

ERIA Discussion Paper Series**Korea's Policy Package for Enhancing its FTA
Utilization and
Implications for Korea's Policy**

Inkyo CHEONG*

*Professor, Economics, and Director for Center on FTA Studies
Inha University*

May 2014

Abstract: *Korea's trade with most of its 46 free trade agreement (FTA) partner countries has been expanded continuously. Its FTA utilization ratios were as low as 20% before 2010, and some suspicions regarding the benefits of FTA were raised, despite the government's active promotion. But Korea recorded higher than 70% FTA utilization in the case of Korea-US FTA and the EU-Korea FTA in 2013. Today's high performance could be achieved due to the strategic approach and diverse support mechanisms initiated by the government of Korea since 2010. The supporting programs for businesses included education courses for companies and consulting, workshops to explain the FTAs and provide information on FTAs, building the portals for FTAs, and the expos for FTAs in foreign countries. Several policy implications can be drawn from Korea's experience in assisting businesses with FTA utilization. First, the major barriers that prevent companies from utilizing FTAs should be clearly identified. Secondly, coordination among national supporting agencies is critical in increasing the efficiency of the infrastructure assisting FTA utilization. Thirdly, governments should promote FTAs with large economies, which are expected to bring high economic gains in general. Fourthly, authorities of trade and industry should understand the importance of the quality of FTAs.*

Key words: Free trade agreement (FTA), FTA utilization, rules of origin (ROO), tariff elimination, ASEAN-Korea FTA

JEL classifications: F15, F53, O53

1. Background

Korea has established a very wide free trade agreement (FTA) network by implementing 9 FTAs with 46 countries (Table 1), and the utilization ratios of these FTAs are fairly high, ranging from 40 to 80% as of December 2013, although the rates differ depending on the method of measurement,¹ and some FTAs record poor performance in terms of FTA utilization. Korean companies' utilization ratios of FTAs were quite low 5 years ago (in 2008), and some suspicions regarding the benefits of FTA were raised, despite the government's active promotion.

Today's high performance was achieved due to the strategic approach and diverse support mechanisms initiated by the government of Korea since 2010. This goes back to the period of 2007-2009. When the ASEAN-Korea FTA was implemented in June 2007, Korean companies had high concerns over the FTA with ASEAN, which is geographically close and Korea's 5th-6th largest trading partner. However, it was reported that only few companies were utilizing the FTA in exporting their products to ASEAN countries. Despite the official announcement by the government of Korea on the implementation of the ASEAN-Korea FTA (June 1, 2007), only 5 ASEAN member countries officially effectuated the ASEAN-Korea FTA, and some countries were not ready to implement the agreement.² Moreover, the tariff rates were only partially liberalized, and the tariff schedules of the FTA were fairly complex.³ It was difficult for Korean businessmen to comprehend the tariff schedules given in the FTA without a high level of knowledge on FTAs.

It was surveyed that utilization rates for Korea and Japan were 20.8% and 29%, respectively. The surveys by KOTRA (2008), KITA (2009) and Cheong (2008, 2009) had similar findings. Most of the FTAs that Korea implemented this time were concluded with small and medium-sized developing countries. Moreover, in these FTAs, the preferential margin of tariffs is not big; as such, only one out of five enterprises was found to be utilizing FTAs in Korea. On the other hand, half of the enterprises that had been surveyed responded that they intended to utilize FTAs in the future. These Korean enterprises are thought to have responded with the implementation of the Korea-U.S. FTA (KORUS) in mind, and most of the enterprises are expecting its early implementation.⁴

Korea was embroiled in a controversy over the negotiation of the KORUS when the ASEAN-Korea FTA became effective. Anti-FTA groups advocated the cancellation of the FTA with the U.S., and the government of Korea was criticized for its handling of various aspects of the deal. The poor utilization rates of the FTA with ASEAN could be one of the arguments against KORUS. That is, even though the government promoted the economic gains of FTAs for the general public, low utilization rates meant a contrary outcome; a similar argument could apply to the KORUS. The controversy over the KORUS continued in 2008 and 2009, more logical arguments were raised over various areas such as the investor-state dispute settlement mechanism (ISDS) and the mistranslations of the agreement into Korean.

For an FTA to be implemented, it had to be ratified by the National Assembly (congress). The government planned to ratify the KORUS in 2009. However, with the exception of the FTA with Chile, Korea's low utilization of FTAs was not improved, and along with other issues could be a critical pretext for not approving the agreement in Korea. Therefore, improving the utilization rates of existing FTAs became one of the most urgent tasks for the trade authority in 2009-2010. A more serious issue was the fact that most small and medium enterprises (SMEs) did not utilize FTAs, and were losing interest in the FTA policy, since they interpreted that FTAs were for large companies, and that most of SMEs suffer from trade liberalization under FTAs.

The Korean enterprises, on the whole, consist of a small number of big corporations (1% of the total number of companies in Korea) and a large number of SMEs. Most of the 30 largest Korean corporations are classified as multinational corporations, whose exports account for roughly 70% of Korea's total exports. These corporations are not only friendly to the FTA policies but are also actively utilizing the existing FTAs for their respective businesses. It is not difficult for them to utilize the existing FTAs, since they have considerable manpower that can be dedicated to the task. However, most SMEs did not fully recognize FTAs, and have not secured the dedicated manpower for international trade. (Cheong and Cho 2009b)

2. Korea's FTA Performance

Korea was to participate in the global trend of regionalism by implementing the FTA with Chile in April 2004. Ten years later, Korea has developed one of the widest FTA network in the world. Korea's FTA partners are the U.S., European Union (EU), European Free Trade Association (EFTA), Canada, Australia, India, the Association of Southeast Asian Nations (ASEAN), Turkey, Colombia, Peru, and Chile. Korea has established free trade infrastructure with 49 countries through the conclusion of 11 FTAs, covering about 60% of world economy (Figure 1 and Table 1).

Figure 1: Korea's FTA Network



Source: Prepared by the author based on Cheong (2013).

The country is negotiating an FTA with China, expecting negotiations to be concluded by 2014. Korea commenced negotiations for a China-Japan-Korea (CJK) FTA and the Regional Comprehensive Economic Partnership (RCEP) agreement in the first half of 2013. FTAs with Japan, Mexico and the Gulf Cooperation Council (GCC) are progressing slowly, compared to currently effective (concluded) FTAs. Korea is in discussions for FTAs with Russia, the Trans-Pacific Partnership (TPP) and the South American Common Market (MERCOSUR).

Table 1: Korea's FTA Performance

	Country and Region (Key timing)
FTAs implemented (concluded)	Chile (implemented in April 2004) Singapore (March 2006) EFTA (September 2006) ASEAN (June 2007) India (January 2007) EU (July 2009) U.S. (March 2007) Peru (August 2011) Turkey (May 2013) Colombia (to be implemented in 2014 after ratification) Australia (signed in March 2014) Canada (concluded in March 2014)
FTA partners under official negotiation	China Japan China-Japan-Korea Regional Comprehensive Economic Partnership (RCEP) Mexico Gulf Cooperation Council (GCC) New Zealand
FTAs under consideration	Trans-Pacific Partnership (TPP) Russia South American Common Market (MERCOSUR)

Sources: Compiled from various sources.

It can be said that Korea is one of most successful countries in concluding FTAs with major trading partners in the world during the last decade. In addition to the number of FTA Korea implemented and concluded, Korea's FTA policy has been developed step by step in terms of quality and its recent FTAs with developed economies are very broad in terms of market access and comprehensive in coverage. That is, Korea has concluded 'deep and comprehensive' FTAs. Especially, KORUS is likely to be the world's most exemplary, as being the most advanced FTA can be seen.

In spite of establishing a wide FTA network, the government of Korea was criticized domestically because of low FTA utilization ratios. Although the country has provided several FTA support programs for companies since 2007, most companies had difficulties in utilizing FTAs. In 2009-2010, Korea introduced a comprehensive package for supporting companies in terms of FTA business information, various programs for staffs of trade companies, graduate courses for

FTA experts, FTA business models for beginners and ‘toll-free’ phone for free consulting for utilizing FTAs. Also the country has been tried to improve the efficiency of the package from the eyes of companies. Currently FTAs have become a basic infrastructure for most of trading companies.

3. Survey Results of 2008-2010

In 2010, the Korean trade authority reviewed the status of FTA utilization and made a commitment to prepare a government-level policy package for FTA utilization by private companies. At this time, the pros and cons of KORUS were being fiercely debated in Korea, and the government at the time needed to increase the level of support for the FTA in the business sector. The low utilization ratio of existing FTAs was an appealing logic against the ratification of KORUS, as it suggested that the economic gains from the implementation of the FTA would be smaller than the government’s estimates.

