean



| KOR |

As Romania did not hitherto have a proper opportunity to realize its economic growth, possibilities are high that it can serve as the growth engine of the EU in the near future. This study selects two Romanian industries with high growth potential to strengthen Korea-Romania industrial cooperation and to suggest effective entry into the Romanian market, with the aim of enhancing Korea-CEE economic cooperation to overcome contracted market access in the EU following the European sovereign debt crisis. We have selected the ICT and infrastructure sectors as our main industries of focus to analyze risk factors, potential and cooperation possibilities, through which we will seek strategic means to invigorate market entry. To this end, we analyze the competitiveness of the industrial sector by looking into the statistical trade analysis of the manufacturing industry. We found that while both the Romanian government and the EU are keen to develop the ICT sector, Romanian ICT infrastructure remains insufficient, although Romania is highly competitive in terms of ICT services. Meanwhile, Romania happens to be the largest recipient of EU funds for regional development, most of which are planned for infrastructure development. To assess the external and internal aspects of entering such a market, we suggest strategies for Korean companies using SWOT analysis.

The Investment Climate of the EAEU and Korea's Entry Strategy

LEE Jae-Young • LEE Cheolwon • MIN Jiyoung



| KOR |

The Eurasian Economic Union (EAEU), consisting of Russia, Kazakhstan, Belarus, the Kyrgyz Republic and Armenia, set a grand vision to create a “Eurasian Union” resembling the European Union by 2025 through a multi-stage integration plan. The EAEU can be an attractive partner as a window of new economic cooperation in developing future-oriented relations between Korea and northern Eurasian countries, and thus this study provides an in-depth analysis on the investment climate in the EAEU and sophisticated entry strategies for Korea, and also emphasizes the necessity to establish an FTA between Korea and the EAEU, the largest market Korea has yet to conclude an FTA with. Following a brief explanation of the integration process of the EAEU and its strategic value, we examine and evaluate the economic cooperation between Korea and the EAEU, after which we make forecasts for future relations. We move on to introduce the overall investment policies and major programs of the EAEU and analyze the investment environment and responsiveness of Korean businesses to internal and external factors. Finally, we provide a SWOT table with combined market entry strategies and suggest various policies to promote investment and penetrate into promising sectors within the EAEU. The results of this study will be useful in preparing negotiations for a Korea-EAEU FTA and come up with mutual beneficial economic cooperation programs.

Iran's Economic and Political Trends and their Policy Implications for Industrial Cooperation

LEE Kwon Hyung • SON Sung Hyun • JANG Yunhee • RYOU Kwang Ho



| KOR |

The aim of this research is to suggest policy implications and proposals to expand bilateral industrial cooperation between Korea and Iran, focusing on the petrochemical and automobile sectors. We begin by examining the political and economic trends, international relations, and economic policies in Iran in order to understand the recent changes in both economic and political spheres of the country, analyzing Korea-Iran economic relations, which have greatly expanded, mainly in the trade and construction sectors. In the following, more detailed examination of the policies, structure, characteristics of Iranian petrochemical and automotive industries, we note that the Iranian government has designated the petrochemical sector as a strategic industry through its fifth and sixth 5-year development plans and is pushing for policies such as privatization, expansion of production facilities. Meanwhile, the Iranian government is actively moving to foster its automotive industry, focusing on inducing foreign direct investment and promoting transfer of technology with high tariffs on imported cars. Drawing from our findings, we present specific cooperative projects by comprehensively assessing the industrial environment of the petrochemical and automotive sectors. Given the uncertain circumstances, we believe bilateral cooperation should be approached strategically, divided into the short-term and long-term, and in this study, we present specific measures focusing on collaborative projects that could be implemented in the short term.

Structural Changes in India's Inbound M&A and Its Implications

SONG Young-Chul



| KOR |

With the newly rising wave of M&As and reforms in India, structural changes are taking place in India's foreign direct investment. The share of M&As to total FDI is expanding, with M&A transactions becoming more active in technology-intensive and high value-added sectors; the number of vertical or heterogeneous combinations between MNCs and Indian firms is increasing compared to the past; asset transactions and market participation by SMEs are growing; and most importantly, the origin of foreign investors is diversifying. Despite such significant changes, Korean firms still remain in a lagging position when it comes to using M&As as a channel for breaking into the Indian market.

This research provides implications for Korean firms and the government when entering the Indian market. First, firms need to utilize M&A deals as a strategic tool, focusing on promising sectors. Second, firms need to enhance their internal capability for dealing with cross-border M&A transactions, and build partnerships with both domestic and Indian M&A agencies, increasing the number of deals completed. Last, the Korean government needs to organize an 'oversea M&A support center' for promoting Korean SMEs' cross-border M&A.

Urbanization in India and Its Implications for Korea-India Economic Cooperation

CHO Choongjae • LEE Soon-Cheul • LEE Jung-Mi



| KOR |

Urbanization is expected to accelerate in India, with the urban population in India estimated to grow more than twofold by the year 2050. The government of India is actively promoting urban development policies and strengthening its efforts to resolve the existing problems of urban development. Against this backdrop, this research examines the process of urbanization in India and its urbanization policy, going on to analyze the relationship between urbanization and economic growth. More specifically, we look into the impact of urbanization on total household consumption, energy consumption and infrastructure investment in India based on the Divisia model and estimate market size by sector expected to be created by urbanization, finding that in 2030, the market size for consumption, energy and infrastructure is expected to reach about 470 billion dollars. In light of the fact that urbanization in India has generated enormous demand in various fields, this research suggests ways for the Korean government and enterprises to utilize such demands, presenting mid- to long-term cooperation directions, and policy tasks that should be tackled by Korea.

Studies in
Comprehensive
Regional
Strategies

Analysis on Development Issues in Central Asia and it's Implications for Korea's Development Cooperation

PARK JoungHo • KANG Boogyun • YUN ChiHyun



| KOR |

In light of various views on why Central Asia is lagging behind in economic development, this study aims to provide an in-depth analysis on the development challenges in Central Asia, and provide policy suggestions for Korea's development cooperation with the region. We analyze the current economic and social status in Central Asia based on the Sustainable Development Goals (SDGs), identifying six priority areas for cooperation: agriculture development, human resources development, trade facilitation, water management, renewable energy, and governance. The current status of development cooperation in Central Asia is illustrated in numbers, and case studies on Germany and Japan are introduced for implications to Korea's development cooperation. We evaluate Korea's development cooperation policy toward Central Asia, and identify major achievements and key issues to be improved for future cooperation.

The policy implications we derive are that Korea needs to design customized strategies that reflect the demands for new development cooperation in Central Asia, differentiate development cooperation plans for individual Central Asian countries, and drive qualitative improvement in Korea's development cooperation policy.

Working
Paper

The Impact of Trade Liberalization in Africa

JUNG Jae Wook



| ENG |

There are many regional trade agreements in Africa so that each African country is a member of at least one regional trade agreement. However, trade between African countries barely exceeds a tenth of the total trade of Africa. This paper examines a reason why trade liberalization policies in Africa fails. In particular, we investigate the impact of trade agreements in Africa on trade conditional on financial market development and political instability. Main findings include that most Africa's disadvantage in implementing regional trade agreements is closely related to its under-developed financial market and political instability in the transition and long-run effect of regional trade agreements on trade.

Working
Paper

Determinants and Consequences of Corporate Social Responsibility: Evidence from the Revision of the Company Act in India



| ENG |

LEE Woong

India is the first country to introduce mandatory CSR spending for eligible firms, based on the revision of the Companies Act in 2013. In this paper, I explore the effects of the revision of the Companies Act in India on the likelihood of a firm's CSR participation and its profit. It is the first work to investigate the effects of the provision of mandatory CSR. The results show that the revision increased the eligible firms' CSR incurrence by 2.3 percentage points, compared to ineligible firms. The findings also indicate that the revision is effective to increase the eligible firms' profits by 3.5 percent, compared to the ineligible firms. Therefore, I suggest that profit-maximizing CSR and private provision of public goods through mandatory CSR are valid in India.

APEC Study
Series

Consumer Goods Market Integration among Asia Pacific Economic Cooperation Member Economies: A PPP-Based Analysis



| ENG |

MOON Seongman

This paper examines persistent behavior of deviations from purchasing power parity (PPP) constructed using consumer price indices and nominal exchange rates for APEC member economies over the period of 1981-2015. In particular, we ask if these deviations tend to converge to their long run equilibrium value. For this, we consider three different sample periods of 1981-2015, 1997-2015, and 1981-1996. We find that the panel unit root test rejects the unit root hypothesis that a deviation from PPP does not converge to its long run value for the period of 1997-2015 but does not reject it for the other two periods. We then investigate how quickly this deviation converges to its long run value and find that a half-life of a deviation from PPP is 5.7 quarters, which is much quicker than the estimates of 3 to 5 years reported by previous studies. This result is consistent with the argument that globalization and advancement in transportation and information technology significantly contribute to lowering trade barriers among APEC member economies.



03

**Development Cooperation to
Increase National Interests**

Policy
Analysis

Impact Evaluation and the Implication for Korea's ODA Evaluation System

HUR Yoon Sun • JEONG Jisun • LEE Ju Young • YOO Aila • YOON Sangchul • LEE Jongwook



| KOR |

As a method that can complement the shortcomings of former evaluation methodologies by rigorously measuring the impact of a project through an experimental approach, the impact evaluation method is increasingly being adopted to demonstrate the effectiveness of development projects.

The goal of this study is to examine the trends, policies and issues of impact evaluation, and to draw policy implications for the introduction of impact evaluation in Korea's ODA evaluation system. To achieve this goal, the study first compares and analyzes the policy, evaluation system and various cases of impact evaluation from other donor agencies such as the World Bank, ADB, USA, and Japan. Next, we analyze the major issues related to impact evaluation in details, namely evaluability assessment, methodology design, and feedback of the result. Then we conduct an impact evaluation using clustered-RCT to assess the performance of a health project supported by the Korean government in Vietnam and analyze the tasks for introducing impact evaluation into Korea's ODA evaluation system at the level of an ODA-integrated evaluation system and implementing agency. Based on these results, this study proposes a mid- to long-term roadmap to reform Korea's ODA evaluation system.

Policy
Analysis

Global Application and Economic Analysis of Carbon Pricing for Emissions Reduction

MOON Jin-Young • HAN Minsoo • SONG Jihei • KIM Eunmi



| KOR |

The international community has come to appreciate the urgent need to prevent climate change and is seeking ways to transition into a low-carbon and climate-resilient economy. This is leading to an increasing number of economies imposing price tags on greenhouse gas emissions. In this study we examine the characteristics of greenhouse gas emissions and policy responses implemented in China, the U.S., EU, Japan and other major economies. We analyze the costs associated with carbon emissions, and the potential economic effects of carbon pricing systems to reduce greenhouse gas emissions, and how these will affect the Korean economy.

Policy
References

International Responses to Transboundary Air Pollution and their Implications

MOON Jin-Young • KIM Eunmi • CHOI Eun Hye



| KOR |

Transboundary air pollution, which causes adverse effects in areas under the jurisdiction of other countries, has become a serious matter that requires the joint response of surrounding countries. The objective of this study is to propose policy implications to cope with the rise of air pollution in Northeast Asia by analyzing policies and cases of international cooperation in the global society. We first summarize policies and regulatory measures introduced by major countries, which have established and supplemented domestic environmental laws, policies and regulations, taking practical measures to supplement their improved legal and institutional frameworks. At the international level, bilateral or multilateral cooperative regimes have been established with the aim of solving transboundary air pollution problems. The CLRTAP in Europe, the AQA and the US-Mexico La Paz Agreement in North America, and the AATHP in Southeast Asia provided important opportunities for member countries to seek solutions and strengthen environmental cooperation, with the CLRTAP being the most successful. Meanwhile, the AATHP still lacks legally binding measures to limit air pollutant emissions, although it is meaningful in that it reflects the ASEAN principles regarding respect for national sovereignty and consensus. Taking into consideration the cooperative experiences of other regions, our recommendation is to develop multilateral agreements aimed at addressing transboundary air pollution in Northeast Asia, implementing a more realistic multilateral agreement to exchange information and strengthen air quality monitoring networks.

