



TRADE POLICY REVIEW

REPORT BY

REPUBLIC OF KOREA

Revision

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Republic of Korea is attached.

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1 INTRODUCTION

1.1. An unprecedented global pandemic and growing uncertainties across the globe have resulted in a global economic recession and contraction in trade. Against this backdrop, the Republic of Korea is making bold efforts to reduce inequality and secure its growth potential while pursuing the liberalization of global trade.

1.2. The Moon Jae-in administration, launched in May 2017, has implemented a range of policies to facilitate the shift towards a "human-centric and sustainable economy" and thereby overcome the challenges facing the Korean economy, such as continued low growth and growing inequality. The Administration has also adopted policies to create quality jobs and ease regulation across its overall economy, in order to help restore the virtuous circle of employment, income distribution, and growth. As the pandemic led to a global economic downturn and fundamental social changes, the Administration released a "Korean New Deal" initiative, which rests on three key pillars: establishing infrastructure for a digital economy (Digital New Deal), realizing a low-carbon, eco-friendly economy (Green New Deal), and strengthening social safety nets and fostering talent in new industries (Human New Deal).

1.3. As a country that has greatly benefited from the WTO-based multilateral trade system, Korea is participating in the sub-group to support the WTO reform and normalize its functions. Korea also actively engages in the negotiations on: fisheries subsidies to protect the marine environment, e-commerce to set digital trade rules, and investment facilitation to create a transparent investment environment.

1.4. Amid the global pandemic, Korea has contributed to discussions on international cooperation, playing a leading role in the joint ministerial statement which aims to facilitate the movement of essential goods, services, and personnel during the COVID-19 pandemic. It has also helped reflect pending issues such as facilitating the movement of businesspeople and securing global supply chains to the G20 Ministerial Declaration.

1.5. In addition, Korea has taken part in a suite of FTAs encompassing rules on goods, services, and intellectual property rights, helping further promote trade liberalization. The Korean Government has also adopted the New Southern Policy and New Northern Policy with a view to deepening trade and investment within the region and paving a way for a mutually beneficial economic cooperation.

2 ECONOMY AND TRADE

Robust economic growth and employment

2.1. The Korean economy continued to grow between 2016 and 2019. Korea's real GDP increased to KRW 1,853 trillion in 2019 from KRW 1,707 trillion in 2016, demonstrating stable growth at a rate hovering over 2% (2.9% in 2016 and 2.2% in 2019). However, in light of the global pandemic, GDP growth fell to negative 0.9% in 2020 with real GDP of KRW 1,837 trillion.¹ Meanwhile, Korea's world GDP ranking maintained an upward trajectory from 14th in 2016 to 10th in 2020.² Overall, the Korean economy remains stable even amid the double threat of the world's economic uncertainty and the global pandemic.

2.2. Korea's employment rate remained steady at around 60% between 2016 and 2020. However, the quarterly employment rate began to show a year-on-year decrease since 2020 mainly due to the global pandemic, recording 58.6% in the first quarter of 2021. The figure has rebounded since the second quarter of 2021, rising to 61%.³

Maintaining status as a key player in trade

2.3. Korea's export and import showed a remarkable growth between 2016 and the first half of 2021, despite fluctuations caused by volatility in the global economy and the COVID-19 pandemic. Exports in the first half of 2021 increased by 25.7% from the same period in 2016. In particular,

¹ Bank of Korea, KOSIS.

² IMF.

³ KOSIS.

exports in 2017 and 2018 each recorded the second highest and an all-time high, showing a year-on-year increase of 15.8% and 5.4%, respectively. From 2019, exports decreased for two consecutive years due to the COVID-19 pandemic and a slowdown in global trade but have shown a rapid recovery since the third quarter of 2020.

2.4. Korea has maintained a trade surplus for 12 consecutive years. Despite shrinking global trade and slow economies in major countries, Korea successfully secured its status as the world's seventh-largest exporter and ninth-largest importer as of 2020, representing 3% of the world's trade volume.⁴

2.5. Korea's main export items include semiconductors, automobiles and parts, petroleum products, vessel, marine structures and parts, liquid crystal devices (LCD), and wireless communication devices. As the transition to a digital, online economy accelerated in light of the pandemic, exports of IT products, such as semiconductors, home appliances, and computers, have shown a continued increase. Furthermore, exports of bio-health products, secondary batteries, and other new items are rapidly growing, contributing to the recent boost in exports. Crude oil and gas, ore, semiconductors, and automobiles are among Korea's main import items. In particular, intermediary and capital goods related to export represent a large part of the overall import.