Low utilization was reproved in governmental survey for manufacturing and trading companies. Before the policy package for FTA utilization was created, extensive research on the FTA utilization ratios for each FTA, and major hurdles of discouraging the utilization were identified. It was revealed that most companies had the misunderstanding that the implementation of FTAs would automatically bring economic gains for them, without any action required on their part. They argued that the government had promoted a similar message in order to gain the support of the Korean people.

Korea was able to conclude negotiations for FTAs with Singapore, EFTA, ASEAN, India, the US, and the EU in the 5-year period of 2004-2008 due to high trade performance with its first FTA with Chile, which was implemented in April 2004. However, similar performance did not happen for subsequent FTAs.⁵ Several surveys at that time showed that most companies did not take advantage of the FTAs under implementation. The finding that most of the companies surveyed were not properly utilizing the FTA preferential tariffs was also substantiated in the results of the KOTRA (2008) survey, which showed that only 19% of all respondent firms

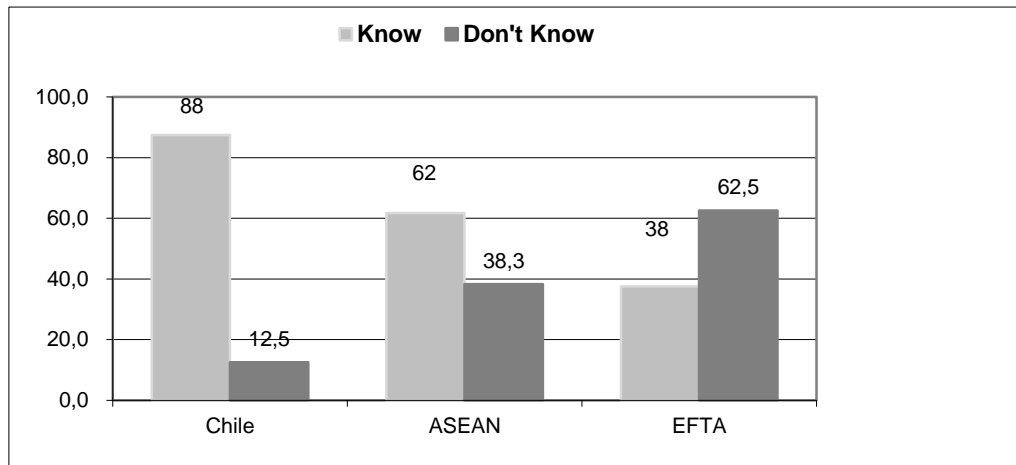
were utilizing FTA preferential tariffs. The survey by Cheong (2008) provided a similar result: only 21% of firms utilized FTAs in their business in applying preferential tariffs.

Cheong (2009) reported that the majority of Korean businessmen were unaware of the implementation of FTAs, and their perception was not very favorable regarding the FTA, although the government of Korea promoted the message that FTAs would provide lucrative business opportunities for Korean companies. Over the past several years, Korea's foreign-trade authorities have extensively publicized the promotion of FTAs among the Korean people, with the aim of increasing political support for FTA policy and enhancing the policy environment.

The survey was carried out in relation to 3 FTAs with Chile, ASEAN and EFTA which were implemented in 2009.⁶ The enterprises that responded to the survey included 221 SMEs that manufacture automotive parts, electrical goods and parts, machinery, petrochemicals, textiles, steel and metal products, and sundries. These companies were selected from across the country in order to minimize the bias coming from sample selection.

The survey result shows wide differences in the perception among the Korean enterprises on the implementation of FTAs. The enterprises' degree of recognition of the countries with which FTAs have become effective was highest for the FTA with Chile. 88% of respondents knew the implementation of the FTA with Chile, followed by the ASEAN countries (62%), and the EFTA countries (38%) (Cheong and Cho, 2009a).

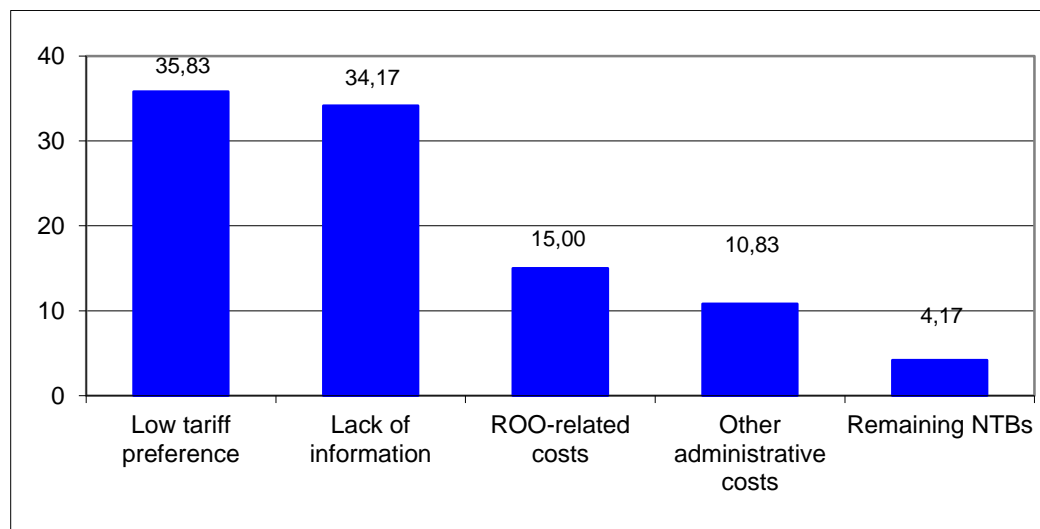
Figure 2: Perception of Implemented FTAs (%)



Source: Cheong and Cho (2010).

Several impediments were identified by the survey. Contrary to initial expectations, small tariff preference, that is, low incentive for utilizing FTAs, was the most frequently cited reason for not utilizing FTAs, followed by the lack of information, difficulties related with the rules of origin (ROO), and other administrative costs.

Figure 3: Impediments to FTA Use (%)



Source: Cheong and Cho (2010).

Table 2: Barriers to Korean Businesses' FTA Utilization

		1 st	2nd	3rd	4th
Imports		Lack of FTA information	Problems with ROOs	Low tariff margins	Other
Exports	Survey 1	Lack of FTA information	Problems with ROOs	Importers' intention for using FTAs	Other institutional barriers
	Survey 2	Low tariff margins	Lack of FTA information	Importers' business mind	Customs clearance

Source: Cheong and Cho (2010).

While the barriers identified to Korean businesses' FTA utilization were slightly different for imports and exports, the most significant barriers were a lack of FTA business information, difficulties in satisfying the rules of origin, low tariff preferential margins and the lack of importers' business mind in utilizing FTAs in partner countries. These barriers could not be alleviated within a short period of time, as it requires a lot of resources and efforts to institutionalize an infrastructure for providing FTA business information. Some tasks such as low tariff margin and importers' FTA business mind could not be improved without cooperation with the governments of FTA partner countries.

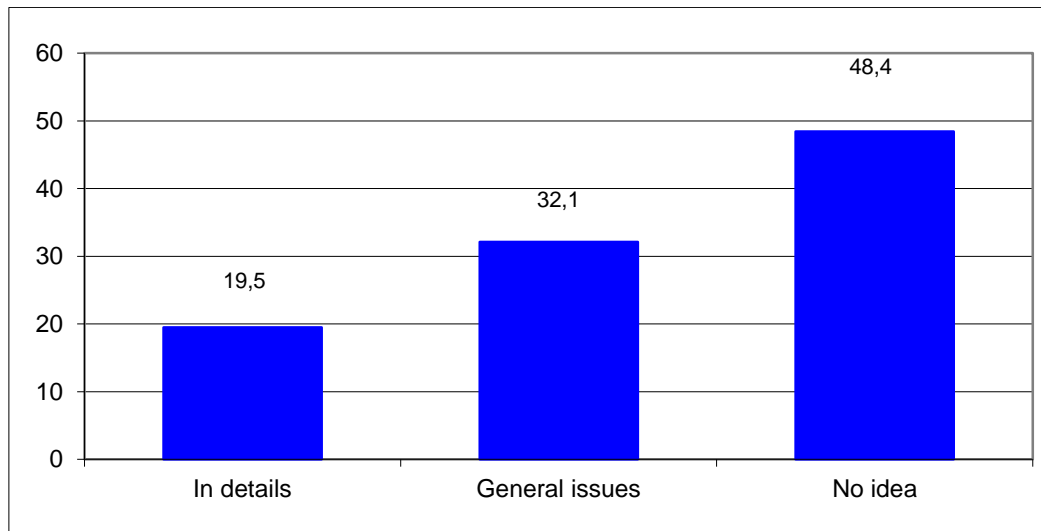
Low tariff preference was closely related with the FTA with ASEAN, which was implemented in June 2007. During the negotiation period of the ASEAN-Korea FTA, its effects were expected to be great since the ASEAN is not only geographically near Korea but is also the fifth-to-sixth-largest trading partner for Korea. The FTA, however, had not yet produced substantial trade effects at the time of survey. According to the market access of the FTA agreed upon by Korea and the ASEAN, in principle, both parties were supposed to abolish the tariffs on 90% of their imports (based on tariff lines) from each other by 2010, and should lower the tariffs on 7% of the imports (sensitive items) to 0-5% by 2016. For the remaining 3% of imports, which are ultra-sensitive items, diverse protective measures such as import permits, long-term tariff reduction, and the setting up of a tariff quota were put in place. The problem is that Korea's main export items are included in the remaining 3% ultra-sensitive items. As such, ASEAN's tariffs on such items, the exports of which Korea expected to sharply increase during the FTA negotiation, were not lowered.⁷