ODA Study
Series

Climate Change in Sri Lanka: Issues and Prospects for Korea's Development Cooperation

JUNG Jione • SONG Jihei • LEE Sang Mi • OH Hyekyung • MYEONG Soojeong



| KOR |

Sri Lanka, one of Korea's ODA priority partnership countries, is faced with the major challenge of climate change in the implementation of national development initiatives. This study was conducted to guide further cooperation with Sri Lanka, mitigating the adverse impact of climate change and promoting sustainable development. Through interviews with major stakeholders and analyses of major donor organizations, we attempted to seek the policy direction for climate change assistance and formulate a performance management framework for Korea. To provide a background, we provide an overview of Sri Lanka's national economic, social and environment circumstances, scrutinizing recent development plans in particular. We then identified projections and vulnerabilities to climate change in Sri Lanka, through which we concluded that the country has a more urgent need to adapt to climate change than to reduce greenhouse gas emissions. In the following review of international support to Sri Lanka and related issues, we discovered that all donors recognized Sri Lanka as being vulnerable to climate change and identified climate change as a barrier to the country's development. Building on this information as well as an overview of existing bilateral cooperation and the relevant performance between Korea and Sri Lanka, we lay out the direction for future cooperation between the two countries, with emphasis placed on climate change.

Korea's Development Cooperation for Gender Equality in Cambodia



| KOR |

KIM Eun Kyung • OH Eunjin • KIM Young Taek • KIM Bok Tae • KIM Hae Young • CHO Young Sook • SHIM Yehrhee

The aim of this research is to suggest a more effective direction for Korea's gender ODA projects through an analysis of gender-related development cooperation efforts in Cambodia. Based on the Korea-Cambodia Country Partnership Strategy and Cambodia's National Strategic Development Plan, we selected four areas (TVET, rural development, health and public administration) to analyze gender projects in related fields and suggest future directions. The second chapter discusses how a twin-track approach, or a dual strategy of mainstreaming and targeting gender equality, is widely recognized in the international development field. In chapter three, gender projects in TVET and rural development, categorized as the 'women's economic empowerment' framework, are analyzed. The fourth chapter presents projects and future directions in the areas of health and public administration, categorized as the 'access to social services and protection' framework. In the fifth chapter we summarize the findings of the research and derive policy implications, focusing not only on improving gender projects in Cambodia, but also on effectively mainstreaming gender in Korea's ODA in general.



04

The Realization of Economic Unification on the Korean Peninsula

Policy
Analysis**An Analysis of Operation Mechanism of
Foreign Exchange Acquisition Project in North Korea:
Focus on the Mineral Sector (anthracite, iron ore)**

| KOR |

LIM Sooho • YANG Moonsoo • RHEE Jungkyun

Minerals, North Korea's key exports, have been assumed to be significantly devoted to the development of weapons of mass destruction, and the international community has thus been implementing strong export sanctions since 2016. The purpose of this study is to investigate the effect of sanctions placed on anthracite and iron ore exports on the North Korean economy in depth. We begin by analyzing the characteristics of North Korea's foreign trade system, with an emphasis on its linkage with marketization. This is followed by an examination of official data to examine the production and export policies of anthracite and iron ores in North Korea and analyze the current state of production and exports, focusing on the tension between domestic and foreign demands in mineral resources. We then analyze the major processes of securing and operating anthracite and iron ore production bases, securing and transporting export goods, and collecting and processing export proceeds in detail, to estimate the costs and benefits of exports in each process. Drawing from our findings, we analyze and predict the effects of mineral sanctions on the North Korean economy, anticipate how North Korea will respond to UNSC sanctions and draw implications of policies on North Korea. Our suggestion is that the government focus on the current sanction and should be careful about introducing additional ones.

Policy
Analysis**Analysis on North Korea's Trade and Industrial Policy**

| KOR |

CHOI Jangho • LIM Soo Ho • LEE Seogki • CHOI Yoojeong • IM So Jeong

Despite the great efforts made to survey the North Korean economy, there is still only a superficial understanding of its elements. The purpose of this study is to provide a new type of perspective through analyzing new kinds of data to help evaluate the North Korean economy. The study first provides an analysis of the transition process of North Korea's industrial policies and those that have been emphasized after Kim Jong Un came to power. More specifically, we explain the pragmatic nature of emphasizing short-term achievements and avoiding large-scale heavy industries investment, focusing on the parallel pursuit of economic construction and nuclear armed forces construction. We then analyze the North Korean import and export data by industry, technology level, and utility purposes. Finally, we consider the changes in North Korea's industrial policy and import and export statistics to assess the economic situation of North Korea and the outcomes of its industrial policy after Kim Jong Un's incumbency and predict the effect of sanctions on North Korea's economy. Since the year 2017 marked the fifth year of Kim Jong Un's reign, an evaluation of the economic performance during this period can serve as a meaningful means through which to measure the future direction of the North Korean economy.

Policy
References

Economic Transition in Unified Germany and Implications for Korea

Hyung-Gon JEONG • Gerhard HEIMPOLD



| ENG |

German reunification is an important subject of study as a model of unification for Korea, a country which has remained divided for decades. In the process of German reunification, peace was achieved without any physical conflict. Moreover, economic integration was successfully accomplished without any severe shocks.

Meanwhile, it is an important issue whether German reunification methods and policies can be successfully applied to Korea, which presents a different set of political, economic and social conditions. In this book we explore the various social and economic challenges that arose during the process of German reunification, as well as the successes and failures of policies to solve them, and through this suggest policy implications for the Korean government.

Long-term
Trade
Strategies
Study Series

Ways to Reform Industrial Structure of North and South Korea and Nurture Growth Industries in North Korea after Unification

HONG Soonjick • LEE Seogki • CHO Bonghyun • LEE Younseek • JEONG Ilyoung



| KOR |

In order to maximize economic integration and economic benefits from unification, it is necessary to reform the disparate industrial structures of North and South to create a synergy effect. In this light, this paper aims at drawing a competitive industrial map of the Korean peninsula and exploring ways to restore North Korean industries and grow its economy. Noting that North Korean industries are expected to face changes in the form of dependence on external factors, the normalization of leading industries, and a dilemma between its planned economic system and a market-oriented economy, we suggest measures that will help restore the North Korean economy and achieve its sustainable development. On the whole, directions for inter-Korean industrial cooperation and industrial reform in preparation for unification will have to focus on the early economic recovery and industrial normalization of North Korea, while also focusing on strengthening the competitiveness of the South Korean industry by building a structure of division of labor that can create a win-win situation. Thus, the North will have to implement comprehensive and vigorous reforms and make large-scale investments in most industries. To provide more detailed suggestions, we also point out promising industries in North Korea following unification.

Developing an Analysis Model and Analyzing the Growth Effect of South and North Korea's Economic Integration

CHOI Jangho • KIM Bumhwan

The purpose of this study is to construct a model that can analyze growth effects to explain the impact that economic integration between North and South Korea will have on both economies, so as to estimate the economic growth effects of inter-Korean economic cooperation on both sides of North and South Korea and to identify implications for inter-Korean economic cooperation to maximize the interests of both economies. To this end, we divide the inter-Korean economic integration into short-term inter-Korean economic cooperation projects and mid- to long-term progressive unification, develop a model to quantify it, and suggest a method to evaluate the growth effect of economic integration. The basic economic model of inter-Korean cooperation assumed the Cobb-Douglas production function in the form of a Solow growth model. When examining short-term and long-term economic integration scenarios, we look into seven major economic cooperation projects. Meanwhile, the progressive unification scenario was designed as a mid- to long-term scenario conducted in three stages over a total of 30 years. After measuring the economic growth effects of short- and long-term economic integration scenarios, we explore the implications, performance and limitations of economic cooperation based on the results of our research.



| KOR |

Financial and Fiscal Integration Plan between South and North Korea after Unification

LEE Sangche • PARK Haesik

The purpose of this study is to discuss the economic and financial integration to take place after the reunification of North and South Korea. The discussion mainly focuses on the financial policy tasks and responses the two Koreas should take, presupposing North Korea's economic situation at the final stage of the interim separated operation period. The more the economic situations of North and South Korea differ, the higher the cost would be for the integration; on the contrary, the more the economic situations of the two Koreas resemble each other, the greater the benefits would be from economic integration and single currency use. Thus, the proper time to terminate the interim separated operation is when the economic similarity of the two Koreas surpasses the threshold where gains and losses from integration coincide. Based on this presumption, this study presents policy directions and tasks for monetary exchange rate policies in the period of integration, including the exchange rate policy, monetary policy operation, security of external soundness and foreign exchange prudential, and safeguards against crisis. Since no one can be sure of the economic and financial situation of the two Korea at the time the separated operation is terminated, the key to economic integration would be to maintain fiscal soundness while eliminating the difference in financial structure between the two Koreas and strengthening local autonomy.



| KOR |



05

Innovative Growth

Policy
Analysis**China's Regional Innovation Strategy in the New Normal Era and Implications for Korea**

JUNG Jihyun • LEE Sanghun • NO Suyeon • OH Jonghyuk • PAK Jinhee • LEE Hanna • CHOI Jaehee



| KOR |

China's 13th Five-Year Plan announced in 2016 states that innovation is the core value of China's development strategy. At present, China is pursuing a detailed innovation policy for each sector and region, in line with a mid- to long-term innovation development strategy as its national strategy. Since China is both Korea's largest economic partner and increasingly a competitor for Korean businesses, China's strategy for innovation development offers Korea increasing opportunities for cooperation to enter new markets. Accordingly, this study selects regions where innovation cooperation with Korea is likely to be developed and analyzes detailed cooperation fields and plans with the relevant regions. To identify promising areas for cooperation, we compare and evaluate the current innovation capacity by region and analyze regional innovation strategies and detailed policies to measure the possibility of future innovation development. We then examine the innovation mechanisms in each region by their respective types of innovation development, and, building on the results, explore cooperation plans associated with each type of innovation and region. The Korean government must improve the efficiency of innovation investment by concentrating on these promising areas, and by developing and propagating cooperation models and successful cases of cooperation through intergovernmental cooperation platforms and the protection of intellectual property rights.

Policy
Analysis**The 4th Industrial Revolution Strategy and Cooperation in Major Asian Countries, China, India and Singapore**

CHO Choongjae • CHEONG Jaewan • SONG Young-Chul • OH Jonghyuk



| KOR |

China and India rank high in the areas of R&D, innovation clusters and start-ups, and belong to the top two global R&D investment destinations. Meanwhile, Singapore is ranked the highest for digitalization and flexibility. Against this backdrop, this study focuses on analyzing these three countries' driving capability for the 4th industrial revolution (4th IR) and suggests implications and directions for the development of policies related to the 4th IR by the Korean government and the strengthening of cooperation with each of these three countries. We examine how the three countries have been actively preparing for the 4th IR: China's national policy framework consisting of its Manufacture 2025 and Internet Plus strategies, and the promotion of artificial intelligence programs, with a focus not only on promoting investment, but also enhancing firms' innovation capability; India's focus on developing IoT technology and related projects; and Singapore's Smart Nation Initiative pursued since November 2014. Based on our findings, the study suggests that we need to focus on innovation R&D and cluster internationalization, strengthen the R&D base in India, and create and globalize a sustainable innovative start-up ecosystem. Further, we present cooperation directions and policy tasks that should be employed with respect to the three countries.

Policy
Analysis

The Impact of E-commerce on International Trade and Employment in Korea



| KOR |

LEE Kyu Yub • BAE Chankwon • Lee Sooyoung • PARK Ji Hyun • YOO Saebyul

Despite the importance of the e-commerce market, we do not know whether e-commerce activity substitutes or complements existing trade in goods, or whether it creates or destroys jobs. In this light, we carefully summarize and compare the latest trends and features of the e-commerce market in Korea, based on extensive data, to characterize Korea's e-commerce market. We then examine the relationship between digital intensity and international trade by using, at the industry-level, digital intensity as a key independent variable and total export value as a dependent variable, implying that e-commerce has a positive impact on exports in goods. The study also aims to examine the impact of e-commerce on employment by using the Korea Census, conducting empirical analysis at the industry level and firm level. While we find no evidence that there is a relationship between digital intensity and employment growth rate/job creation in manufacturing, there is a positive relationship, on average, between the two in services industries. At the firm level, we construct a new dataset from the Korea Census by using the propensity score matching technique in order to relieve endogeneity issues arising from the e-commerce variable. Based on our findings, the study provides policy implications for enhancing the e-commerce market of Korea.