2.6. In geographical terms, China (25.9%) was the largest export destination followed by ASEAN (17.4%), North America (15.5%), and Europe (13.2%), as of 2020. As for imports, China maintained the first place (23.3%), followed by Europe (16.4%), North America (13.2%), and ASEAN (11.7%). The U.S. accounts for 93.1% of Korea's export to North America and 92.9% of Korea's import from North America. Korean exports to the U.S. continued to rise from USD 66.5 billion in 2016 to USD 74.1 billion in 2020. Exports to China, Korea's biggest trading partner, rose from USD 124.4 billion in 2016 to USD 132.6 billion in 2020.⁵

2.7. In the service sector, exports increased from USD 94.8 billion in 2016 to 103.8 billion in 2019, but in 2020 decreased to USD 90.1 billion. Imports in services rose from USD 112.1 billion in 2016 to USD 133.0 billion in 2018, but dropped to USD 130.7 billion in 2019 and further to USD 106.3 billion in 2020. In the tourism sector, both exports and imports in 2020 halved compared to the previous year. Trade in transportation and construction has also declined since 2019, but both export and import increased in financial services and services in communications/computer/information during the same period.⁶

Stable inbound FDI despite the global contraction in investment

2.8. Korea's inbound foreign direct investment (FDI, arrival basis) grew from USD 10.8 billion in 2016 to USD 17.3 billion in 2018, but dropped to USD 11.1 billion in 2020, due to a global contraction in investment following the pandemic.⁷ However, thanks to the expectations for a global economic recovery, the figure reached USD 7.8 billion in the first half of 2021. By sector, inflow of FDI was greater in services (78%) than manufacturing (19%), and the largest origin of investment was the EU (34%), followed by East and Southeast Asia (31%) and Americas (28%) in 2020. In particular, inbound FDI showed a remarkable increase in high value-added sectors, such as the K-New Deal (+163.4%), new industries (+37.8%), and materials, parts, equipment (+14.7%).

2.9. The outbound FDI (remittance basis) from Korea grew from USD 40.3 billion in 2016 to USD 64.3 billion in 2019, but fell to USD 54.9 billion in 2020.⁸ As of 2020, finance and insurance businesses showed the largest FDI outflows (32%) followed by the manufacturing industry (24%) and real estate businesses (14%). The U.S. was the top investment destination (32%), followed by Asia (31%) and Europe (18%).

⁴ Korea International Trade Association, IMF.

⁵ Korea International Trade Association.

⁶ Bank of Korea.

⁷ Press release from the Ministry of Trade, Industry and Energy (Foreign Direct Investment trends in 2019, 2020, and the first half of 2021).

⁸ Press release from the Ministry of Economy and Finance (*Foreign Direct Investment in 2020*).

3 ECONOMIC POLICY

3.1 Core Values of Economic Policies: Innovation, Inclusion, and Fairness

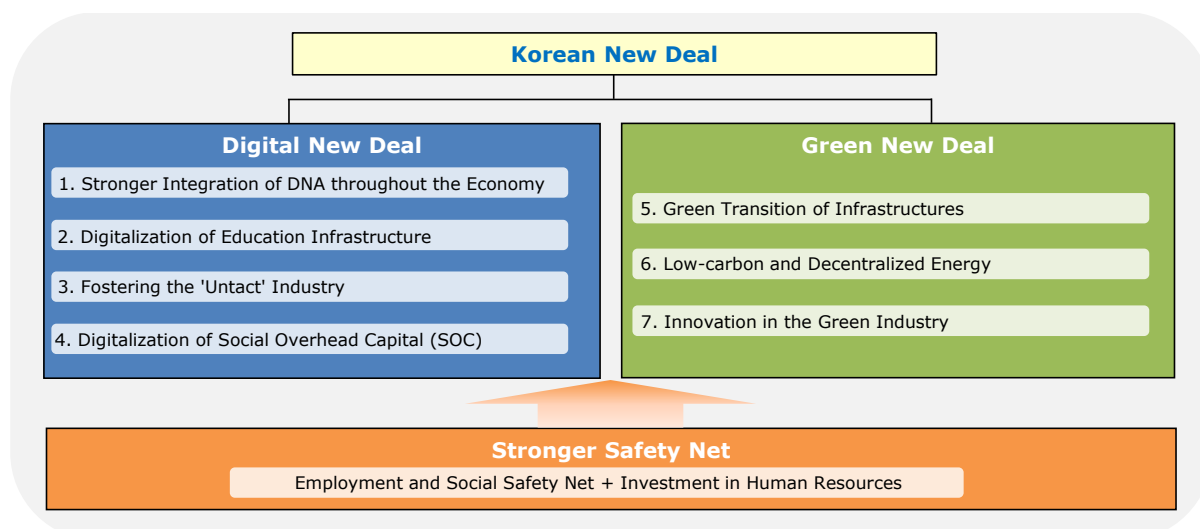
3.1. Korea has extended strong efforts to make a policy shift to realize a "human-centric economy," and thereby resolve slow growth and widening gaps while producing a path towards sustainable growth. The Korean Government is making determined policy efforts to realize three core values: innovation, inclusion, and fairness.⁹