In particular, the difference between the Korea-ASEAN preferential tariff and the MFN tariff is close to 1% (when averaging across all the sectors), and the FTA preferential level felt by the enterprises is low. Moreover, the expenses that must be incurred to meet the ROOs also put burdens to the companies that utilize FTAs. As Korean companies did not see enough economic incentives to utilize the then-effective FTAs, they were certainly not willing to bear the burdens associated with the rules of origin. This implied that companies were losing chances to prepare themselves for organizing FTA utilization. Depending on the survey, a majority of respondents identified the biggest barrier to utilizing FTAs as “Korean FTA has no substantial tariff preference or no actual benefits from FTA utilization” and “lack of information about the business factors of the existing FTAs or about how to utilize them.” Since the trade authorities and related agencies had tried to provide the information on FTAs via websites and various publications, this result was another surprise for the Korean trade authority. This was interpreted to imply that Korean companies wanted manuals for utilizing FTAs and descriptive summaries that were suitable for entrepreneurs, rather than simply providing the texts of FTAs, which were available on the websites. The texts of FTAs are written in legal format, rather than in a descriptive style. This also highlighted the need for training courses for education about utilizing FTAs and interpreting the texts of FTAs.

Of the many parts of FTAs, ROO were cited as the most burdensome element in utilizing FTAs. Although non-preferential ROOs have been applied for Korean products regardless of FTAs, preferential ROO was a new concept for Korean companies in the early days of FTA implementation. Korean companies were not willing to change production processes in order to satisfy the product-specific preferential ROO given through FTAs. According to the survey by Cheong and Cho (2009b), only 19.5% of respondents replied that they understood the concept of the ROO in details, and 32.1% understood the general issues of ROO. About half of respondents did not know that satisfaction of the ROO is a requirement for applying the preferential margin of tariffs given in the FTAs. Korea Customs Services (2009) reported that 89% of domestic companies did not know the ROO for their products, and a higher share of SMEs/companies in local areas of Korea did not.

Figure 4: Awareness of ROOs

(unit: %)



Source: Cheong and Cho (2009b)

4. Governmental Package for Enhancing FTA Utilization

4.1. Introduction

The government of Korea established the FTA Committee for Domestic Measures ('FTA Committee' hereinafter) in June 2007. When KORUS was supposed to be signed by both parties, the FTA Committee was organized with the extension of the Support Committee for the Negotiation of KORUS, which was formed in early 2006, when Korea was about to start the negotiation for KORUS. One of the purposes of opening the FTA Committee was to support the utilization of FTAs, particularly for SMEs. At the same time, trade-related governmental agencies began to provide several programs to support FTA utilization by SMEs.

Although the government and various FTA supporting organizations established several programs to support FTA utilization, such as providing FTA information and education for the private sector, the role of the committee shifted to publicizing KORUS in order to attract public support for the FTA. One of the mistakes made for 2007-2009 was to exaggerate the benefits of the FTA implementation. That is, rather than saying that companies should understand how to utilize the FTA once it was implemented, and to satisfy the ROOs for their products as specified in the FTA, the

Committee emphasized that companies would naturally increase exports to partner countries once FTAs are implemented. Although the government was able to gather support for KORUS, companies did not realize the importance of strengthening their capacity to utilize FTAs, and performing structural adjustments in order to prepare to utilize FTAs.

The supporting programs for businesses included education courses for companies and consulting, workshops to explain the FTAs and provide information on FTAs, building the portals for FTAs, and the expos for FTAs in foreign countries. Although these programs seemed to be helpful for the business sector, the contents were very poor, and many were implemented as part of improving the sentiment of the general public in Korea. As a result, the strengthening of companies' capacity to utilize FTAs was very limited, and there emerged a phenomenon of 'FTA fatigue,' referring to the feeling of the uselessness of FTAs. Some companies complained that they suffered an extra burden due to the implementation of FTAs, without receiving any economic gain, and those businesses that were supporters of FTA policy changed their position regarding FTAs.

4.2. Evaluation of the Mechanism for supporting FTA Utilization (2010)

When the government of Korea adopted a comprehensive package supporting FTA utilization in 2010, the government of Korea set the goal of achieving a 60% FTA utilization ratio in the next 3 years. As a first step toward achieving the goal, the government decided to review the effectiveness of existing FTA support programs in detail, and to adopt a comprehensive package to support FTA utilization in early 2010, recognizing that establishing the national infrastructure for utilizing FTAs would be a key to a successful FTA policy. Otherwise, even though Korea implemented many FTAs with major trading partners, the economic gains would be small and the political environment for promoting FTAs would seriously worsen in the near future. A series of trilateral meetings of trade experts, industrial representatives and policy makers were held in the first half of 2010 in order to check the then-ongoing support programs and evaluate their effectiveness. Numerous criticisms were raised, some of which were as follow:

- Support programs were designed from the viewpoints of governmental authorities, and did not consider the needs of business sectors.
- The positive points of FTAs were emphasized but the basic conditions for utilizing FTAs, such as the satisfaction of the ROO, were ignored.
- Major portions of information on FTAs were for public advertisement for FTA promotion, in order to attract political support for FTA policy. That is, general information on FTAs was provided, which was not useful for the business sector.
- Several governmental agencies implemented almost the same programs with similar contents and an uncoordinated approach, without agency-oriented characteristics, leading to low efficiency and a waste of administrative capacity.
- The necessity of setting up a control tower and a comprehensive package to improve the efficiency of FTA programs was raised. All public programs for FTA utilization should be completely substantiated, coordinated and systemically managed by the FTA Committee in order to improve the efficiency in terms of budget spending, contents and the satisfaction of business sectors.

4.3. Major Structure of the Comprehensive Package for supporting FTA Utilization

Based on various surveys about the problems and institutional barriers in Korean companies' FTA utilization, the government of Korea, led by the Ministry of Strategy and Finance (MOSF), prepared a comprehensive business support mechanism titled "Plan for Enhancing FTA Utilization." Governmental concern for enhancing FTA utilization ratio and supporting business sectors began by introducing the FTA Promotion and Policy Adjustment Authority (FTAPPAA) in June 2007. Korea assigned the FTAPPAA to the MOSF for more efficient allocation of resources across all the ministries in Korea.⁸ In early 2010, Korea adjusted the major role of the FTAPPAA from dealing with domestic issues to supporting the business sector in utilizing FTAs. The FTAPPAA and the MOSF, a leading ministry regarding trade and industrial policies, arranged a national package of FTA information on policy, preferential tariffs and ROO, FTA experts, FTA consulting, local FTA assistance centers and FTA call center, as summarized in Table 3.

Table 3: Major Components of Korea’s FTA Support

	Business demand survey	FTA business information	FTA expert, consulting	Direct assistance for business	FTA system maintenance
Major contents	Regular and special meeting and surveys for industrial agencies, representative companies	- FTA homepages for tariffs, ROO - Seminars, workshops - Guide books, pocket books, brochures	- Cyber-learning system on FTAs - FTA class in universities and graduate schools - Courses for FTA consultants and experts	- FTA business consulting center - FTA call center - Local FTA Assistance Centers	- Integrated Business ROO center - Integrated FTA Info Center
Government agency	FTAPPAA and national related agencies New: National FTA Utilization Center	FTAPPAA and related agencies	FTAPPAA and related agencies, universities, business forum, academic associations	Related national agencies, customs brokers, FTAPPAA	Korea Customs Services, Center for ROO, Chamber of Commerce, KITA, etc.

Source: made by author.