Policy
Analysis

The Fourth Industrial Revolution in Major Countries and Growth Strategy of Korea: U.S., Germany and Japan Cases



| KOR |

KIM Gyu-Pan • LEE Hyong-Kun • KIM Jonghyuk • KWON Hyuk Ju

In this new age of Industrial Revolution, the United States, Germany and Japan are striving to lead the trend and are preparing to cope with a new system of advanced technologies. While their strengths differ, they share the common perspective that the Fourth Industrial Revolution (4th IR) is the basis of the 'Manufacturing Innovation' or 'Digital Manufacturing.' This study focuses on the 4th IR policies of the three countries, to help Korea draw out its own policy for digital innovation/digital manufacturing. We begin by defining terminologies relevant to the 4th IR as the description of its concept differs among countries for the lack of a clear definition. Moving on to an examination of the three countries, we note that American government and businesses identify their own roles in achieving 4th IR in a market-based manner; we describe the background of how Germany came up with "Industrie 4.0" as well as the policies that are in action; and we review Japan's manufacturing industrial policies that are linked to the 4th IR, specifically "smart manufacturing." Based on our findings, we present policy implications for Korea.

Policy
References

Current Status and Implications of the Sharing Economy in the US, Europe, and China

NA Seung Kwon • KIM Eunmi • CHOI Eun Hye



| KOR |

The emergence of the “sharing economy,” allowing people to share and optimize underused personal assets on a much larger scale, has disrupted traditional markets and generated difficult legal questions and political debates in various parts of the world. The objective of this paper is to identify better policy options in the sharing economy for Korea by examining different countries’ policy implications. Towards this aim, we develop a conceptual framework to define and explain the sharing economy, then examine the different conflicts and policy implications of the sharing economy across the United States, Europe, and China. Finally, the study concludes with a discussion of policy implications for the sharing economy in Korea.

First, regulation must be introduced carefully, and flexibility ensured in regulatory frameworks. Second, the legal basis to accommodate sharing must be promptly established to deal with conflicts such as taxation and disputes generated by the sharing economy. Lastly, in the case of ridesharing, it would be advisable for regulatory authorities in Korea to first deregulate much of the current restriction and lower barriers to entry rather than raising them. In the long run, however, the market should ensure a quality environment for all participants to compete fairly.

Working
Paper

Ecommerce and Firm Performance: Evidence from Korea

LEE Kyu Yub



| ENG |

The global ecommerce market is expanding rapidly and dramatically. However we know little about the distribution or performance of ecommerce firms relative to traditional firms in the economy. This paper empirically investigates performance differences between these two types of firms using Korean data.

SME Technological Progress and Cooperation in Chinese Taipei: Implications to Selected APEC Economies



| ENG |

LEE Jin-sang • KIM Amy

Chinese Taipei became one of the most successful economies in Asia after the WWII, and the country was one of the four Asian tigers together with the Republic of Korea, Chinese Hong Kong and Singapore. Their economic achievement was mainly originated from the development of SMEs which government policies were effectively implemented and brought strong impacts on technological progress. SMEs were able to obtain technologies through research and development, and technology transfer from developed countries with various cooperation programs. However, APEC economies notably Viet Nam, Malaysia, Indonesia and the Philippines have achieved economic development and SME technological promotion, but they are not comparable with Chinese Taipei. This paper analyses Chinese Taipei government policies on SMEs, technological progress, and technology cooperation with developed countries. These areas are compared with other four APEC economies. We conclude with suggestions on how APEC can enhance SME technology cooperation with other countries.





06

External Risk Management

Policy
Analysis

The Effect of Financial Market Integration on Monetary Policy and Long-Term Interest Rate in Korea and Its Policy Implications



| KOR |

KIM Kyunghun • KIM Soyoung • YANG Da Young • KANG Eunjung

Financial market integration has contributed to risk-sharing through portfolio diversification but has also caused the negative spillovers of financial shocks through integrated financial markets, greatly restricting monetary policies in many countries. In this study, we investigate how strongly monetary policies have been restricted by constructing a monetary policy independence index and try to understand monetary policy independence through the trilemma between the policy goals of exchange rate stability, capital account openness and monetary policy independence. We use not only short-term policy rates but also the long-term interest rate that plays an important role in the monetary transmission mechanism, in order to evaluate various aspects of monetary policy independence. We indeed found that trade-offs among the three trilemma indexes exist, and thus the trilemma holds, although when considering the long-term interest rate independence index a dilemma holds instead. Looking at Korea, we found that the capital account openness index increased significantly after the global financial crisis, while vulnerability remained high in terms of the exchange rate stability index. While the short-term interest rate independence index was highly evaluated, the long-term interest rate independence index fell sharply after the global financial crisis. Based on our findings, we suggest a new perspective on the role of capital control or macroprudential policy measures in relation to monetary policy independence. Our empirical results show that these policy tools can also be useful in securing monetary policy independence for emerging market economies.

Policy
Analysis

Changes in International Energy Market and Their Impact on the Korean Economy



| KOR |

AN Sungbae • KIM Kihwan • KIM Subin • LEE Jinhee • HAN Minsoo

This research aims to grasp the changes in international energy market and their impact on the Korean economy, especially on external sectors including exports and imports. Toward this goal, we review international and domestic oil markets and renewable energy markets, investigating factors that affect demand and supply of energy, and introducing policy efforts in major economies for enhancing renewable energy supply. Kilian's (2009) approach to the Korean economy is adopted to identify the three factors of oil supply shock, aggregate demand shock, and oil-specific demand shock. We also develop an open economy DSGE model which extends Huynh (2016) with an augmentation with upstream and downstream sector in energy industry. The renewable portfolio system (RPS) could help Korea to meet its energy goals through the use of renewable energy certificates (RECs) purchasable from small and independent renewable energy providers. A macroeconomic impact under the DSGE model is not presented due to the limitation of the model, with further study pending.

Policy
Analysis

The Impact of Exchange Rate Fluctuations on Korean Firms and Its Policy Implications

YOON Deok Ryong • KIM Hyo Sang



| KOR |

The exchange rate is one of the most influential factors in the Korean economy, as Korea is highly dependent on the external sector. This study examines the impact of changes in the exchange rate at a time when the overall economic conditions such as the industrial structure, demographic changes, and the capital market condition in Korea are changing. In particular, we use firm-level data to complement previous studies, which mainly focus on the aggregate level. In other words, we investigate the effects of the exchange rate not only through a macroeconomic analysis, but also through a micro analysis by using firm-level data. We find that the devaluation of currency is not necessarily beneficial to the economy. Most debates on exchange rates relate to the adequacy level, based on the assumption that the depreciation of the exchange rate is beneficial to economic growth and the economy. However, this study shows that this assumption is not valid. This may vary depending on the level of the exchange rate of the rate at which the exchange rate changes. For further clarification, it will be necessary to investigate the effect of exchange rate depreciation in depth by analyzing issues related to exchange rate fluctuation in future studies.

Working
Paper

The Effect of Restructuring on Labor Reallocation and Productivity Growth: An Estimation for Korea

CHOI Hyelin • JUNG Sung Chun • KIM Subin



| ENG |

Total productivity grows through technological progress or reallocation of resources. This paper analyses their contribution to economic growth. The main finding is that inter-sector reallocation of labor negatively contributes to economic growth as employment moves to service sectors with low productivity. Further, sectoral-level productivity growth shows that there is more room for reallocation of resources to contribute to the productivity growth in service sectors. Therefore, the productivity growth of the service sector would foster economy-wide productivity and it can be achieved by the mitigation of misallocation of resources in service sectors.

Working
Paper

Investment Puzzle: Deeper Roots

KIM Sujin



| ENG |

This paper investigates empirically the roots of the investment puzzle from the global megatrend perspective. The empirical model of this study augmented the uncertainty-finance accelerator investment model with megatrend variables of a transition to service industry, ageing population and a rise in income inequality. The main estimation results show that they have affected negatively the business investment over the period 1980-2014. The shift-to-service driven investment fall is the price-dominant effect during the transition, which is not necessarily pessimistic news, while the suppressing effects from ageing and a rise in income inequality require adequate policy reactions. In addition, the analysis finds significant negative spillover effects of trade partners' ageing and income inequality on a country's own private investment. Based on the empirical results, the G20's efforts in inclusiveness with structural reforms are expected to stimulate global business investment.



07

Others

The Impacts of Anti-Corruption on Trade Cost: Economic Implications and Policy Suggestions



| KOR |

KIM Sangkyom • PARK Soon Chan • KANG Minji

Despite being actively engaged in anti-corruption activities in the international community, over the years, Korea has been ceaselessly embroiled in bribery scandals. In this light, this study aims to empirically examine how corruption affects trade, economic growth and welfare, to draw policy implications and suggestions for the successful implementation of anti-corruption policy. Starting with an exploration of anti-corruption efforts taking place in the international community, the study moves on to examine the inefficient and ineffective elements embedded in Korean anti-corruption policy and its implementation. To further analyze these findings, we use the Novy (2013) model to empirically measure the effect of corruption on trade costs. We follow this by an attempt to measure the economic effects of corruption on trade and welfare by using a CGE model. Based on the analysis, we propose policy suggestions for Korea which include establishing ethical management principles, concrete steps taken by the government to fight corruption, delegating a powerful level of authority to corruption prevention organizations, reinforcing education on the harmful effects of corruption, and providing stronger protection for so-called “whistleblowers.” This study holds significance in that it is the first attempt to estimate the correlation between levels of corruption, trade costs and trade.

Research-Oriented Activities



Throughout the year, KIEP carried out a wide range of research-oriented activities to promote the establishment of Korea's international economic policies.

- 78 Operation of the KIEP Beijing Office
- 78 Operation of Mid- to Long-Term Trade Strategies
- 79 Operation of the APEC Research Consortium Secretariat
- 79 Analysis and Forecast of Trends in the World Economy
- 80 Operation of the Asian Economic Panel and Publication of Academic Journal
- 80 Operation of G20 Research Support Group
- 81 Comprehensive Research on Trade Liberalization
- 81 Operation of Pool of International Economists
- 82 Reinforcement of the East Asia Studies Network
- 82 KIEP Trade Model and Commerce DB Establishment Project
- 83 Operation of the KIEP Global Macroscopic Model
- 83 KU-KIEP-SBS EU Center Project

Operation of the KIEP Beijing Office

Key Projects

- Performed analyses of the latest issues in the Chinese economy, carried out research projects
- Held forum on the Chinese economy and the Korean Peninsula, and a forum for experts specializing in issues on the Korean Peninsula
- Operated pool of specialists on the Chinese economy, and carried out networking project
- Operated projects on promoting the Korean economy and other areas of support

Expected Outcomes

- Contribute to improving China-related policy effectiveness by collecting, producing and providing accurate and timely information
- Strengthen the Korea-China research network to support Chinese studies undertaken by KIEP, and build the basic infrastructure that would uphold bilateral economic cooperation
- Contribute to enhancing the national image through promotion events and projects on behalf of the Korean economy, and provide assistance to the overseas projects of Korean companies

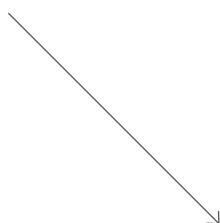
Operation of Mid- to Long-Term Trade Strategies