3.2. For innovation, Korea seeks to promote innovation across the industrial ecosystem by lifting unnecessary regulations. For inclusion, it is working to enhance the quality of jobs and strengthening safety nets for the low-income and vulnerable population, in an effort to reduce inequality and build a more inclusive economy. And, for fairness, Korea is combating unfair business practices and encouraging cooperation among large and small and medium-sized companies, to build a solid foundation for a sound market economy.

3.2 Policies to Respond to the COVID-19 Pandemic: Korean New Deal

3.3. In late 2019, the unprecedented outbreak of COVID-19 caused a global economic recession and transformational changes to the economic and social system. Against this backdrop, Korea announced the "Korean New Deal" policy in July 2020, as a vision to address the global crisis and be fully prepared for the post-COVID-19 era.¹⁰ The initiative is built upon the three pillars of "Digital New Deal," "Green New Deal," and "Human New Deal."

Chart 3.1 Korean New Deal¹¹



Digital New Deal

3.4. The COVID-19 pandemic has sparked a sharp increase in demands for online and contactless services, accelerating the transition to a digital economy. In line with this trend, the Korean Government introduced a "Digital New Deal" to promote digital innovation across the economy and to build infrastructure for online and digital industries. The Korean Government aims to create a strong ecosystem for the data, network, and AI industries, collectively referred to as the "D.N.A. industries," by supporting the use of and convergence among data, 5G, and AI technologies across all industries. It is also going great lengths to build infrastructure for smart medical services using 5G and IoT, all in an effort to promote online services in the areas closely related to people's lives, and to invite small business owners to take full advantage of smart technologies.

⁹ Ministry of Economy and Finance, The Fourth Anniversary of the Moon Administration, Economic Policy Achievements and Challenges (7 May 2021).

¹⁰ Related government agencies, *Comprehensive Plans for Korean New Deal* (14 July 2020).

¹¹ Ministry of Economy and Finance, "Korean New Deal: National Strategy for a Great Transformation" (28 July 2020).

Green New Deal

3.5. Environmental conservation and sustainability have assumed a renewed importance in the wake of the COVID-19 pandemic, highlighting greater need for low-carbon and eco-friendly policies. In line with this trend, the Korean government is pushing for a "Green New Deal" with the goal of achieving carbon neutrality by 2050. Key elements of the initiative include: laying the groundwork for carbon neutrality, realizing a green transition in urban, spatial, life infrastructure, promoting low-carbon energy and a distributed energy system, and building an ecosystem for innovation of the green industry.

Human New Deal for Strengthened Safety Nets

3.6. The pandemic has also reminded us of the necessity of policies to overcome the shock on short-term jobs as well as responding to fundamental changes in the employment market caused by the transition towards a green and digital economy. In response, Korea aims to strengthen safety nets for the vulnerable, use the "Investment in People" policy to foster talent to create more jobs in new industries and narrow the digital gap.

3.3 Sectoral Policies

3.3.1 Agriculture and Fisheries: Implementation of the Agreement on Agriculture and Systemic Management of Fisheries Resources

3.7. In the agricultural sector, Korea newly adopted the "New Direct Payment Program" in May 2020, revising the existing direct payment system including the "Rice Income Compensation Scheme." Direct payments under the Rice Income Compensation Scheme were originally granted based on the difference between the target price and the annual harvest-period price. However, the new programme separates qualifications for direct payment from the production or prices of agricultural products, removing possible distortion in the market and trade. The new programme also contributes to sustainability and multifunctionality of agriculture - such as the conservation of the environment and rural landscape - as farmers who receive direct payments are required to comply with more stringent obligations concerning the environment, safety, and community.