Officials and staffs of the FTAPPAA were reinforced in terms of numbers and FTA expertise in dealing with FTA business support issues. Also, the FTAPPAA was given the authority to promote all FTA assistance tools and related resources in the comprehensive package, and the National FTA Utilization Center (FTAUC) was newly organized in the FTAPPAA and regional (local) FTA Assistance Centers in 2010. That is, the FTAPPAA plans major policies/goals/roadmaps on a yearly basis and the National FTAUC implements related details for achieving policy goals set by the FTAPPAA.

Table 4: Major Roles of National FTAUC

Major role	Details for business assistance
Cooperation, coordination	✓ Coordination of roles on FTA assistance by ministries, agencies and organizations (across, between)
Survey, management	✓ FTA utilization ratios, barriers to utilizing FTAs ✓ Managing FTA business assistance programs, etc.
FTA info	✓ Internet portals, books, brochures, booklets, etc.
Consulting	✓ Consulting on tariffs, ROO, overseas marketing by experts
Education, training	✓ Cyber-learning system on FTA info ✓ FTA class in universities and graduate schools ✓ Courses for FTA consultants and experts
Seminar, workshop	✓ Various events for educating business sector (national, local, FTA partner countries)

Source: made by author.

4.4. Examples of Comprehensive Package for Supporting FTA Utilization

One of the programs set by the FTAUC was to provide FTA consulting to approximately 10,000 companies in four years starting in 2010. At this time, consulting was considered to be the most efficient means of enhancing FTA utilization according to the report by FTA Committee (2013) on the evaluation of national package for supporting FTA utilization. Financial supports were given to trade agencies such as the Small & Medium Business Corporation (SBC), KITA and KOTRA in covering FTA business consulting costs. The number of companies which receive FTA consulting was targeted for those that trade with FTA partners. As of 2009, there were about 80,000 trading SMEs, and 37,000 companies were trading with Korea's FTA partner countries. The FTAUC has reached most of the FTA consulting targets so far.

Table 5: Targets for Providing FTA Business Consulting

	2010	2011	2012	2013	Total
# of SMEs	600	2,000	3,000	5,000	10,600

Source: FTA Committee (2013).

FTAPPAA opened the FTA Business Portal, which provides important information for FTA business utilization. FTA information was organized so that it could be updated on a daily basis, and the portal has been upgraded several times to make the format more user-friendly. The site was designed to provide a single-window portal, consolidating the various FTA info provided by trade ministries and agencies. Recently, areas such as FTA business models and success cases of FTA utilization were added into the FTA portal, and more systematic analysis mechanisms in searching tariffs and product-specific ROOs were installed into the portal.

Figure 5: FTA Business Portal by the FTAPPAA



Source: FTA Business Portal (www.ftahub.go.kr).

Since preferential tariff rates and product-specific ROO are basic elements in utilizing FTAs, Korea Customs Service installed integrated portals on preferential tariff rates and FTA ROO. The FTAPPAA linked these portals in its portal for Korean SMEs. FTA tariffs and related ROOs can be viewed by HS digit and by FTA partner. This system allows Korean companies to check relevant information without referring to the Appendix or Annex of FTA agreements. FTAPPAA offered a series of seminars and workshops for businesses regarding this system.

Figure 6: Integrated Portal for Preferential Tariff Rates under Korean FTAs



Source: FTA Portal by Korea Customs Services⁹

Figure 7: Integrated Portal for FTA Rules of Origin (ROO)



Source: FTA Portal by Korea Customs Services¹⁰

The FTA call center was established in June 2013, and provides consulting services to callers seven days a week. This center was not easy to establish and it took two years to arrange professional FTA consultants. The center has received more than 1,000 calls per month in the 5 months since it opened. Immediate consulting is provided based on the questions raised by callers, and then follow-up on-site consulting will be provided for the companies in question.

Figure 8: FTA Call Center



Source: Support Center for FTA Trade (www.fta1380.or.kr).

Various issues related with satisfying the ROOs were identified as barriers to FTA utilization in most of the surveys since the establishment of the FTAPPAA. That is, satisfying ROO requires that many elements of a company be reviewed, such as cost structure, production procedure and specification, sourcing structure and account books. This process may necessarily involve accessing classified business information including technology and the unit cost of products, and companies were thus not willing to receive consulting for FTA utilization. Although professional consulting companies mention their duty to handle their clients' information confidentially, it was difficult for Korean SMEs to trust the consulting companies and consultants. Therefore, the FTAPPAA placed an order to develop self-test software that would enable companies to determine whether they could satisfy the rules of origin without providing internal information on production and costs. As companies practiced testing ROO, the companies came to trust the consulting companies and consultants.

5. Recent FTA Utilization

In spite of the delayed recovery of the global economy and the slump in global trade volume after the Global Financial Crisis in 2008, Korea's trade with most of its FTA partners has been expanded continuously. FTA utilization ratios are recorded to be higher than 60% as of 2013, which was the goal set by the government of Korea in 2010, in Korea's bilateral trade with many of FTA partners. In particular, it is reported that Korea recorded higher than 70% FTA utilization in the case of KORUS and the EU-Korea FTA, while the utilization ratios for the FTAs with ASEAN and India respectively are still low despite national efforts to improve FTA utilization ratios. FTA utilization ratio is measured by dividing the amounts of exports/imports using FTA tariff preference margins with the total amounts of exports/imports into/from FTA partner country. Denominators can be discretely chosen total exports/imports depending on the consideration of tariff preference margins.

Here there emerges an implication for FTA utilization by businesses. While the importance of supporting businesses in utilizing FTAs should be recognized, it should be emphasized that the quality of FTAs in market access plays a critical role in utilizing FTAs. That is, one of the major reasons for the slow improvement of the FTA utilization ratios in FTAs with ASEAN and India is that Korean businesses do not see tariff margins high enough for businesses to pay costs for allocating personal and physical resources. However, the utilization ratios for these FTAs have been increased slowly due to various governmental supports for businesses. As of 2013, FTA utilization ratios for bilateral FTAs for Korea's exports to ASEAN and India were 38% and 43%, respectively.

Table 6: Trend of FTA Utilization Ratio

(unit: %)

FTA partner	As of the end of 2012		As of November 2013	
	Exports	Imports	Exports	Imports
Chile	75.2	97.9	78.4	98.3
EFTA	79.8	61.9	80.5	42.0
ASEAN	37.7	73.8	38.5	80.1
India	36.2	52.7	43.0	62.3
EU	81.4	66.8	80.9	67.6
Peru	78.0	92.0	92.0	98.4
U.S.	68.9	61.0	76.4	67.3
Simple average	65.31	72.30	69.96	73.71

Source: Korea Customs Service (2013).

Based on the FTA utilization performance summarized in Table 6, Korea's FTA support policy can be evaluated as having achieved policy goals, and has been successful in improving FTA utilization ratios. When the government of Korea was considering a national FTA support policy in 2010, the average FTA utilization ratio was about 20%, and as low as 4-5% in exports for some FTAs. The original goal was to achieve a 40% FTA utilization ratio in 2012, a 60% FTA utilization ratio in 2013 and to increase those to about 80%, which is as high as the FTA utilization ratio in advanced economies such as the EU and the U.S..

Several points regarding FTA utilization can be raised from Korea's FTA support experience. One of them is that the FTA utilization ratios in Korea's exports increased substantially during the last 3-year period of the FTA support policy (i.e., 2010-2013), although those are lower than imports. Utilizing FTAs in importing goods from FTA partners is relatively easy, compared with exporting, since exporting requires marketing activities in foreign markets. Because of this, utilization rates for imports are higher than those for exports. Another point is the gradual improvement of Korean SMEs' FTA utilization ratios, although those ratios are lower than the ratios achieved by large companies. The background to Korea's FTA support policy was poor FTA utilization ratio by SMEs. Considering the EU-Korea FTA, large companies' FTA utilization ratio was 84.3% in 2013, but SMEs' ratio was 76.4% (in terms of value). 69.2% of Korean SMEs' exports are measured to use FTA tariff preference provided by KORUS.

FTAs are widely utilized in most industrial sectors, and there has been progress in sectoral FTA utilization this year. A utilization ratio higher than 80% has been recorded in several sectors, such as mining, machinery and the plastic/rubber industry. And substantial growth in KORUS utilization was achieved in mining, home items, electrical goods and steel products over one year from 2012 to 2013.