Key Projects

- Analyzed the opportunities, challenges, and risk factors of global issues that will have a considerable impact on Korea's mid-to long-term trade environment, and examined the trade strategies that Korea can adopt
- Conducted research on North-South Korea economic integration, North Korea's economic innovation, and the establishment of a Northeast Asia infrastructure from a mid- to long-term perspective
- Conducted research on developing trade strategies aimed to expand exports and protect domestic firms and industries amid the rapidly shifting international trade environment, represented by the global trade slowdown and the new wave of trade protectionism
- Major publications
 - Developing an Analysis Model and Analyzing the Growth Effect of South and North Korea's Economic Integration
 - Trade Remedy and its Economic Impact in the Model with World Input-Output Linkage
 - Financial and Fiscal Integration Plan between South and North Korea after Unification
 - Ways to Reform the Industrial Structure of North and South Korea and Nurture Growth Industries in North Korea after Unification
 - The New Development in World Trade Environment and its Implications for Korea's Trade Policy

Expected Outcomes

- Contribute to formulating effective strategies for overcoming poor export performance and expanding export volume, amid the global trade slowdown and trade protectionism
- Seek a path toward economic integration between North and South Korea in the mid to long term, in line with shifts in external economic conditions
- Contribute to the establishment of alternative policies that can minimize economic integration costs and maximize the benefits thereof



Operation of the APEC Research Consortium Secretariat

Key Projects

- Conducted in-depth research and presented policy directions for APEC's future and related projects
- Supported engagement with governments by participating in official APEC meetings and relevant meetings, and serving as a delegate for the government
- Hosted forums to promote APEC advancement and supported participation in APEC-related international academic conferences
- Provided APEC-related information and data, and established domestic and overseas networks
- Oversaw the operations of the secretariat of KOPEC, which represents Korea at the Pacific Economic Cooperation Council (PECC)
- Major publications
 - *SME Technological Progress and Cooperation in Chinese Taipei: Implications to Selected APEC Economies*
 - *Consumer Goods Market Integration among Asia Pacific Economic Cooperation Member Economies: A PPP-Based Analysis*

Expected Outcomes

- Promote APEC-related research by overseeing and executing such research projects
- Reinforce the network between government agencies, academic institutions and the private sector by hosting APEC-related academic conferences
- Contribute to the formulation of Korea's APEC-related policies and seek measures to enhance Korea's status by reviewing the outcomes and challenges of the APEC Summit and key related meetings

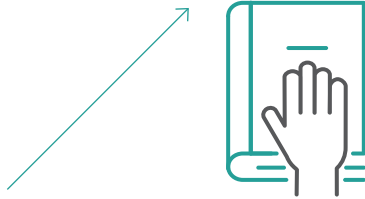
Analysis and Forecast of Trends in the World Economy

Key Projects

- Conducted in-depth analyses of business fluctuations and key regional issues that greatly affect the Korean economy, and published and distributed the results in the form of various issue papers
- Published key academic research outcomes on regional integration in the world economy and East Asia in KIEP's academic journal, the East Asia Economic Review (EAER)
- Analyzed each region and key countries' macroeconomic situations and forecast trends in the world economy for the next year, with these results published in our annual "KIEP World Economy Forecast"
- Major publications
 - World Economy Forecast 2017 (Updated)
 - World Economy Forecast 2018
 - A Study on Investment-Led Growth Policy: Theory and International Comparison

Expected Outcomes

- Provide immediate response and support for requests by government agencies, by regularly examining economic situations in all regions across the world
- Enable swift and accurate responses to changes in the government's or businesses' foreign environments by conducting in-depth analyses of major issues in the global economy and presenting forecasts of macroeconomic situations by key region and country
- Offer information to companies seeking to expand into foreign markets via exports and investment, and provide reference data to the government for drafting international industrial cooperation plans, by analyzing the latest industrial trends in major countries



Operation of the Asian Economic Panel and Publication of Academic Journal

Key Projects

- Together with the Center for Sustainable Development (CSD) of Columbia University, the Jeffrey Cheah Institute on Southeast Asia (JCISA) of Malaysia's Sunway University, Indonesia's Economic Research Institute for ASEAN and East Asia (ERIA), Canada's Centre for International Governance Innovation (CIGI), the Antai College of Economics and Management (ACEM) of Shanghai Jiao Tong University, jointly invited scholars studying the Asian economy from across the world to host international conferences, and had the Asian Economic Papers published by the MIT Press, thrice yearly in both cases

Expected Outcomes

- Contribute to academic advancement by developing topics that are highly relevant, policy-wise, and by sharing and discussing research outcomes
- Build a network linking international experts and researchers studying the Asian economy, and use this as infrastructure for collecting information and pursuing national interests

Operation of G20 Research Support Group

Key Projects

- Provided consultation and support for relevant international conferences, such as the G20 Summit and Sherpa Meetings
- Prepared material for meetings, business trips and information sharing for high-level meetings and business trips attended by Sherpas and ambassadors to Korea, for the promotion of G20-related international cooperation
- Shared information and promoted cooperation to support summit meetings with G20-related outreach representatives for B20, T20, W20, etc.
- Supported the operation of high-level conferences, working-level conferences and private sector consultation meetings involving the relevant agencies for the purpose of setting the strategies and stance of the Korean government in relation to key agendas of the G20 Summit
- Provided support for hosting international seminars aiming to underline the Korean government's discussions of key G20 agendas or to promote international cooperation, as well as support for participation in and presentations at relevant seminars home and abroad

Expected Outcomes

- Prepare an action plan and academic contribution strategy for the Korean government, to ensure successful outcomes from Korea's participation in the 2017 G20 Hamburg Summit, so as to play a role in boosting G20 discussions, and at the same time secure momentum for the implementation of relevant domestic policies

Comprehensive Research on Trade Liberalization

Key Projects

- Monitored trade policies of the new US administration and prepared countermeasures in anticipation of renegotiations concerning the KORUS FTA
- Reviewed issues and devised countermeasures in preparation for the Eleventh WTO Ministerial Conference
- Identified trends in mega-FTAs and multinational trade liberalization negotiations
- Maintained network and exchanges with Korean and foreign trade liberalization experts and think tanks
- Identified and monitored developments in non-tariff barriers in major countries
- Presented a trade policy direction for the new Korean administration

Expected Outcomes

- Contribute to trade liberalization and economic development by conducting anticipatory research on changes in the global trade order
- Make achievements with regard to the DDA at the Eleventh WTO Ministerial Conference
- Keep track of trade policies of major countries and discussions on regional economic integration
- Devise measures in response to shifts in the global trade order by monitoring RTA trends and multinational agreements
- Conduct comprehensive research in the trade sector, including on the trade policy direction for the new administration
- Monitor progress in regional integration discussions in the Asia-Pacific region, such as the RCEP, TPP-11 and PA, assess the costs and benefits of Korea's participation, and formulate relevant strategies
- Build network among Korean and foreign trade experts

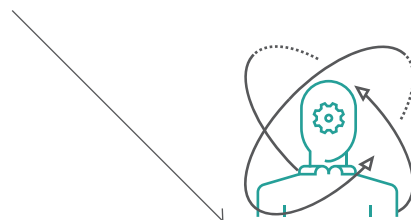
Operation of Pool of International Economists

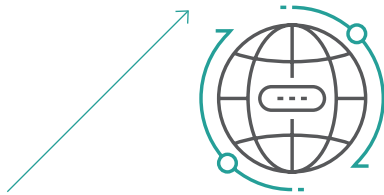
Key Projects

- Created Korea's Official Pool of International Economists (KOPIE), consisting of Korean experts specializing in the international economy who work in government agencies, academia and business, to facilitate networking and conduct joint research
- Analyzed discussions or progress in negotiations by major international organizations on the global economic order or economic management, to identify challenges for Korea and establish opinions, and in turn presented this to the government

Expected Outcomes

- Organized the pool of international economists into 25 areas to study, research and analyze international economic policies and regional issues, and used the pool as a forum for discussion, so as to contribute to the capacity-building of these experts, and propose that the government use the pool for international negotiations





Reinforcement of the East Asia Studies Network

Key Projects

- Hosted seminar, inviting Korean and foreign government officials and scholars in fields related to recent issues in East Asian economic cooperation
- Promoted joint research between KIEP researchers and external researchers building on the results of major domestic and international seminars related to East Asian economic cooperation
- Managed and reinforced networking between experts so as to share research information and identify tasks for cooperative research related to East Asian economic cooperation

Expected Outcomes

- Form a consensus on East Asian economic cooperation and propose relevant strategies
- Realize the potential of external research personnel
- Secure and utilize up-to-date data on each country

KIEP Trade Model and Commerce DB Establishment Project

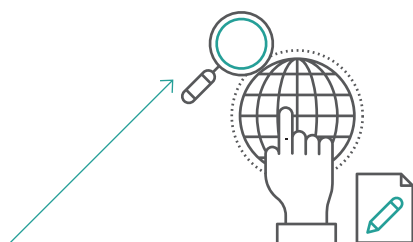
Key Projects

- Applied the dynamic CGE model (recursive GTAP model) to research related to trade policy research conducted in response to mega-FTAs and multinational agreements such as the TPP-11 and PA, and the Trump administration
- Established trade statistics and indices on South Korea's key trading partners (87 countries and economic zones)
- Established non-tariff barrier data using the MAST classification and studied methods by which to consider non-tariff barriers within the CGE model

Expected Outcomes

- Allow dynamic measures to be taken in response to diverse trade policy issues by applying dynamic CGE analysis techniques to various research
 - Assess of FTAs in force, analyze the impact of participating in TPP-11 and PA, examine economic impact of multinational agreements in WTO-level discussions
- Satisfy demand for research on new non-tariff barrier policies, etc. by introducing and developing various CGE application models
- Construct a DB on fundamental trade issues to offer basic analysis data for various types of research





Operation of the KIEP Global Macroscopic Model

Key Projects

- Used KIEP's global macroscopic model to assess the economic impact of different policies and constructed a model suited to the domestic situation
- Attended educational programs to improve the utilization of the model, and to build application models
- Modified and developed diverse application models in addition to the existing global macroscopic model, to meet new policy demands

Expected Outcomes

- Build capacity to utilize the model, through educational training, to use the model in analyses for research and to actively respond to demand for policy research
- Introduce and develop diverse macroscopic models to satisfy demand for policy research
- Complement the global macroscopic model by managing the DB related to basic macroscopic issues, so as to provide analysis data for supporting government policy decisions

KU-KIEP-SBS EU Center Project

Key Projects

- Hosted domestic seminars and international conferences on Korea-EU cooperation and economic relations
- Managed network of experts on EU issues and shared relevant information
- Hosted seminar for experts on economic issues within the EU and EU member states
- Shared information and promoted cooperation with EU experts and authorities on EU issues to support research on Korea-EU economic relations, and drew implications for Korea
- Supported research on European integration and key EU policies, and on issues related to the economies, politics and social phenomena of EU member states

Expected Outcomes

- Strengthen Korea's EU-related research capacity and draw implications by promoting academic research on Korea-EU economic relations and overall research activities, ultimately contributing to government policies
- Further promote information-sharing on EU issues and secure cooperation channels by forming a consensus on and expanding Korea-EU cooperation, and by engaging with more influential figures on EU-related issues such as regional experts or EU-related officials



General Projects



KIEP is conducting a wide range of general projects commissioned by the government or in accordance with international and domestic policy demands.