3.8. As of 2021, Korea has concluded 17 FTAs with 57 nations, which have led to an increase in agricultural trade with FTA partners while contributing to market liberalization. As of 2020, Korea's agricultural trade volume amounted to a total of USD 41.79 billion, of which USD 33.72 billion (80.6%) came from trade with its FTA partners.

3.9. Furthermore, Korea has terminated the special treatment of rice under Annex 5 of the Agreement on Agriculture and from 2015 began applying ordinary customs duties. The WTO officially circulated a communication (WT/Let/1506) in January 2021, notifying the entry into force of the modifications and rectifications to the Schedule of Korea, completing the procedures for the application of ordinary customs duties.

3.10. In the fisheries industry, Korea has taken various measures to effectively manage fisheries resources and build a foundation for sustainable fisheries, including the Total Allowable Catch (TAC), closed seasons, size restrictions, and self-management fisheries system. Korea is also continuing its efforts to build more marine forests and marine ranches (including by creating artificial fishing reefs to restore the marine environment) as well as spawning grounds and habitations for fisheries resources.

3.11. In an effort to protect fisheries resources and improve the environment of fishing grounds, Korea has doubled its efforts to collect lost or discarded fishing gears. At the same time, measures have been taken to raise awareness about fisheries protection, through public campaigns, public education and other promotional activities.

3.12. As a result of such efforts, the area of marine forests increased from 15,252 ha in 2017 to 24,258 ha in 2020, and the number of marine ranches increased from 45 to 50 during the same period. The amount of collected lost or discarded fishing gears also continued to rise from 2,180 tonnes in 2017, 2,219 tonnes in 2018, 2,273 tonnes in 2019 and 2,654 tonnes in 2020, help restoring the coastal marine environment and improving the productivity of coastal fishing grounds.

3.3.2 Manufacturing: Becoming a Strong Industrial Powerhouse

3.13. The Korean Government has implemented various industrial policies to position itself as a strong industrial powerhouse. These efforts are built upon Korea's manufacturing industry, which is an important block of its economy as well as a source of quality jobs and driver of innovative growth. In June 2019, the Government announced the "Manufacturing Renaissance Vision and Strategy" to move away from the follower strategy which only focuses on quantitative growth, and to step up as a manufacturing power standing at the forefront of innovation. Even as it focuses on effectively responding to the COVID-19 crisis, Korea is dedicated to further innovating and advancing its industrial structure and strengthening the industrial ecosystem.

3.14. As part of these efforts, Korea has accelerated the shift towards a smarter and greener industry. Korea has built approximately 20,000 smart factories and seven smart industrial complexes by 2020 to improve the productivity of the manufacturing industry. In addition, Korea has forged working groups for digital transformation in future mobility, home appliances, and other industries, in an attempt to promote the utilization of digital technologies throughout different areas of the industrial ecosystem—encompassing development, production, and consumption. To provide an institutional framework for these efforts, the Korean Government is currently under the process to introduce *the Act on Digital Transformation of the Industries*.

3.15. To reduce pollutants produced at manufacturing sites, the Korean Government introduced a total of 98 clean factories and designated around 50 products for remanufacturing by 2020. Korea also aims to lead the new economic order in a greener society under the 2050 carbon neutrality vision, and is planning to establish the "Visions and Strategies for Industrial Transformation to Achieve Carbon Neutrality by 2050."

3.16. The Korean Government has placed its focus on regulation improvements, standardization, and industrial reorganization to advance Korea's industrial ecosystem and promote innovation in the manufacturing sector. For instance, the Regulatory Sandbox Regime introduced in 2019 granted a total of 102 exemptions by 2020. The regime helped create new business opportunities, as demonstrated by hydrogen charging stations in urban areas and smart parking robot services. On a similar note, the *Industrial Convergence Promotion Act* in 2021 was revised to provide a provisional permission for operation to businesses that have successfully completed the demonstration phase, in order to secure the continuity of businesses.

3.17. In addition, to develop new services, enhance quality, and strengthen safety in the era of the 4th industrial revolution, Korea is making continued efforts to build necessary standards for different sectors, such as electric and autonomous vehicles, energy (hydrogen) and non-memory semiconductor. Korea is also planning to propose 300 international standards by 2023. In addition, *the Special Act on the Corporate Revitalization* enacted in 2016 provides regulatory exemptions and simplified procedures that allows businesses to promptly carry out voluntary restructuring and enter promising new industries before becoming insolvent. By 2020, a total of 166 small and medium-sized companies were granted approvals for restructuring.