Table 7: FTA Utilization Ratio by Industry (Korea-US FTA)

(unit: %)

Korea-US FTA			
	As of the end of 2012	As of November 2013	Yearly change(%p)
Mining	66.4	80.2	13.8
Machinery	74.4	81.1	6.7
Agriculture	45.4	52.1	6.8
Household goods	52.5	66.9	14.4
Textiles	69.6	71.5	2.0
Electrical goods	49.4	61.1	11.7
Steel, products	68.0	78.4	10.4
Plastic, rubber	82.9	83.2	0.3
Chemicals	66.0	70.7	4.6
Other goods	66.0	68.4	2.4
EU-Korea FTA			
Mining	69.3	53.4	△15.9
Machinery	88.2	89.6	1.5
Agriculture	47.4	52.1	4.7
Household goods	67.8	84.9	17.1
Textiles	82.7	86.5	3.8
Electrical goods	71.3	77.0	5.7
Steel, products	67.4	72.3	4.9
Plastic, rubber	88.4	90.6	2.2
Chemicals	78.7	74.3	△4.3
Other goods	56.9	77.9	21.0

Source: Korea Customs Services (2013).

Finally, the FTA utilization ratio of small exporting companies (in terms of export value) is still low, although the overall utilization ratio has been improved substantially. However, as the scale of exports increases, the FTA utilization ratio rises. This seems reasonable, in that large companies have a better internal infrastructure for utilizing FTAs with higher incentives. Table 8 shows that only 4,340 small companies use FTA tariffs out of 28,762 companies which export less than 0.1 million dollars a year. FTA utilization ration for these companies is about

15%. This is a significant contrast with the 64% utilization ratio for companies which export more than one million dollars. This implies that the government of Korea needs to strengthen FTA utilization for small companies.

Table 8: SMEs with FTA Utilization and Non-utilization by Scale of Export

(unit: number of SMEs)

		Scale of exports (million \$)					Total
		(A) <0.1	0.1M< (B) <0.5	0.5< (C) < 1	(D) > 1	(B+C+D) >0.1	
Number of companies	No FTA utilization	24,422	6,702	1,799	2,637	11,138	35,560
	FTA utilization (F)	4,340	3,812	1,700	4,656	10,168	14,508
	Total (T)	28,762	10,514	3,499	7,293	21,306	50,068
	Ratio (F/T, %)	15.09	36.26	48.59	63.84	47.72	28.98

Source: Calculated based on the data from KCS.

6. Conclusion and Implications

Although countries promote FTAs in order to achieve various policy goals, achieving economic gains is one of the most important. While FTAs are concluded by the government, it is private companies that utilize FTAs to realize economic gains. When companies make decisions related to FTA utilization, they will compare the economic incentives with the various costs related with satisfying the ROO and collecting information for FTA tariffs and ROO. In addition to this, it is very important to change the perception of the CEOs of SMEs on FTA utilization. Unlike large companies, SMEs do not have enough staff to deal with FTA businesses, and lack the professional expertise in trade practice and business activities. Unless CEOs have strong intention for utilizing FTAs, staffs are not likely to allocate their times for exploring the possibility for new businesses based on FTA contents.

Since there has been a substantial progress in building institutional infrastructure due to Korean government's active policy for FTA utilization assistance, FTA

utilization ratios are as high as those of advanced countries. In order to for more companies to use the FTA, companies need to comprehend the contents of the FTAs and to be inclined to use the FTA. And FTA utilization is possible when exporters (manufacturers) issue the certificate of ROO and importers submit it to the customs authority of importing country. Otherwise, importers will face a serious problem with the origin verification by customs authority. This implies that exporters and importers must share the intention and information related with FTA utilization.

Several policy implications can be drawn from Korea's experience in assisting businesses with FTA utilization. First of all, one of most urgent and important tasks in assisting FTA utilization is to identify the barriers that prevent companies from utilizing FTAs. Critical barriers may differ by country. Based on the significance of the barriers and the possibility for improvement through governmental actions, the government set up a roadmap for building infrastructure and assisting businesses in utilizing FTAs.

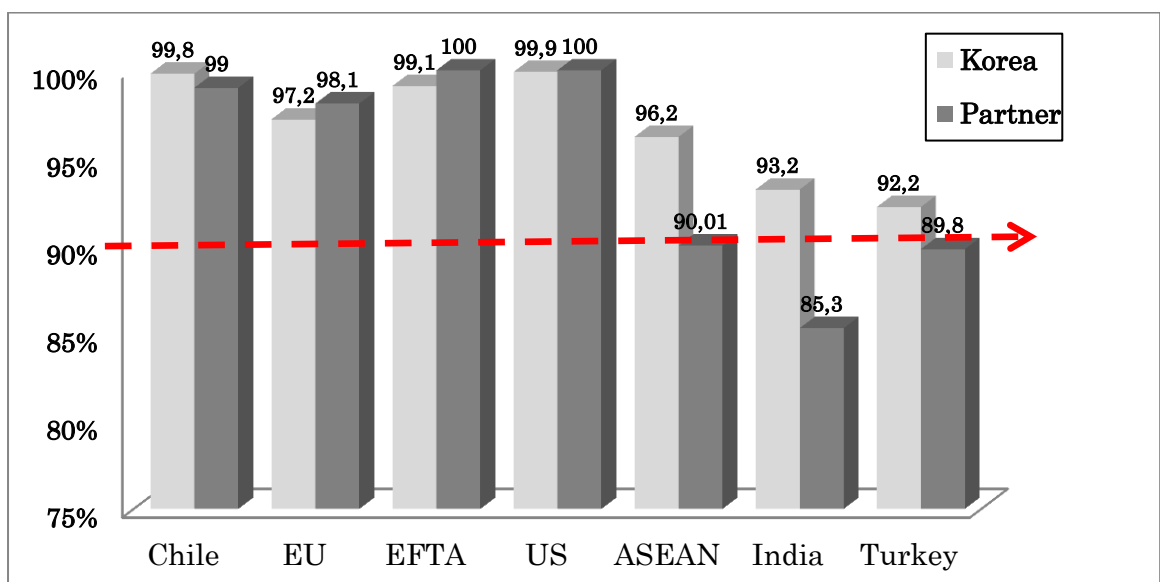
Secondly, coordination among national agencies is critical in increasing the efficiency of the infrastructure assisting FTA utilization. Otherwise, several agencies tend to provide similar services with poor contents to business sectors. Korea had this experience in 2008-2009, and companies evaluated this to be "not useful" in designing business plans for utilizing FTAs.

Thirdly, governments should promote FTAs with large economies, which are expected to bring high economic gains in general. This will provide large incentives for business sectors to look for chances to utilize FTAs. In this regard, special considerations are required for small exporting companies that lack the staffs and expertise for international trading and marketing. Assistance in marketing, branding and logistics will be useful for small companies in utilizing FTAs. In the case of Korea, there is room for improving the FTA utilization ratio for small companies, and the government must make this a priority for domestic FTA policy.

Fourthly, authorities of trade and industry should understand the importance of the quality of FTAs. That is, when the tariffs are eliminated in short period of time and the agreement is comprehensive in its coverage, companies will find an incentive to utilize the FTA in their business activities. As seen in Figure 9, Korea achieved 97-100% ratios for tariff elimination in many FTAs, but the Korea-Turkey FTA has

92.2 % of tariff elimination for Korea and 89.5% for Turkey. This becomes a serious problem for businessmen, since the EU-Korea FTA offers more favorable treatments than the Korea-Turkey FTA. Both countries need to upgrade existing market access in the FTA in addition to finish the negotiation for services and investment in order to provide more incentives for FTA utilization by businesses and to have a more comprehensive FTA.

Figure 9: Tariff Elimination Ratios in Korea’s Major FTAs



Source: Calculation by authors.

Fifthly, FTA member countries should take advantage of various levels of committees institutionalized in FTAs. Most FTAs install trade ministers’ meetings, FTA committees, and several subcommittees for customs clearance, ROOs, SPS,¹¹ and TBT.¹² Even though FTAs are implemented, many non-tariff barriers (NTBs) still disturb bilateral trade. Depending on the position of member countries, these NTBs could be eased and(or) eliminated. Complicated ROOs become one of serious hurdles in utilizing FTAs. Member countries should discuss the simplification of ROOs.

Finally, FTA member countries need to co-operate with each other in implementing FTAs properly and providing information related with FTA utilization.

FTAs introduce several committees in order to facilitate the implementation of FTAs. Since FTA implementation means the adoption of common trade and economic systems defined in the agreement, there emerge problems originating from institutional differences of member countries. These problems become barriers for FTA utilization in many cases. Also, member countries should discuss the tasks given in the agreements such the acceleration of tariff elimination. Harmonization of FTAs should be pursued. As the number of FTAs increases, the differences across FTAs become an issue for trade policy makers. From the viewpoint of business sectors, the contents should be harmonized across FTAs, and should be upgraded for easy utilization of FTAs.