- 86 Operation of Korea Economic Institute (KEI) of America
- 87 Joint Research Project on Korea-US Relations and the Korean Peninsula
- 88 Studies in Comprehensive Regional Strategies
- 89 Promotion of Graduate Program for Area Studies
- 90 Operation of China's Regional and Provincial Research Team
- 91 Strengthening of Global Area Research Networks
- 92 Operation of Knowledge Network on Emerging Economies
- 93 Establishment of Eurasia Knowledge Network
- 94 Plan for Promoting the Northeast Asian Economic Community
- 95 Feasibility Studies of International Events
- 96 KIEP's Monitoring of Local Conditions in Europe
- 97 Comprehensive Chinese Studies
- 98 In-Depth Research by Country and Sector for the Formulation of Development Cooperation Policies

Operation of Korea Economic Institute (KEI) of America

Key Projects

- The Korea Economic Institute (KEI) expanded networking activities for a better understanding of Korea-US economic issues and policies, and at the same time served as a communication channel for Korea with the US.
- Analyzed and assessed developments in the US administration, Congress, businesses and industries, and conducted diverse projects to introduce and promote the Korean economy in the US, serving as a mediator in conducting bilateral negotiations and promoting mutual interests
- Built a diverse network by encouraging the participation of Korea and US high-level government officials, politicians, key figures in the press and business circles, former public officials and politicians, etc. in various programs
- Major publications
 - *On Korea 2017*
 - *Korea's Economy*, Volume 31
 - *Joint US-Korea Academic Studies*, Volume 28

Expected Outcomes

- Contribute to reinforcing the Korea-US relationship and to formulating Korea's international economic policies, by collecting information on key US issues and information on Korea, and hosting briefings on the Korean economy as well as seminars for Korea-US influencers
- Promote the Korean economy in the US, to provide accurate and swift information on relevant developments in the Korean economy and political situations, thus contributing to raising the awareness of the US public
- Reinforce networks with other institutions by hosting joint seminars and forums



Joint Research Project on Korea-US Relations and the Korean Peninsula



Key Projects

- Joint project conducted since 2006 between KIEP and the US-Korea Institute at the Johns Hopkins School of Advanced International Studies (USKI)
- Solidified the trust between Korea and the US, raised awareness among Washington's foreign affairs experts and scholars on the strategic importance of Korea-US relations, and in the long term, sought to establish a research and intellectual network to reinforce the new Korea-US partnership

Expected Outcomes

- Present political and economic mechanisms for the Korea-US alliance based on political and economic research on the United States' global management of allies, and contribute to improving Korea-US relations by analyzing how the Korea-US economic relationship and the regionalism in the Northeast Asian economy will affect such mechanisms
- Create a roadmap for the future development of the Korea-US alliance in anticipation of building a "global Korea," and for the formation of a new Korea-US partnership
- Support the formulation of government policies acceptable by the US and the international community, though an in-depth analysis of North Korean issues and inter-Korean relations
- Build a network of experts together with the US government, Congress, the World Bank, the IMF and research institutes to discuss and request cooperation on Korea's economic policies and inter-Korean economic cooperation policies
- Utilize established international relations and regional networks to support the creation of mid- to long-term national development strategies and economic and financial policies.

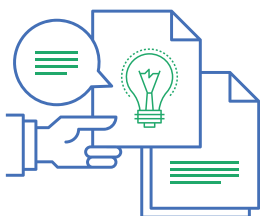
Studies in Comprehensive Regional Strategies

Key Projects

- Published the KIEP Studies in Comprehensive Regional Strategies series, to offer in-depth analyses and policy implications on economic issues including trade, investment and industrial development, as well as the political, social and cultural development potential of strategic regions (countries) and measures to reinforce cooperation
- Invited foreign scholars and specialists in emerging economies to submit papers, so as to encourage basic research on the politics, economy, society, energy and history of strategic regions, to strengthen support toward researchers in emerging regions and to boost Korea's interests in relations with emerging economies
- Hosted the Fourth KIEP and Associations of Area Studies Conference to boost human and information exchanges between specialists from emerging economies and Korean and foreign researchers
- Major publications
 - Analysis on Development Issues in Central Asia and Its Implications for Korea's Development Cooperation
 - Mobile Healthcare in Africa and Korea's Cooperation Plan: Focus on East Africa
 - Structural Changes in India's Inbound M&A and Its Implications
 - Urbanization in India and Its Implications for Korea-India Economic Cooperation
 - Selected Promising Industries in Romania and Industrial Cooperation Between Korea and Romania
 - Iran's Economic and Political Trends and their Policy Implications for Industrial Cooperation

Expected Outcomes

- Make policy recommendations to relevant organizations through comprehensive and in-depth research on strategic regions with the aim of expanding economic cooperation in the long term, and contribute to building Korea's capacity in terms of its international economic policy and to formulating strategies
- Accumulate data and material on research related to strategic regions (countries) and establish an extensive pool of specialists for a stronger network, to serve as infrastructure for the execution of national policies



Promotion of Graduate Program for Area Studies



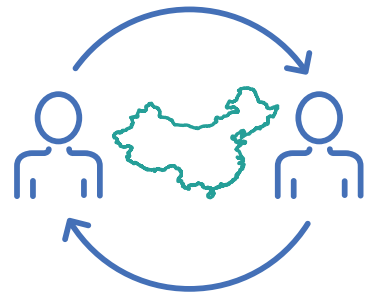
Key Projects

- Operated since 2008 the Graduate Program for Area Studies (GPAS) together with graduate schools of international studies
- Provided support for scholarships, overseas internships and field surveys, regular lectures, special lectures, student seminars, etc. with the aim of broadening the basis for area studies and promoting research
- Strengthened connection to KIEP projects related to area studies (visiting scholar program, KEEP project)

Expected Outcomes

- Boost graduate students' interest in area studies and serve to further encourage area studies by supporting area studies at graduate schools
- In line with the rapidly changing global order and demand for regional studies, move beyond major regions that have long been the subject of research, instead having the government and national R&D institutes provide support for studies of emerging countries
- Foster regional specialists with comprehensive expertise and a strong understanding of emerging regions who can contribute to the development and execution of the government's key economic policies, ultimately establishing Korea's status on the global stage and contributing to economic development
- GPAS beneficiaries from the last GPAS project term have begun advancing to the relevant areas, boosting anticipation that the fostering of regional specialists will lead to concrete results

Operation of China's Regional and Provincial Research Team



Key Projects

- In time for when projects for realizing the 13th Five-Year Plan would actually commence (2017), studied shifts in the development strategies in China's key regions in terms of services, advancement of manufacturing and promotion of new industries, to identify new business opportunities for Korean companies and support the formulation of Korea's China-bound policies
- Strengthened cooperation network with major research institutes across China's various regions, and identified issues related to mid- to long-term changes in China
- Operated Chinese Specialist Forum (CSF) website to offer diverse information on China by issue and by region
- Major publications
 - A Research on Expansion of Cooperation with Shandong Province in China by Utilizing the Korea-China FTA

Expected Outcomes

- Provide information on China's domestic market as well as strategies to Korean companies that reflect the changing conditions in Korea-China economic cooperation, and support the policy development of relevant government agencies
- Improve policy responses to rise in demand for information on China's different regions

Strengthening of Global Area Research Networks

Key Projects

- Fostered private sector regional experts specializing in regional economies, and strengthened national competitiveness
 - Supported Korean SMEs entering overseas markets, and operated the KIEP Emerging Economies Pathfinder (KEEP) project to foster young working-level regional specialists
 - Hosted seminars for entrepreneurs on trends in and prospects for emerging economies
- Invited foreign scholars and experts to KIEP through the visiting scholar program, to share research outcomes and information and to establish a tight network
- Major publications
 - Economic Outlook for Major Emerging Regions in 2018 and Expansion Strategies
 - Empirical Assessment of Trade Engagements: Africa, China and the Maritime Belt and Road Initiative

Expected Outcomes

- Foster young regional experts to strengthen research capacity and support overseas employment, and contribute to youth employment and job creation in the long term
- Provide SMEs with information on emerging regions, and raise competitiveness with regard to entry into emerging markets by supporting talented human resources
- Increase opportunities for joint research by reforming the visiting scholar program
- Establish KIEP's status as a think tank, by strengthening the capacity of KIEP's research on emerging regions through exchanges with foreign scholars and experts, and by promoting KIEP's research on emerging regions home and abroad



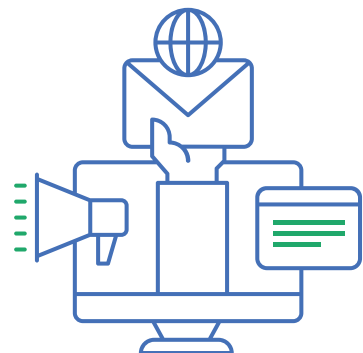
Operation of Knowledge Network on Emerging Economies

Key Projects

- Operated the EMERiCs website, providing information on emerging countries
 - Established database on 73 countries in six regions with the potential for economic growth, including India and South Asia, East Asia, Russia and Eurasia, Africa and the Middle East, Central and South America, Central and Eastern Europe
 - Provided 25,510 pieces of content through EMERiCs in 2017

Expected Outcomes

- Build an organized database on information on major emerging regions, which can serve as the basis for supporting efficient regional studies and strategies for entering emerging markets
- Continuously develop opportunities to engage with experts on emerging economies and further utilize the regional specialist network, to share the latest information and research outcomes on different regions and to provide content tailored to demand, thus supporting the operation of a portal site of a public nature



Establishment of Eurasia Knowledge Network



Key Projects

- As part of the Eurasia Knowledge Network Establishment Project being promoted by the National Research Council for Economics, Humanities and Social Sciences, discussed cooperation measures for trade, logistics, energy, tourism and construction between Korea and Mongolia
- In preparation for pushing ahead with the bilateral Economic Partnership Agreement, discussed measures on expanding economic and trade cooperation, fostering specialists and encouraging information sharing
- Hosted the Korean-Mongolia Workshop on Trade Policy in May 2017

Expected Outcomes

- Reinforce research networks with key Eurasian countries such as Mongolia and Russia, to support relevant studies on Eurasia by KIEP, and lay the basic infrastructure for expanding Korea's economic cooperation with Eurasia
- Seek cooperation measures with Mongolia in the areas of trade, logistics, energy, tourism and construction, to provide guidance to the Korean government or Korean companies looking to engage in assistance, investment and cooperation
- Evaluate past economic cooperation between Korea and Mongolia, and discuss ways to improve the relationship in the mid to long term, to present policy implications for building a friendly strategic partnership with Mongolia

Plan for Promoting the Northeast Asian Economic Community



Key Projects

- Assisted research aiming to sustain the momentum of economic integration in the Northeast Asian region and to serve a pivotal role in holding more in-depth and extensive relevant discussions
- Hosted the 26th Northeast Asian Economic Forum (NEAEF) to facilitate discussions on the regional level on the necessity of a Northeast Asian economic community and advisable measures to realize this goal
- Major publications
 - Sustaining the Momentum for Building a Northeast Asian Economic Community

Expected Outcomes

- Encourage discussions and form consensus on the Northeast Asian economic community at the regional level
- Build mutual understanding and trust among countries within the region, in turn improving intra-regional relations
- Lend a stronger voice to the Northeast Asian region on the international stage, and strengthen Korea's leadership at the regional level

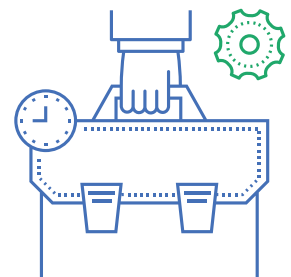
Feasibility Studies of International Events

Key Projects

- As per the “Regulations on Hosting International Events (Directive of the Ministry of Strategy and Finance),” took exclusive responsibility for conducting feasibility studies for international events to enable efficient review by the Committee on Reviewing International Events (under the Ministry of Strategy and Finance)
- Feasibility studies on international events were conducted on the basis of an official request by the Ministry of Strategy and Finance to KIEP, and involved the assessment of the feasibility of basic plans drafted by the agency hosting the international event
- International events subject to feasibility studies
 - 29th ITS World Congress in 2022
 - International Event for 2018 Jikji Korea
 - Basic plan for the 2nd World Martial Arts Masterships
 - Plan for 6th OECD World Forum
 - Feasibility study on the 2019 FINA World Aquatics Championships
 - Further analysis of basic plan for the 2019 World Martial Arts Masterships

Expected Outcomes

- Reinforce the objectivity of feasibility studies on international events, by giving exclusive responsibility to a specialized research institute affiliated with the government, and contribute to reinforcing the effectiveness of international events
- Prevent international events from being held indiscriminately, and contribute to the systematic management of international events and efficient assistance from national funds