3.3.3 Energy: Achieving Sustainable Growth and Enhancing Quality of Life through Energy Transition

3.18. The Korean Government announced the "Third Energy Master Plan" in December 2019 to meet the grand challenge of our time-transition to clean and safe energy. Envisioning "sustainable growth and improved quality of life through energy transition," the Korean Government is committed to innovating energy consumption, making the energy mix cleaner and safer, expanding a distributed and participatory energy system, enhancing the global competitiveness of the energy industry, and solidifying the foundation for energy transition.

3.19. In December 2020, Korea established plans for the power industry and new and renewable energy sectors. For the power industry, the Korean Government adopted the "9th Master Plan for Power Supply and Demand," which includes forecasts for power supply and demand for 2020-2034 alongside plans for demand management, power facilities, improvement of the power market system, and reduction of greenhouse gas emissions. It also announced the "5th Master Plan for New and Renewable Energy," which aims to generate 25.8% of electricity from new and renewable energy

sources by 2034. This plan covers improvement of the power system, the expansion of demand for renewable energy, and comprehensive policies on new and renewable energy such as hydrogen.

3.20. Korea also established a 'Master Plan for Resource Development' on May 2020, which presents strategies to develop resources for stable energy supply. This plan includes restructuring of public energy companies, making pre-emptive strategies to address changes in the energy landscape, redefining the concept of resource security, and developing of a resource security index.

3.21. In October 2020, Korea pledged to achieve carbon neutrality by 2050 and announced the 2050 Carbon Neutral Strategy in December 2020. With a strong commitment to "achieving carbon neutrality, economic prosperity, and a better quality of life, all at the same time," Korea has adopted a "3 Plus 1 Strategy," which consists of three policy directions: low-carbon economic structure; low-carbon ecosystem for new, promising industries; and a just transition towards a carbon-neutral society, and includes a plan to "strengthen the institutional foundation for carbon neutrality".

3.3.4 Services: Building the Foundation for Trade in Services

3.22. Korea's exports in service were originally centered on transportation and construction, but it is now seeing a rapid growth in the fields of content and intellectual property rights (e.g. industrial property rights and copyrights). In the content industry, games, dramas, films, and music have become major export businesses. Growing exports of manufactured goods, such as mobile phones and semiconductors, have spurred continued growth in the exports of industrial property rights including product-related designs and patents.

3.23. However, unlike trade in goods, it is difficult to clearly identify the status of exports and imports in services, as these do not go through customs procedures. The Bank of Korea has been announcing the volume of trade in services in the form of balance of payments (service balance) based on foreign exchange transaction data collected from foreign exchange banks. However, there is no clear distinction between different types of businesses and sectors, creating difficulties for analysing relevant data and establishing trade policies. To gain a clear and detailed understanding of the exact export volumes, trends, and major export destinations of emerging service businesses, Korea has started developing statistics on trade in services and is now cooperating with relevant government agencies and organizations.

4 TRADE AND INVESTMENT POLICY

4.1 Multilateral Trade Cooperation

4.1. As a member of the GATT and one of the original members of the WTO, Korea has achieved rapid economic growth and development based on the multilateral trade system.

4.2. The country was also the first to transform from an aid-recipient country to a donor country. In October 2019, the Korean Government decided to no longer seek special treatment reserved for developing countries in current and future negotiations at the WTO. It also made an unprecedented request in June 2021 to the UNCTAD that its status be moved from the List A group (Asian and African member countries) to the List B group (developed nations). Member countries of the UNCTAD unanimously decided to change the status of Korea during the 68th board meeting held on 2 July 2021.

4.1.1 WTO Negotiations

WTO DDA Negotiations

4.3. The Trade Facilitation Agreement (TFA) entered into force on 22 February 2017, after two-thirds of the WTO membership completed their domestic ratification processes. Korea has been faithfully implementing the rules on trade facilitation through the UNI-PASS system, which enables electronic filing and processing of customs-related documents as well as online payment of customs fees and charges, and the Client-oriented Logistics Information System (CLIS). By enhancing the transparency and effectiveness of customs clearance procedures, further facilitation of trade is expected going forward.

4.4. Korea has been making constructive contributions towards the WTO negotiations on fisheries subsidies that aim to accomplish and implement the UN SDGs. Korea has been intensifying its efforts for progress in the negotiations through active participation in both multilateral and bilateral consultations among Members given the recent emphasis at the WTO on the need for a conclusion.