References

- Cheong, I. (2006), 'Korea's FTA Strategy and Roadmap', Paper presented at the *Forum for Barun FTAs*, Seoul, 8 May. (in Korean).
- Cheong, I. (2007), *Manual for KORUS FTA*. Seoul: KITA. (in Korean).
- Cheong, I. (2008), *Economic Growth of Korea and Korea-US Relations*. Seoul: Korea Chamber of Commerce. (in Korean).
- Cheong, I. (2009), 'Evaluation of Korean FTAs and Implications for Future FTAs', Paper presented at the *Annual Conference organized by Korea's Association for Researchers of International Trade*, Seoul, 19 February. (in Korean).
- Cheong, I. (2013), 'The Prospects for Korea's Participation for Mega FTAs in the Asia-Pacific Region', JRI *mimeo*. Internal report.
- Cheong, I. and J. Cho (2008), 'Survey on Korean Companies on the Utilization of FTAs', Presented at the *Seminar by Korea Association of International Trade and Industries*, Suwon, 28 November. (in Korean).
- Cheong, I. and J. Cho (2009a), 'The Impact of Free Trade Agreements (FTAs) on Business in the Republic of Korea', ADBI working paper No.156 (October). Tokyo: ADBI.
- Cheong, I. and J. Cho (2009b), 'An Empirical Study on the Utilization Ratio of FTAs by Korean Firms', *Journal of Korea Trade*, 13(2), pp.109-126.
- Cheong, I. and J. Cho (2010), 'Barriers in Korean businesses' FTA utilization', JRI internal paper. (in Korean).
- Choi, W. (2008), 'Korea's FTA Progress and Its Implications', *Negotiation and Korea*.1(1), Seoul: Korean Association of Negotiation Studies. July. pp.40-41. (in Korean).

- FTA Committee (2013), 'Evaluation of the National Package for Supporting FTA Utilization', Internal report, (*in Korean*).
- Hyun, O. (2008), 'Tasks for Improving Business Environment in Korea', Presented at the *31st year Anniversary Seminar by Korea Society for International Trade*, Seoul, 13 June. (*in Korean*).
- Kawai, M. and G. Wignaraja (eds.) (2011), *Asia's Free Trade Agreements: How is business responding?* Tokyo: ADBI
- Korea Customs Services (2009), 'FTA Rules of Origin and Business Activities', (*in Korean*).
- Korea Customs Services (2013), 'Recent survey on FTA utilization', Internal report. (*in Korean*).
- Korea Institute for International Trade (2008), *Firms' Preference Over FTAs*. Seoul: Korea International Traders Association. (*in Korean*).
- Korea Small Business Institute (2007), *KORUS FTA and SMEs*. Seoul: Korea Small Business Institute. (*in Korean*).
- KITA (2009), 'Survey on FTA Utilization by Korean Companies', Seoul: KITA. Internal report. (*in Korean*).
- KOTRA (2008), 'Impact of FTAs on Trade: Joint Survey by KOTRA-KITA', *Global Business Report* 08-033, pp.1-21. (*in Korean*).
- Lee, K. (2008), 'Korea's FTA Policy in the Context of World Trade', Presented at the *31st Year Anniversary seminar by Korea Society for International Trade*, Seoul, 13 June. (*in Korean*).
- Ministry of Trade, Republic of Korea (2004), *Overview of Korea's FTA Promotion and Policy Directions*. Seoul. (*in Korean*).
- Ministry of Trade, Republic of Korea (2005), 'Main Elements' in Korea's FTAs. *Korea's Legislative Framework for FTA Negotiations*. Seoul: Ministry of Trade.
- Plummer, M. G., D. Cheong and S. Hamanaka (2010), *Methodology for Impact Assessment of Free Trade Agreements*. Manila: Asian Development Bank.

ENDNOTES

* Contact information to: inkyoc@gmail.com, www.FTAinfo.net

¹ The utilization rates can be defined in several ways as Plummer, Cheong and Hamanaka (2010). One of those can be as follows;

Utilization rate = $\frac{\sum_{h \in T} M_h^U}{\sum_{h \in T} M_h}$, where h is a detailed tariff line, M_h is the value of imports of tariff line

h from a FTA partner country, M_h^U is the value of imports of tariff line h from a FTA partner country with the preferential treatment under the FTA, T is the set of all tariff lines with preferential tariffs given in the FTA.

² The 5 ASEAN countries are Indonesia, Malaysia, Myanmar, Singapore and Vietnam. Customs authorities of Myanmar and Vietnam could not process the application of preferential tariffs under the AKFTA for the first two years after the implementation of the FTA. Now all ASEAN countries

s are under implementation of the AKFTA, and no technical problems are found in handling the FTA tariff procedures.

³ Most FTAs adopt the categories of tariff liberalization for easy understanding of tariff reduction schedule for a specific product. But ASEAN's FTAs tend to classify products into several groups. For example, the AKFTA has goods for Normal Track and Sensitive Track, and Sensitive Track has the Sensitive List and the Highly Sensitive List.

⁴ KORUS was initially signed on June 30, 2007. The agreement was re-negotiated due to the demand by the U.S. Congress. The new agreement was signed on February 10, 2011, and entered into force on March 15, 2012.

⁵ Korean companies' high utilization of the FTA with Chile can be explained in several points. First, most Korean companies trading with Chile are large ones with enough numbers of trade experts and staffs, facing no technical problems dealing with FTA utilization of preferential treatment. Second, companies see large preferential tariff margins given by the FTA. Third, Korean companies had high expectation for business chances with Korea's first FTA, and prepared those business for long time.

⁶ The Korea-Singapore FTA was implemented at the time of the survey, but this was not included in the survey since its Most-Favored-Nation (MFN) tariff rate of Singapore is low or near zero and thus the Korea-Singapore FTA was not likely to be used much.

⁷ This was because a number of ASEAN member countries effectuated FTAs with Korea in June 2007: Singapore, Indonesia, Malaysia, Myanmar, and Vietnam. Korea's regional FTA with the Philippines came into effect only in January 2008, and its FTAs with Brunei, Lao People's Democratic Republic, and Cambodia came into effect only in July, October, and November 2008, respectively. Thailand only acceded to the ASEAN-Korea FTA in February 2009.

⁸ The FTA Committee consists of government officials and private sectors, while the FTAPPAA is purely governmental organization.

⁹ This website can be accessed by visiting the following web address:

<http://www.customs.go.kr/kcshome/ftaportalkor/ftaTrtyManage/ImportTariff.do?layoutMenuNo=30739>

¹⁰ This website can be accessed by visiting the following web address:

<http://www.customs.go.kr/kcshome/ftaportalkor/ftaTrtyManage/Psr.do?jsessionid=p2KQTc3SvsyvmgwFJzBN0C4Vp62y13vDkFI9RLRBphvpJ1Q0YGt0!-901096902?layoutMenuNo=30740>

¹¹ SPS stands for Sanitary and Phytosanitary measures.

¹² TBT stands for Technical Barriers to Trade.

ERIA Discussion Paper Series

No.	Author(s)	Title	Year
2014-11	Inkyo CHEONG	Korea's Policy Package for Enhancing its FTA Utilization and Implications for Korea's Policy	May 2014
2014-10	Sothea OUM, Dionisius NARJOKO, and Charles HARVIE	Constraints, Determinants of SME Innovation, and the Role of Government Support	May 2014
2014-09	Christopher PARSONS and Pierre-Louis Vézina	Migrant Networks and Trade: The Vietnamese Boat People as a Natural Experiment	May 2014
2014-08	Kazunobu HAYAKAWA and Toshiyuki MATSUURA	Dynamic Tow-way Relationship between Exporting and Importing: Evidence from Japan	May 2014
2014-07	DOAN Thi Thanh Ha and Kozo KIYOTA	Firm-level Evidence on Productivity Differentials and Turnover in Vietnamese Manufacturing	Apr 2014
2014-06	Larry QIU and Miaojie YU	Multiproduct Firms, Export Product Scope, and Trade Liberalization: The Role of Managerial Efficiency	Apr 2014
2014-05	Han PHOUMIN and Shigeru KIMURA	Analysis on Price Elasticity of Energy Demand in East Asia: Empirical Evidence and Policy Implications for ASEAN and East Asia	Apr 2014
2014-04	Youngho CHANG and Yanfei LI	Non-renewable Resources in Asian Economies: Perspectives of Availability, Applicability, Acceptability, and Affordability	Feb 2014
2014-03	Yasuyuki SAWADA and Fauziah ZEN	Disaster Management in ASEAN	Jan 2014
2014-02	Cassey LEE	Competition Law Enforcement in Malaysia	Jan 2014
2014-01	Rizal SUKMA	ASEAN Beyond 2015: The Imperatives for Further Institutional Changes	Jan 2014
2013-38	Toshihiro OKUBO, Fukunari KIMURA, Nozomu TESHIMA	Asian Fragmentation in the Global Financial Crisis	Dec 2013
2013-37	Xunpeng SHI and Cecilya MALIK	Assessment of ASEAN Energy Cooperation within the ASEAN Economic Community	Dec 2013
2013-36	Tereso S. TULLAO, Jr. And Christopher James CABUAY	Eduction and Human Capital Development to Strengthen R&D Capacity in the ASEAN	Dec 2013