KIEP's Monitoring of Local Conditions in Europe

Key Projects

- Utilized international organizations including the OECD (Paris), WTO (Geneva), EU institutions (Brussels), BIS (Basel), local agencies in working partnerships with KIEP, the EU Delegation and Korean institutions with overseas branches to acquire local information, and dispatched PhD researchers to build a local human resource network
- Held meetings with officials from the European Commission and the European Parliament, hosted expert forums and seminars to strengthen relationships with KIEP's researchers
- Attended public hearings and seminars held by the European Commission, European Parliament and European Council to acquire the latest local information related to EU policies
- Jointly hosted the "World Policy Conference (10th Edition)" together with the French Institute of International Relations (Ifri)

Expected Outcomes

- Build a concrete cooperation channel in Europe to enable the swift monitoring of policy-making processes that may affect Korea, in turn facilitating the development of policy countermeasures
- By conducting preemptive studies on new isolationism trends among advanced countries following Brexit, and continuing to analyze current issues, provide policy countermeasures that can help strengthen the competitiveness of the Korean economy in a rapidly changing global market



Comprehensive Chinese Studies



Key Projects

- Chose to focus the Comprehensive Chinese Studies on studying policies, designating tasks under five key research topics
- Conducted a designated public competition for research institutes belonging to the National Research Council for Economics, Humanities and Social Sciences, and carried out joint research with seven institutes
- Built an overseas network through research on China-US relations
- Major publications
 - Economic Challenges for Korea: Mega-Trends and Scenario Analyses
 - Comparing the Health of Korean and Chinese Women from a Gender Perspective and Health Policy Improvement Measures
 - Study on a Comparison of Air Pollution Reduction Policies in Korea and China and Relevant Cooperation Measures - Focusing on the Management of Stationary Pollution Sources
 - Study on China's Social Structure
 - Study on the Social and Cultural Adaptation of Chinese Students Studying in Korea Adapt and Measures for Assistance
 - Study on Cooperation Measures for the Development of the Border Area to Strengthen the Connection Between the Korean Peninsula and the Northern Region: Focusing on the Hunchun Area
 - Analysis of China's Childbirth and Childcare Policies: Focusing on Beijing and the Yanbian Area
 - Study on Strategy for New Infrastructure for South Korea-North Korea-China in Connection to China's Northeast Region - Focusing on Collaboration with the New Economic Map for the Korean Peninsula and the One Belt, One Road Strategy

Expected Outcomes

- Establish a foundation for Korea-China cooperation by offering policy data for the establishment of national strategies in relation to China
- Focus research capacities in Chinese studies by promoting exchanges between Korean and overseas researchers specializing in China
- Support Korean companies in China by offering them basic data that can help them in their efforts to expand into the Chinese market
- Support the establishment of policies to foster strategic industries in relation to China

In-Depth Research by Country and Sector for the Formulation of Development Cooperation Policies



Key Projects

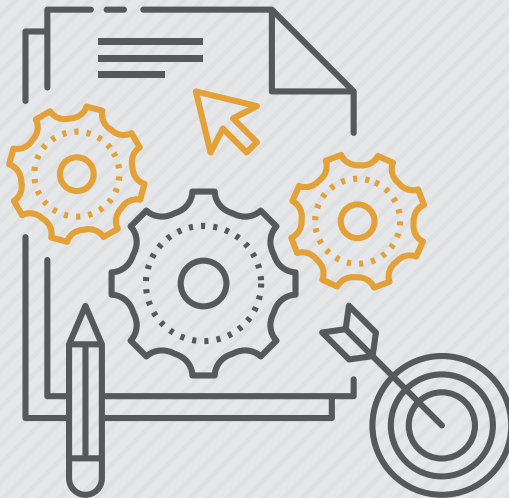
- Carried out studies of different sectors in key development cooperation partner countries, presenting policy directions and strategies for development cooperation
 - From the development cooperation perspective of different sectors in key cooperation partner countries, (1) analyzed trends in international discussions and the current state of affairs in terms of assistance, (2) assessed performance in development cooperation and projects by each sector, and (3) presented directions for Korea's cooperation with such countries and areas requiring improvement
 - Suggested promising cooperation areas reflecting the level of and demand for development in partner countries, and proposed diverse forms of cooperation and partnerships reflecting the changes in the development cooperation environment
 - Key areas of study: Carried out policy research based on a selection of key areas of cooperation as defined by the CPS or of global issues
- Major publications
 - Climate Change in Sri Lanka: Issues and Prospects for Korea's Development Cooperation
 - Korea's Development Cooperation for Gender Equality in Cambodia
 - Korea's Development Cooperation for Agriculture in Laos
 - Korea's Development Cooperation for Vocational Education and Training in Uzbekistan

Expected Outcomes

- Build strategic partnerships with key cooperation partners by conducting research on sectors in the relevant countries, and suggest policies for enhancing development effectiveness
 - Contribute to the formulation and execution of the government's development cooperation policies by proposing concrete, feasible cooperation measures in promising areas
- Establish a research network related to development cooperation and conduct joint research projects on development cooperation measures by country and by sector, to secure sufficient time for research and studies in the development cooperation sector



Appendix



102	Research Departments and Teams
108	List of Publications in 2017
117	Major Events and Seminars
120	Settlement of Accounts for 2017

Research Departments and Teams

International Macroeconomics & Finance Dept.

International Macroeconomics, International Finance

The department analyzes trends in the global economy and in the international financial market to develop policy plans and ensure the stable growth of the Korean economy, by presenting a long-term economic vision according to which the country can actively respond to new developments in the global economic order.

AN Sungbae | Director General

International Macroeconomics, Applied Econometrics, DSGE Models, Bayesian Methods

International Macroeconomics Team

AN Sungbae

Head of Team

International Macroeconomics,
Applied Econometrics, DSGE Models,
Bayesian Methods

YOON Deok Ryong

Senior Research Fellow

Economics

JUNG Sung-Chun

Senior Research Fellow

Japanese Economy

HAN Minsoo

Associate Research Fellow

International Macroeconomics

CHOI Hyelin

Associate Research Fellow

International Economics,
Macro Economics,
Foreign Direct Investment(FDI)

Kotbee SHIN

Associate Research Fellow

Macroeconomics,
International Economics

KIM Subin

Senior Researcher

International Macroeconomics

LEE Jinhee

Researcher

International Macroeconomics

International Finance Team

JEONG Young Sik

Head of Team

International Finance

KANG Tae Soo

Senior Research Fellow

International Finance

KIM Kyunghun

Associate Research Fellow

International Finance

KIM Hyo Sang

Associate Research Fellow

International Finance

YANG Da Young

Senior Researcher

International Finance

KANG Eunjung

Senior Researcher

International Finance

International Trade Dept.

WTO, Multilateral Trade, FTA, FDI, Services, Agricultural Trade

The International Trade Department analyzes key issues in the areas of the WTO, multilateral trade, regional trade agreements, and proposes directions on trade policy-making and strategic measures.

BAE Chankwon | Director General
International Trade, Industrial Organization

Trade and Investment Policy Team

KIM Jong Duk

Head of Team

—
Multilateral trade, services trade,
foreign direct investment,
trade agreements etc

CHOI Nakgyoon

Senior Research Fellow

—
Economics

June Dong KIM

Senior Research Fellow

—
International Trade

OH Soo Hyun

Associate Research Fellow

—

LEE Kyu Yub

Associate Research Fellow

—
International Trade, Digital Trade

KOO Kyong Hyun

Associate Research Fellow

—
Labor Economics

KANG Jungu

Principal Researcher

—
International Trade, Services Trade,
Input-Output Analysis

KIM Hyuk-Hwang

Principal Researcher

—
FDI, International Economics

EOM Jun-Hyun

Senior Researcher

—
International Law

CHUNG Min-chirl

Researcher

—
International Trade,
Applied Econometrics

Trade Agreement Team

CHO Moonhee

Head of Team

—
FTA, TBT, NAMA

KIM Sang Kyom

Senior Research Fellow

—
Economics

Jin Kyo SUH

Senior Research Fellow

—

KIM Young Gui

Research Fellow

—
Applied and Theoretical Econometrics,
International Trade, Industrial Organization

LEE Sooyoung

Associate Research Fellow

—
International Trade, Firm Theory

NAHM Sihoon

Associate Research Fellow

—
International Trade, FTA,
International Political Economy

PARK Ji Hyun

Senior Researcher

—
WTO, International Trade, E-commerce

PARK Hyeri

Senior Researcher

—
FTA, Trade Adjustment Assistance, SME,
Anti-dumping, Labor

KIM Min-Sung

Senior Researcher

—
Rules of Origin, TRIPS

KEUM Hye Yoon

Senior Researcher

—
Economics

YOO Saebyul

Senior Researcher

—
FTA, TBT, Environment

KANG Min Ji

Researcher

—
FTA, international trade law

Chinese Economy Dept.

Chinese Economy, Sino-Korean Relations, New Normal, One Belt One Road Initiative

The Chinese Economy Department analyzes trends within the financial sector of the Chinese economy and its international economic relations, while conducting research projects on Chinese economic policies and systems, to propose appropriate policy measures for the Korean economy in response to the continuous opening and development of the Chinese economy.

YANG Pyeong Seob | Director General

Chinese Economy

China

LEE Seung Shin

Head of Team

Chinese Economy, FDI in China,
Sino-Korean Economic Relations

LEE Chang-Kyu

Visiting Research Fellow

Economics

LEE Hyun Tai

Associate Research Fellow

Chinese economy

Kotbee SHIN

Associate Research Fellow

Macroeconomics,
International Economics

HYUN Sang Baek

Associate Research Fellow

Chinese Economy

NA Su Yeob

Senior Researcher

Macroeconomics

PARK Minsuk

Senior Researcher

Chinese Economy

HONG Jin Hee

Senior Researcher

Chinese Economy

LEE Hyo Jin

Researcher

Chinese Economy

KIM Young Sun

Researcher

Chinese Economy

CHO Ko Un

Researcher

Chinese Economy

OH YUN MI

Researcher

Chinese Economy

China Regional and Provincial Research Team

LEE SANG HUN

Head of Team

Chinese Economy

KIM Hong Won

Senior Researcher

China's regional economy

PAK Jinhee

Senior Researcher

Chinese central region economy,
China's health-law service

LEE Hanna

Senior Researcher

Shanghai / Jiangsu / Zhejiang

CHOI Ji Won

Researcher

KIM Joo Hye

Researcher

China's regional economy

CHOI Jae Hee

Researcher

China's regional economy

JEON Su Gyeong

Researcher

Chinese Economy

Advanced Economies Dept.

East Asian Economic Cooperation, Northeast Asian Economy, Japanese Economy

The Advanced Economies Department studies major trade strategies and economic policies in the U.S., EU, and Japanese economies to provide the Korean government with effective response measures.

KIM Gyu-Pan | Director General
Economics (Applied Microeconomics)

East Asia Team

CHOI Bo-Young
Head of Team
—
International Trade

JEONG Hyung-Gon
Senior Research Fellow
—
East Asian economic cooperation and integration, International trade, Foreign direct investment, Transition economy, Macroeconomic policy, Development economics, Privatization policy

LEE Hyong-Kun
Principal Researcher
—
International Economy, Japanese Economy

LEE Boram
Senior Researcher
—

LEE JungEun
Researcher
—
Japanese Economy

KIM SeungHyun
Researcher
—
Japanese Economy

SON Wonju
Researcher
—

Europe and Americas Team

YOON Yeo Joon
Head of Team
—
North American Economy, Economic History

KIM Heungchong
Senior Research Fellow
—
International Commerce and Regional Trade Policy, European Economy, Economic Growth and Integration

JOE Dong Hee
Associate Research Fellow
—
Regional Studies (Europe), Applied Microeconomics

LEE Cheol-Won
Principal Researcher
—
CEE(Central and Eastern Europe)'s Economy, International Trade and Finance of Transition Economy

KIM Jino
Principal Researcher
—
Latin American Area Studies, International Relations

KIM Jonghyuk
Senior Researcher
—
US/Canada Economy, Financial Supervision(money laundering)

OH Taehyun
Senior Researcher
—
EU, Western Europe, FTAs, International Political Economy (IPE), Energy and Environment

LEE Hyun Jean
Senior Researcher
—
EU

PARK Misook
Senior Researcher
—
Latin American Economy

YI Si Un
Senior Researcher
—
South American Economy

KWON Hyuk Ju
Researcher
—
US Economy

LIM You Jin
Researcher
—

KIM HYOEUN
Researcher
—
South American Economy

New Southern Policy Dept.