No.	Author(s)	Title	Year
2013-35	Paul A. RASCHKY	Estimating the Effects of West Sumatra Public Asset Insurance Program on Short-Term Recovery after the September 2009 Earthquake	Dec 2013
2013-34	Nipon POAPONSAKORN and Pitsom MEETHOM	Impact of the 2011 Floods, and Food Management in Thailand	Nov 2013
2013-33	Mitsuyo ANDO	Development and Resructuring of Regional Production/Distribution Networks in East Asia	Nov 2013
2013-32	Mitsuyo ANDO and Fukunari KIMURA	Evolution of Machinery Production Networks: Linkage of North America with East Asia?	Nov 2013
2013-31	Mitsuyo ANDO and Fukunari KIMURA	What are the Opportunities and Challenges for ASEAN?	Nov 2013
2013-30	Simon PEETMAN	Standards Harmonisation in ASEAN: Progress, Challenges and Moving Beyond 2015	Nov 2013
2013-29	Jonathan KOH and Andrea Feldman MOWERMAN	Towards a Truly Seamless Single Windows and Trade Facilitation Regime in ASEAN Beyond 2015	Nov 2013
2013-28	Rajah RASIAH	Stimulating Innovation in ASEAN Institutional Support, R&D Activity and Intelletual Property Rights	Nov 2013
2013-27	Maria Monica WIHARDJA	Financial Integration Challenges in ASEAN beyond 2015	Nov 2013
2013-26	Tomohiro MACHIKITA and Yasushi UEKI	Who Disseminates Technology to Whom, How, and Why: Evidence from Buyer-Seller Business Networks	Nov 2013
2013-25	Fukunari KIMURA	Reconstructing the Concept of “Single Market a Production Base” for ASEAN beyond 2015	Oct 2013
2013-24	Olivier CADOT Ernawati MUNADI Lili Yan ING	Streamlining NTMs in ASEAN: The Way Forward	Oct 2013
2013-23	Charles HARVIE, Dionisius NARJOKO, Sothea OUM	Small and Medium Enterprises’ Access to Finance: Evidence from Selected Asian Economies	Oct 2013
2013-22	Alan Khee-Jin TAN	Toward a Single Aviation Market in ASEAN: Regulatory Reform and Industry Challenges	Oct 2013

No.	Author(s)	Title	Year
2013-21	Hisanobu SHISHIDO, Shintaro SUGIYAMA, Fauziah ZEN	Moving MPAC Forward: Strengthening Public-Private Partnership, Improving Project Portfolio and in Search of Practical Financing Schemes	Oct 2013
2013-20	Barry DESKER, Mely CABALLERO-ANTH ONY, Paul TENG	Thought/Issues Paper on ASEAN Food Security: Towards a more Comprehensive Framework	Oct 2013
2013-19	Toshihiro KUDO, Satoru KUMAGAI, So UMEZAKI	Making Myanmar the Star Growth Performer in ASEAN in the Next Decade: A Proposal of Five Growth Strategies	Sep 2013
2013-18	Ruperto MAJUCA	Managing Economic Shocks and Macroeconomic Coordination in an Integrated Region: ASEAN Beyond 2015	Sep 2013
2013-17	Cassy LEE and Yoshifumi FUKUNAGA	Competition Policy Challenges of Single Market and Production Base	Sep 2013
2013-16	Simon TAY	Growing an ASEAN Voice? : A Common Platform in Global and Regional Governance	Sep 2013
2013-15	Danilo C. ISRAEL and Roehlano M. BRIONES	Impacts of Natural Disasters on Agriculture, Food Security, and Natural Resources and Environment in the Philippines	Aug 2013
2013-14	Allen Yu-Hung LAI and Seck L. TAN	Impact of Disasters and Disaster Risk Management in Singapore: A Case Study of Singapore's Experience in Fighting the SARS Epidemic	Aug 2013
2013-13	Brent LAYTON	Impact of Natural Disasters on Production Networks and Urbanization in New Zealand	Aug 2013
2013-12	Mitsuyo ANDO	Impact of Recent Crises and Disasters on Regional Production/Distribution Networks and Trade in Japan	Aug 2013
2013-11	Le Dang TRUNG	Economic and Welfare Impacts of Disasters in East Asia and Policy Responses: The Case of Vietnam	Aug 2013
2013-10	Sann VATHANA, Sothea OUM, Ponhrith KAN, Colas CHERVIER	Impact of Disasters and Role of Social Protection in Natural Disaster Risk Management in Cambodia	Aug 2013
2013-09	Sommarat CHANTARAT,	Index-Based Risk Financing and Development of	Aug

No.	Author(s)	Title	Year
	Krirk PANNANGPETCH, Nattapong PUTTANAPONG, Preesan RAKWATIN, and Thanasin TANOMPONGPHANDH	Natural Disaster Insurance Programs in Developing Asian Countries	2013
2013-08	Ikumo ISONO and Satoru KUMAGAI	Long-run Economic Impacts of Thai Flooding: Geographical Simulation Analysis	July 2013
2013-07	Yoshifumi FUKUNAGA and Hikaru ISHIDO	Assessing the Progress of Services Liberalization in the ASEAN-China Free Trade Area (ACFTA)	May 2013
2013-06	Ken ITAKURA, Yoshifumi FUKUNAGA, and Ikumo ISONO	A CGE Study of Economic Impact of Accession of Hong Kong to ASEAN-China Free Trade Agreement	May 2013
2013-05	Misa OKABE and Shujiro URATA	The Impact of AFTA on Intra-AFTA Trade	May 2013
2013-04	Kohei SHIINO	How Far Will Hong Kong's Accession to ACFTA will Impact on Trade in Goods?	May 2013
2013-03	Cassey LEE and Yoshifumi FUKUNAGA	ASEAN Regional Cooperation on Competition Policy	Apr 2013
2013-02	Yoshifumi FUKUNAGA and Ikumo ISONO	Taking ASEAN+1 FTAs towards the RCEP: A Mapping Study	Jan 2013
2013-01	Ken ITAKURA	Impact of Liberalization and Improved Connectivity and Facilitation in ASEAN for the ASEAN Economic Community	Jan 2013
2012-17	Sun XUEGONG, Guo LIYAN, Zeng ZHENG	Market Entry Barriers for FDI and Private Investors: Lessons from China's Electricity Market	Aug 2012
2012-16	Yanrui WU	Electricity Market Integration: Global Trends and Implications for the EAS Region	Aug 2012
2012-15	Youngho CHANG, Yanfei LI	Power Generation and Cross-border Grid Planning for the Integrated ASEAN Electricity Market: A Dynamic Linear Programming Model	Aug 2012
2012-14	Yanrui WU, Xunpeng SHI	Economic Development, Energy Market Integration and Energy Demand: Implications for East Asia	Aug 2012
2012-13	Joshua AIZENMAN,	The Relationship between Structural Change and	July

No.	Author(s)	Title	Year
	Minsoo LEE, and Donghyun PARK	Inequality: A Conceptual Overview with Special Reference to Developing Asia	2012
2012-12	Hyun-Hoon LEE, Minsoo LEE, and Donghyun PARK	Growth Policy and Inequality in Developing Asia: Lessons from Korea	July 2012
2012-11	Cassey LEE	Knowledge Flows, Organization and Innovation: Firm-Level Evidence from Malaysia	June 2012
2012-10	Jacques MAIRESSE, Pierre MOHNEN, Yayun ZHAO, and Feng ZHEN	Globalization, Innovation and Productivity in Manufacturing Firms: A Study of Four Sectors of China	June 2012
2012-09	Ari KUNCORO	Globalization and Innovation in Indonesia: Evidence from Micro-Data on Medium and Large Manufacturing Establishments	June 2012
2012-08	Alfons PALANGKARAYA	The Link between Innovation and Export: Evidence from Australia's Small and Medium Enterprises	June 2012
2012-07	Chin Hee HAHN and Chang-Gyun PARK	Direction of Causality in Innovation-Exporting Linkage: Evidence on Korean Manufacturing	June 2012
2012-06	Keiko ITO	Source of Learning-by-Exporting Effects: Does Exporting Promote Innovation?	June 2012
2012-05	Rafaelita M. ALDABA	Trade Reforms, Competition, and Innovation in the Philippines	June 2012
2012-04	Toshiyuki MATSUURA and Kazunobu HAYAKAWA	The Role of Trade Costs in FDI Strategy of Heterogeneous Firms: Evidence from Japanese Firm-level Data	June 2012
2012-03	Kazunobu HAYAKAWA, Fukunari KIMURA, and Hyun-Hoon LEE	How Does Country Risk Matter for Foreign Direct Investment?	Feb 2012
2012-02	Ikumo ISONO, Satoru KUMAGAI, Fukunari KIMURA	Agglomeration and Dispersion in China and ASEAN: A Geographical Simulation Analysis	Jan 2012
2012-01	Mitsuyo ANDO and Fukunari KIMURA	How Did the Japanese Exports Respond to Two Crises in the International Production Network?: The Global Financial Crisis and the East Japan Earthquake	Jan 2012
2011-10	Tomohiro MACHIKITA and Yasushi UEKI	Interactive Learning-driven Innovation in Upstream-Downstream Relations: Evidence from	Dec 2011