APEC, Southeast Asian Economies, ASEAN, Central Asia, Mongolian Economy, ODA

The New Southern Policy Department conducts research projects on economic and political changes in the New Southern region, producing regional strategies for the Indian market and ASEAN nations and providing timely analyses for major policy goals within the government's New Southern Policy.

KWAK Sungil | Director General

APEC, South-East Asian Economy, South-East Asia Investment, ASEAN Economic Community, ASEAN, Regional Production Network

Asia Pacific Team

MOON Jin-Young

Head of Team

Resources and Environment Economy

NA Seung Kwon

Senior Researcher

South-North Korea Economic Cooperation, Free Economic Zone, Northeast Economic Cooperation

KIM Doyeon

Senior Researcher

'Studies in Comprehensive Regional Strategies' Project Management

PARK Nayoun

Senior Researcher

KIM Eunmi

Researcher

Energy & Environment, Digital Economy

Yoon Ah OH

Research Fellow

Southeast Asian Economy, ASEAN Regional Integration, ASEAN and Its External Relations

LEE Jaeho

Senior Researcher

ASEAN economy, Entry mode choice

LEE Sunghee

Senior Researcher

Climate Change, Digital Economy

YUN Chihyun

Researcher

Central Asia-Mongolia Economy / Development Cooperation

LA Meeryung

Associate Research Fellow

Southeast Asia and Oceania Economy / International Trade / Industrial Organization

SONG Young-Chul

Senior Researcher

Southeast Asian Economy

LEE Jung-Mi

Senior Researcher

KIM Jegook

Researcher

Southeast Asia economic integration

CHEONG Jaewan

Principal Researcher

Southeast Asian (ASEAN) Economy and Industry, Mekong River Development / GMS Program

SHIN Mingeum

Senior Researcher

Philippine and Malaysian Economy, Greater Mekong Subregion Development

SHIN Minlee

Senior Researcher

Southeast Asia

Mi Lim KIM

Researcher

Southeast Asian (ASEAN) Economy (Cambodia, Laos, Myanmar)

Development Cooperation Team

JUNG Jione

Head of Team

Development Cooperation Policy, Climate Finance, Trade and Development

LEE Ju Young

Senior Researcher

OH Hyekyung

Researcher

KWON Yul

Senior Research Fellow

Development Economics, ASEAN, ODA

LEE Sang Mi

Senior Researcher

ODA Policy

Yoon Sun HUR

Associate Research Fellow

ODA Policy / Impact Evaluation

SONG Jihei

Senior Researcher

Environment and Development, Climate Change, Renewable Energy Financing

JEONG Jisun

Senior Researcher

International Development, Development Evaluation, Private Sector Development, Multilateral Aid

YOO Aila

Researcher

Aid for Trade / Fragile States / Development Cooperation

New Northern Policy Dept.

Russian and CIS Economies, African and Middle East Economies, Inter-Korean Economic Cooperation, North Korean Investment

The New Northern Policy Department carries out policy research to realize the vision of a Northeast Asia Plus Community of Responsibility and the New Economic Map for the Korean Peninsula, thus expanding the horizon of the Korean economy. The Department also supports the government's development of North Korean and unification policies.

Joungho Park | Director General

Russia-CIS Politics and Economy

Russia and Eurasia Team

Joungho PARK

Head of Team

—
Russia-CIS Politics and Economy

JEONG Yeo Cheon

Senior Research Fellow

—
Theory of Economic System

KIM Seok Hwan

Visiting Research Fellow

—

JEONG Minhyeon

Associate Research Fellow

—

JEONG Dongyeon

Senior Researcher

—
Mongolia and Caucasus region

KANG Boogyun

Senior Researcher

—

MIN Jiyoung

Senior Researcher

—
Russia / CIS Economy

KIM Cho Rong

Researcher

—
Central Asia

Africa and Middle East Team

LEE Kwon Hyung

Head of Team

—
Middle East economy, Industrial policy

PARK Young Ho

Research Fellow

—
Economics, Africa Economies, ODA

JUNG Jae Wook

Associate Research Fellow

—
Africa and the Middle East Economies and international trade

JANG Jong-Moon

Senior Researcher

—

SON Sung Hyun

Senior Researcher

—
Middle East Economy, Islamic Finance

Yejin Anna KIM

Researcher

—
Africa studies, development economics

JANG Yunhee

Researcher

—
Middle East and North Africa

RYOU Kwangho

Researcher

—
Middle East Economy

International Cooperation for Korean Unification Team

CHOI Jangho

Head of Team

—

RHEE Jung Kyun

Senior Researcher

—
International Cooperation for Korean Unification

CHOI Yoojeong

Researcher

—

IM So Jeong

Researcher

—

KIM Bum Hwan

Researcher

—

Halin HAN

Researcher

—

List of Publications in 2017



Policy Analyses (in Korean)

I 17-01 I

Factors Influencing ASEAN FDI and the Policy Implications

JEONG Hyung-Gon, BANG Ho Kyung, LEE Boram, and PEK Jong-Hun

I 17-02 I

Electricity Industrial Policies in the Middle East and Their Implications for Korean Companies

LEE Kwon Hyung, SON Sung Hyun, JANG Yunhee, and RYOU Kwang Ho

I 17-03 I

China's Belt and Road Initiative and Implications for the Korean Economy

LEE Seungshin, LEE Hyuntae, HYUN Sangbaek, NA Suyeob, KIM Youngsun, CHO Gowoon, and OH Yunmi

I 17-04 I

Evaluation of Korean SMEs' Management Status in Southeast Asia and Policy Implications

KWAK Sungil, CHEONG Jaewan, KIM Jegook, and SHIN Minlee

I 17-05 I

The Impacts of Anti-Corruption on Trade Cost: Economic Implications and Policy Suggestions

KIM Sangkyom, PARK Soon Chan, and KANG Minji

I 17-06 I

Analysis on North Korea's Trade and Industrial Policy

CHOI Jangho, LIM Soo Ho, LEE Seogki, CHOI Yoojeong, and IM So Jeong

I 17-07 I

The Fourth Industrial Revolution in Major Countries and Growth Strategy of Korea: U.S., Germany and Japan Cases

KIM Gyu-Pan, LEE Hyong-Kun, KIM Jonghyuk, and KWON Hyuk Ju

I 17-08 I

Structural Factors of Global Trade Slowdown and Their Implications

CHOI Nakgyoon, KANG Jungu, LEE Hongshik, and HAN Chirok

I 17-09 I

The Impact of Exchange Rate Fluctuations on Korean Firms and Its Policy Implications

YOON Deok Ryong and KIM Hyo Sang

I 17-10 I

Changing Economic Environments in MERCOSUR and Strategic Ways to Foster Business Cooperation between Korea and MERCOSUR

KWON Kisu, KIM Jino, PARK Misook, and KIM Hyoeun

I 17-11 I**The Effect of Financial Market Integration on Monetary Policy and Long-term Interest Rate in Korea and Its Policy Implications**

KIM Kyunghun, KIM Soyoung, YANG Da Young, and KANG Eunjung

I 17-12 I**The Impact of Cumulative Rules of Origin on Trade Costs: Estimates from FTAs, Economic Effects and Policy Implications**

CHUNG Chul, PARK Soon Chan, PARK Innwon, KIM Min-Sun, KWAK Soyoung, and CHUNG Minchirl

I 17-13 I**Africa's Rising Consumer Market and Korea's Engagement Opportunity through Industrial Zones Development**

PARK Young Ho, JUNG Jae Wook, and KIM Yejin

I 17-14 I**Trump Administration's Trade Policy Toward China**

YOON YeoJoon, KIM Jonghyuk, KWON HyukJu, and KIM Wongi

I 17-15 I**A New Framework for Industrial Cooperation between Korea and the EAEU**

PARK Jounggho, YEOM Dongho, KANG Boogyun, MIN Jiyoung, and YUN ChiHyun

I 17-16 I**Impact Evaluation and the Implication for Korea's ODA Evaluation System**

HUR Yoon Sun, JEONG Jisun, LEE Ju Young, YOO Aila, YOON Sangchul, and LEE Jongwook

I 17-17 I**Analysis of Manufacturing Sector in India and Its Implications for Korea-India Cooperation**

LEE Woong, BAE Chankwon, and LEE Jung-Mi

I 17-18 I**The Employment Effect of Exports**

WHANG Unjung, LEE Sooyoung, KIM Hyuk Hwang, and KANG Youngho

I 17-19 I**The Impact of E-commerce on International Trade and Employment in Korea**

LEE Kyu Yub, BAE Chankwon, Lee Sooyoung, PARK Ji Hyun, and YOO Saebyul

I 17-20 I**An Analysis of Operation Mechanism of Foreign Exchange Acquisition Projects in North Korea: Focus on the Mineral Sector (anthracite, iron ore)**

LIM Sooho, YANG Moonsoo, and RHEE Jungkyun

I 17-21 I**China's Regional Innovation Strategy in the New Normal Era and its Implications for Korea**

JUNG Jihyun, LEE Sanghun, NO Suyeon, OH Jonghyuk, PAK Jinhee, LEE Hanna, and CHOI Jaehee

I 17-22 I**A Study on the Effects of Economic Openness on Korea's Income Distribution**

KIM Young gui, NAHM Sihoon, KEUM Hyeyoon, and KIM Nak Nyeon

I 17-23 I**China's Manufacturing Development and Korea's Countermeasures**

LEE Hyuntae, CHOI Jangho, CHOI Hyelin, KIM Youngsun, OH Yunmi, and LEE Joonkoo

I 17-24 I**A Study on the Effects of Non-Tariff Measures: an Application of MAST Classification**

CHO Moonhee, KIM Jong Duk, PARK Hyeri, and CHUNG Minchirl

I 17-25 I**Changes in the Global Trade Environment and Japan's Trade Policy**

KIM Gyu-Pan, LEE Hyong-Kun, LEE JungEun, and KIM Jegook

I 17-26 I**The 4th Industrial Revolution Strategy and Cooperation in Asian Major Countries, China, India, and Singapore**

CHO Choongjae, CHEONG Jaewan, SONG Young-Chul, and OH Jonghyuk

I 17-27 I**Changes in International Energy Market and Their Impact on the Korean Economy**

AN Sungbae, KIM Kihwan, KIM Subin, LEE Jinhee, and HAN Minsoo

I 17-28 I**Post-Brexit EU System: Forecast and Policy Implications**

JOE Dong-Hee, LEE Cheolwon, OH Taehyun, LEE Hyun Jean, and LIM You Jin

I 17-29 I**An Analysis of Service Trade Regulations in Korea, China and Japan and its Policy Implications**

CHOI Bo-Young, LEE Boram, Lee Seo Young, Pek Jong Hun, BANG Ho Kyung

I 17-30 I**A Research on the Activation Measures of Korea-China Service Trade: Focused on the Major Industrial and Regional Analysis**

LEE Sanghun, JUNG Jihyun, KIM Hongwon, PAK Jinhee, LEE Hanna, CHOI Jiwon, KIM Joohye, and CHOI Jaehee

| 17-31 |

Global Application and Economic Analysis of Carbon Pricing for Emissions Reduction

MOON Jin-Young, HAN Minsoo, SONG Jihei, and KIM Eunmi

| 17-32 |

A Study on Investment-led Growth Policy: Theory and International Comparison

Pyo Hak K.