No.	Author(s)	Title	Year
		Mutual Exchanges of Engineers in Developing Economies	
2011-09	Joseph D. ALBA, Wai-Mun CHIA, and Donghyun PARK	Foreign Output Shocks and Monetary Policy Regimes in Small Open Economies: A DSGE Evaluation of East Asia	Dec 2011
2011-08	Tomohiro MACHIKITA and Yasushi UEKI	Impacts of Incoming Knowledge on Product Innovation: Econometric Case Studies of Technology Transfer of Auto-related Industries in Developing Economies	Nov 2011
2011-07	Yanrui WU	Gas Market Integration: Global Trends and Implications for the EAS Region	Nov 2011
2011-06	Philip Andrews-SPEED	Energy Market Integration in East Asia: A Regional Public Goods Approach	Nov 2011
2011-05	Yu SHENG, Xunpeng SHI	Energy Market Integration and Economic Convergence: Implications for East Asia	Oct 2011
2011-04	Sang-Hyop LEE, Andrew MASON, and Donghyun PARK	Why Does Population Aging Matter So Much for Asia? Population Aging, Economic Security and Economic Growth in Asia	Aug 2011
2011-03	Xunpeng SHI, Shinichi GOTO	Harmonizing Biodiesel Fuel Standards in East Asia: Current Status, Challenges and the Way Forward	May 2011
2011-02	Hikari ISHIDO	Liberalization of Trade in Services under ASEAN+n : A Mapping Exercise	May 2011
2011-01	Kuo-I CHANG, Kazunobu HAYAKAWA, Toshiyuki MATSUURA	Location Choice of Multinational Enterprises in China: Comparison between Japan and Taiwan	Mar 2011
2010-11	Charles HARVIE, Dionisius NARJOKO, Sothea OUM	Firm Characteristic Determinants of SME Participation in Production Networks	Oct 2010
2010-10	Mitsuyo ANDO	Machinery Trade in East Asia, and the Global Financial Crisis	Oct 2010
2010-09	Fukunari KIMURA, Ayako OBASHI	International Production Networks in Machinery Industries: Structure and Its Evolution	Sep 2010
2010-08	Tomohiro MACHIKITA, Shoichi MIYAHARA, Masatsugu TSUJI, and	Detecting Effective Knowledge Sources in Product Innovation: Evidence from Local Firms and MNCs/JVs in Southeast Asia	Aug 2010

No.	Author(s)	Title	Year
	Yasushi UEKI		
2010-07	Tomohiro MACHIKITA, Masatsugu TSUJI, and Yasushi UEKI	How ICTs Raise Manufacturing Performance: Firm-level Evidence in Southeast Asia	Aug 2010
2010-06	Xunpeng SHI	Carbon Footprint Labeling Activities in the East Asia Summit Region: Spillover Effects to Less Developed Countries	July 2010
2010-05	Kazunobu HAYAKAWA, Fukunari KIMURA, and Tomohiro MACHIKITA	Firm-level Analysis of Globalization: A Survey of the Eight Literatures	Mar 2010
2010-04	Tomohiro MACHIKITA and Yasushi UEKI	The Impacts of Face-to-face and Frequent Interactions on Innovation: Upstream-Downstream Relations	Feb 2010
2010-03	Tomohiro MACHIKITA and Yasushi UEKI	Innovation in Linked and Non-linked Firms: Effects of Variety of Linkages in East Asia	Feb 2010
2010-02	Tomohiro MACHIKITA and Yasushi UEKI	Search-theoretic Approach to Securing New Suppliers: Impacts of Geographic Proximity for Importer and Non-importer	Feb 2010
2010-01	Tomohiro MACHIKITA and Yasushi UEKI	Spatial Architecture of the Production Networks in Southeast Asia: Empirical Evidence from Firm-level Data	Feb 2010
2009-23	Dionisius NARJOKO	Foreign Presence Spillovers and Firms' Export Response: Evidence from the Indonesian Manufacturing	Nov 2009
2009-22	Kazunobu HAYAKAWA, Daisuke HIRATSUKA, Kohei SHIINO, and Seiya SUKEGAWA	Who Uses Free Trade Agreements?	Nov 2009
2009-21	Ayako OBASHI	Resiliency of Production Networks in Asia: Evidence from the Asian Crisis	Oct 2009
2009-20	Mitsuyo ANDO and Fukunari KIMURA	Fragmentation in East Asia: Further Evidence	Oct 2009

No.	Author(s)	Title	Year
2009-19	Xunpeng SHI	The Prospects for Coal: Global Experience and Implications for Energy Policy	Sept 2009
2009-18	Sothea OUM	Income Distribution and Poverty in a CGE Framework: A Proposed Methodology	Jun 2009
2009-17	Erlinda M. MEDALLA and Jenny BALBOA	ASEAN Rules of Origin: Lessons and Recommendations for the Best Practice	Jun 2009
2009-16	Masami ISHIDA	Special Economic Zones and Economic Corridors	Jun 2009
2009-15	Toshihiro KUDO	Border Area Development in the GMS: Turning the Periphery into the Center of Growth	May 2009
2009-14	Claire HOLLWEG and Marn-Heong WONG	Measuring Regulatory Restrictions in Logistics Services	Apr 2009
2009-13	Loreli C. De DIOS	Business View on Trade Facilitation	Apr 2009
2009-12	Patricia SOURDIN and Richard POMFRET	Monitoring Trade Costs in Southeast Asia	Apr 2009
2009-11	Philippa DEE and Huong DINH	Barriers to Trade in Health and Financial Services in ASEAN	Apr 2009
2009-10	Sayuri SHIRAI	The Impact of the US Subprime Mortgage Crisis on the World and East Asia: Through Analyses of Cross-border Capital Movements	Apr 2009
2009-09	Mitsuyo ANDO and Akie IRIYAMA	International Production Networks and Export/Import Responsiveness to Exchange Rates: The Case of Japanese Manufacturing Firms	Mar 2009
2009-08	Archanun KOHPAIBOON	Vertical and Horizontal FDI Technology Spillovers: Evidence from Thai Manufacturing	Mar 2009
2009-07	Kazunobu HAYAKAWA, Fukunari KIMURA, and Toshiyuki MATSUURA	Gains from Fragmentation at the Firm Level: Evidence from Japanese Multinationals in East Asia	Mar 2009
2009-06	Dionisius A. NARJOKO	Plant Entry in a More Liberalised Industrialisation Process: An Experience of Indonesian Manufacturing during the 1990s	Mar 2009
2009-05	Kazunobu HAYAKAWA, Fukunari KIMURA, and	Firm-level Analysis of Globalization: A Survey	Mar 2009

No.	Author(s)	Title	Year
	Tomohiro MACHIKITA		
2009-04	Chin Hee HAHN and Chang-Gyun PARK	Learning-by-exporting in Korean Manufacturing: A Plant-level Analysis	Mar 2009
2009-03	Ayako OBASHI	Stability of Production Networks in East Asia: Duration and Survival of Trade	Mar 2009
2009-02	Fukunari KIMURA	The Spatial Structure of Production/Distribution Networks and Its Implication for Technology Transfers and Spillovers	Mar 2009
2009-01	Fukunari KIMURA and Ayako OBASHI	International Production Networks: Comparison between China and ASEAN	Jan 2009
2008-03	Kazunobu HAYAKAWA and Fukunari KIMURA	The Effect of Exchange Rate Volatility on International Trade in East Asia	Dec 2008
2008-02	Satoru KUMAGAI, Toshitaka GOKAN, Ikumo ISONO, and Souknilanh KEOLA	Predicting Long-Term Effects of Infrastructure Development Projects in Continental South East Asia: IDE Geographical Simulation Model	Dec 2008
2008-01	Kazunobu HAYAKAWA, Fukunari KIMURA, and Tomohiro MACHIKITA	Firm-level Analysis of Globalization: A Survey	Dec 2008