**Policy Analyses (in English)**

| 17-01 |

Economic Challenges for Korea: Mega-Trends and Scenario Analyses

Danny Leipziger, Carl J. Dahlman and Shahid Yusuf

**Policy References (in Korean / English)**

| 17-01 |

Towards Deeper Integration among China, Japan and Korea

CHOI Bo-Young and LEE Seo Young

| 17-02 |

APEC Regional Economic Integration and Policy Implication

KIM Sangkyom

| 17-03 |

An Analysis of Korea's Non-Tariff Measures: Focusing on Link between NTM and HS

KIM Jong Duk, CHOI Bo-Young, CHO Moonhee, and CHUNG Minchirl

| 17-04 |

Economic Cooperation between the Republic of Korea and Yanbian Korean Autonomous Prefecture in China and Development Plans

LIM Sooho, KIM Junyoung, PARK Jongsang, AN Guo-Shan, and PIAO Yi-Feng

I 17-05 I**China and Southeast Asia: Expanding Economic Engagement**

OH Yoon Ah, SHIN Minlee, KIM Mi Lim, and LEE Sinae

I 17-06 I**The EU's Investment Court System and Prospects for a New Multilateral Investment Dispute Settlement System**

YANG Hyeon

I 17-07 I**Study on Financial Services Regulations and Negotiation Trends of Free Trade Agreement (FTA): Focused on the Provision of Prudential Measures**

EOM Jun-Hyun

I 17-08 I**An Analysis of RCEP Value Chains and Policy Implications**

LA Meeryung

I 17-09 I**Korea's Economic Cooperation Tasks and Strategy for Northeast China in the 13th Five-Year Plan Period**

LEE Hyuntae, LEE Sanghun, KIM Junyoung, and YOON Gyeongsop

I 17-10 I**Current Status and Implications of the Sharing Economy in the US, Europe, and China**

NA Seung Kwon, KIM Eunmi, and CHOI Eun Hye

I 17-11 I**International Responses to Transboundary Air Pollution and their Implications**

MOON Jin-Young, KIM Eunmi, and CHOI Eun Hye

I 17-12 I**A Research on Expansion of Economic Cooperation with Shandong Province in China through Utilizing the Korea-China FTA**

LEE Sanghun and KIM Joo Hye

I 17-13 I**Economic Transition in the Unified Germany and Implications for Korea**

Hyung-Gon JEONG and Gerhard HEIMPOLD



Working Papers (in English)

I 17-01 I

Determinants and Consequences of Corporate Social Responsibility: Evidence from the Revision of the Company Act in India

LEE Woong

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Sustaining the Momentum for Building a Northeast Asian Economic Community

Edited by Lee-Jay Cho and Hyung-Gon Jeong

Major Events and Seminars

International Meetings, Seminars

Date	Name of Event	Host/Co-host
MAR 15	Future of Korea-U.S. Economic Relations Five Years after the Korea-U.S. FTA	Korea Institute for International Economic Policy (KIEP), KEI
APR 20~21	The 8 th Korea-Central Asia International Seminar	Korea Institute for International Economic Policy (KIEP), Embassy of the Republic of Korea in Turkmenistan
MAY 25~26	Korea-Mongolia Workshop on Trade Policy	Korea Institute for International Economic Policy (KIEP), Ministry of Foreign Affairs of Mongolia
JUN 2	2017 Spring International Conference	Korea Institute for International Economic Policy (KIEP), International Association of Area Studies (IAAS)
JUN 13	The 6 th Korea-Brazil Business Forum	Korea Institute for International Economic Policy (KIEP)
JUN 22~23	The 12 th KIEP-ERI Joint International Seminar	Korea Institute for International Economic Policy (KIEP), Economic Research Institute (ERI), Far Eastern Branch of RAS
JUN 24	Korea-Taiwan International Conference	Korea Institute for International Economic Policy (KIEP), Korean Association of Trade and Industry Studies (KATIS)
JUN 27	WEAI 92 nd Annual Conference	Korea Institute for International Economic Policy (KIEP), Korea International Finance Association (KIFA)
JUL 6	The 3 rd International Conference on Asia Trade	Korea Institute for International Economic Policy (KIEP), Korea Trade Research Association (KTRA), Korea Myanmar Research Association (KOMYRA), Korea Research Society for Customs (KRSC), Souphanouvong University (SU), Thuongmai University (TMU), Chungnam National University, Hannam University
JUL 28	The 5 th Korea-Ukraine Economic Forum	Korea Institute for International Economic Policy (KIEP), Korean Economic Association (KEA), Embassy of the Republic of Korea to Ukraine, Korea Rural Economic Institute (KREI), Government Agencies of Ukraine
AUG 16~18	Annual Conference of the Northeast Asia Economic Forum	Korea Institute for International Economic Policy (KIEP), China Asia Pacific Institute, Korea Energy Economics Institute (KEEI)
AUG 24	China's Promotional Strategies for the Service Industry by Region and South Korea-Sino Cooperation	Korea Institute for International Economic Policy (KIEP)
SEP 5	The 5 th Korea-Iran Forum	Korea Institute for International Economic Policy (KIEP), Institute for Trade Studies and Research (ITSR)
SEP 6	The 2 nd East Asia Economic Partnership Forum	Korea Institute for International Economic Policy (KIEP), Chinese Academy of International Trade and Economic Cooperation (CAITEC), Japan-China Organization for Business, Academia and Government Partnership (JCBAG)
SEP 21	The 21 st Korea-Latin America Business Forum	Korea Institute for International Economic Policy (KIEP), Korean Council on Latin America and the Caribbean (KCLAC), Korea International Trade Association (KITA), International Contractors Association of Korea (ICAK), Korea International Cooperation Agency (KOICA)

Date	Name of Event	Host/Co-host
SEP 22	The 13 th East Asian Institutes Forum	Korea Institute for International Economic Policy (KIEP), Thailand Development Research Institute (TDRI)
SEP 27, 29	The 5 th KIEP Seminar on Middle East Economic Issues	Korea Institute for International Economic Policy (KIEP), Embassy of the Republic of Korea in Algeria
OCT 13	KU-KIEP-EUI Joint Conference: Emergence of New Global Governance and the Future of Asia-Europe Relations	Korea Institute for International Economic Policy (KIEP), KU-KIEP-SBS EU center of Korea University, European University Institute
OCT 17	The 15 th KIEP-AMR Joint Seminar	Korea Institute for International Economic Policy (KIEP), Academy of Macroeconomic Research (AMR)
OCT 19-20	2017 KIEP and Associations of Area Studies Conference	Korea Institute for International Economic Policy (KIEP), 15 regional research associations
OCT 23	The 1 st ROK-US Joint Public-Private Economic Forum	Ministry of Foreign Affairs of Korea (MOFA), Korea Institute for International Economic Policy (KIEP)
OCT 31	2017 IEFS-EAER Conference	Korea Institute for International Economic Policy (KIEP), Korea Chapter of the International Economics and Finance Society (IEFS), Seoul National University (SNU)
NOV 2	2017 KIEP-FES-KDFW International Conference	Korea Institute for International Economic Policy (KIEP), Friedrich-Ebert-Stiftung (FES) Korea Office, Koreanisch Deutsche Gesellschaft für Wirtschaftswissenschaften (KDGW)
NOV 6	2017 Seoul International Conference on Trade and Industry	Korea Institute for International Economic Policy (KIEP)
NOV 10	The 7 th KIEP-IMF Joint Conference	Korea Institute for International Economic Policy (KIEP), International Monetary Fund (IMF)
NOV 27-28	Valdai Club Asian Regional Conference	Korea Institute for International Economic Policy (KIEP), Valdai Discussion Club
NOV 30	Establishment of 'The Belt and Road' and Korea-China Cooperation	Korea Institute for International Economic Policy (KIEP), Korean Embassy in China, NISS of Chinese Academy of Social Sciences (CASS)
DEC 6	Korean-German Economic Research Network on Unification	Korea Institute for International Economic Policy (KIEP)
DEC 2	A New Paradigm for Trade Policy: Trumpism and Challenges to the Multilateral Trading System	Korea Institute for International Economic Policy (KIEP), International Centre for Trade and Sustainable Development (ICTSD)
DEC 18	The U.S. Strategy on Korean Peninsula	Korea Institute for International Economic Policy (KIEP), National Assembly Research Service, The U.S.-Korea Institute at SAIS Johns Hopkins University (USKI), Korea Foundation (KF), Korea International Trade Association (KITA), Members of the National Assembly (Mr. Kim Kyunghyup and Mr. Lee Taekyu)

Domestic Conferences

Date	Name of Event	Host/Co-host
FEB 20	Trade Policy Evaluation of Trump Administration	Korea Institute for International Economic Policy (KIEP), Korea International Trade Association (KITA)
MAR 14	Recent Trade Issues on Korea-U.S. FTA	Korea Institute for International Economic Policy (KIEP), Korea Chamber of Commerce & Industry, Attorneys at Law, Steptoe & Johnson LLP
JUN 9	KIEP-KANS 2017 Joint Summer Conference	Korea Institute for International Economic Policy (KIEP), Korean Association of Negotiation Studies
JUN 15	New Korean Government's Strategies for Relations with China	Korea Institute for International Economic Policy (KIEP), Korea Chamber of Commerce and Industry (KCCI), Center for International Economic Studies (CIES), Korea-China Economic Forum
JUL 12	Symposium- Is Korea's current account surplus sustainable?	Korea Institute for International Economic Policy (KIEP), Financial Research Center of Korea
SEP 28	Special Symposium Commemorating the 20 th Anniversary of Financial Crisis	Korea Institute for International Economic Policy (KIEP), Korea International Finance Association (KIFA), Bank of Korea (BOK)
DEC 1	The 9 th Central Asian Union Conference	Korea Institute for International Economic Policy (KIEP), Korea Eurasia and Slavic Society, Korean Eurasian Society, Asia-Pacific Research Center of Hanyang University
DEC 13	Economic Outlook for Major Emerging Region in 2018 and Expansion Strategy	Korea Institute for International Economic Policy (KIEP), Busan Chamber of Commerce and Industry (BCCI)
DEC 20	Building a New Paradigm of Economic Cooperation between Korea and China	Korea Institute for International Economic Policy (KIEP), Ministry of Foreign Affairs (MOFA)

Settlement of Accounts for 2017

1. Revenues

The 29th (current) term 2017.1.1.~12.31.

(Unit: KRW)

Source	Budget (A)	Closing (B)	△Chg. (B-A)	% (B/A)
Total	35,035,703,698	34,106,150,449	△929,553,249	97.3
Government funds	28,092,000,000	27,960,093,000	△131,907,000	99.5
Government contribution allocation	29,479,000,000	29,347,093,000	△131,907,000	99.6
○ Salary	9,460,000,000	9,328,093,000	△131,907,000	98.6
○ In-house Research	5,258,000,000	5,258,000,000	-	100.0
○ General Projects	11,810,000,000	11,810,000,000	-	100.0
○ Operating expense	1,846,000,000	1,846,000,000	-	100.0
○ Equipments expense	1,105,000,000	1,105,000,000	-	100.0
Government contribution substitution(△)	△1,387,000,000	△1,387,000,000	-	-
Proprietary funds	6,110,245,000	5,312,259,971	△797,985,029	86.9
○ Internal service funds	4,242,000,000	3,436,216,410	△805,783,590	81.0
○ Enterprise funds	104,000,000	54,688,890	△49,311,110	52.6
○ Others	377,245,000	434,354,671	57,109,671	115.1
○ Substitution of Government Contribution for Salary Expenses	1,387,000,000	1,387,000,000	-	-
Carry-overs	811,581,851	811,581,851	-	100.0
○ Government funds	621,197,286	621,197,286	-	100.0
○ Own income	190,384,565	190,384,565	-	100.0
Research and development reserves	21,876,847	22,215,627	338,780	101.5

2. Expenditure

The 29th (current) term 2017.1.1.~12.31.

(Unit: KRW)

Source	Budget (A)	Closing (B)	Chg. (B-A)	% (B/A)
Total	35,035,703,698	32,933,907,890	2,101,795,808	94.0
Salary	13,017,977,340	12,189,268,990	828,708,350	93.6
Research expenses	18,668,943,759	17,545,980,584	1,122,963,175	94.0
Operating expense	2,041,948,883	1,995,170,227	46,778,656	97.7
Equipments expense	1,105,000,000	1,105,000,000	-	100.0
Research and development reserves	-	-	-	-
Closing surplus appropriation	201,833,716	98,149,309	103,684,407	48.6
Surplus	-	338,780	△338,780	Net decrease

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Guiding the Korean Economy
Understanding the Global Economy

Korea Institute for International Economic Policy

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