Plurilateral negotiations and other discussions

4.5. Korea has been actively participating in major JSI negotiations on e-commerce, investment facilitation, domestic regulation in services, MSMEs, and TESSD, as well as talks on trade and environment, and trade and health. At the same time, the country has also been making constructive contributions to moving the discussions forward through the submission of proposals on key issues.

4.6. As one of the initial participants in the e-commerce negotiations, which began in May 2019, Korea has been actively engaging in not only official negotiations but also small group meetings. It has submitted proposals on 16 different articles concerning, *inter alia*, cross-border data flows, the elimination of customs duties on electronic transmissions, and online consumer protection.

4.7. Korea is also among the members of the Friends of Investment Facilitation for Development (FIFD), and has been participating in discussions on investment facilitation elements since 2017. The official negotiations on investment facilitation were launched in September 2020. Korea was the first to submit proposals to insulate the future Agreement on Investment Facilitation for Development (IFD Agreement) from international investment agreements (IIAs) (i.e. the so-called "firewall" provisions) in an effort to minimize concerns regarding their possible cross-invocability in the WTO and ISDS disputes. In accordance with the firewall provisions, the IFD Agreement will be prohibited from being invoked in an ISDS case under WTO Members' respective IIAs; and an IIA, in particular the ISDS thereunder, will be excluded from the scope of the MFN treatment under the IFD Agreement of the WTO.

4.8. Furthermore, Korea was a founding member of the working group on domestic regulation of services in 1999 and has been contributing to moving the discussions forward. The country has also been participating in plurilateral negotiations on domestic regulations that were launched in April 2019, actively pursuing additional transparency of services regulation and improvement of qualification and licensing requirements and procedures.

4.9. Korea has also continued to participate in discussions on MSMEs since it co-sponsored the Joint Ministerial Statement, Declaration on the Establishment of a WTO Informal Work Programme for MSMEs in 2017. It also joined in adopting a package of declarations for MSMEs in December 2020. Korea is making its utmost effort to provide improved access to trade related information for MSMEs and assistance for their digitalization under the declarations.

4.10. As environment-related issues have assumed an increasing importance all across the world, the Trade and Environmental Sustainability Structured Discussions (TESSD) was launched in November 2020 to generate concrete results in relation to environmental sustainability. Along with Australia and Singapore, Korea circulated a joint communication on liberalizing trade in environmental goods and services and exchanging views on trade-related environmental measures.

4.11. Such discussions are expected to enhance the roles of the multilateral trade system and strengthen international cooperation when the trade environment is going through a rapid change due to the accelerating transition towards a digital economy, climate change, and the COVID-19 pandemic.

4.12. In the future, Korea will continue to make constructive contributions to expediting negotiations and discussions and make efforts to achieve meaningful results desired by each JSI until the twelfth Ministerial Conference (MC-12) takes place.

4.1.2 Cooperation through Multilateral Fora including the APEC

4.13. Korea is an active member of a number of multilateral consultative bodies related to trade, such as the Asia-Pacific Economic Cooperation (APEC), Organization for Economic Cooperation and Development (OECD), and Group of Twenty (G20).

4.14. As one of the 21 member countries of the APEC, Korea is making continued efforts to make progress on the liberalization of trade and investment through the APEC. Under the Bogor Declaration, APEC member economies have committed to voluntarily achieve the goal of free and open trade and investment by 2020. According to the 2020 Final Review of APEC's Progress towards the Bogor Goals¹², Korea has made remarkable progress in the elimination of non-tariff barriers, deregulation in foreign investment, guarantee of foreign investment, trade facilitation, and conclusion of free trade agreements (FTAs).

4.15. APEC leaders adopted the "2020 Kuala Lumpur Declaration"¹³, which includes the "APEC Putrajaya Vision 2040," in Malaysia in 2020. This vision¹⁴ includes three key elements - trade and investment liberalization, innovation and digitalization, and inclusive and sustainable growth. Korea is actively participating in discussions on digital economy, inclusiveness, sustainability, and integration of regional economies.

4.16. Since joining the OECD in 1996, Korea has been participating in the Organization's activities to contribute to the world's economic development and expand global trade based on multilateralism and non-discrimination principles. Under the theme of "The Path to Recovery: Strong, Resilient, Green and Inclusive," the OECD members discussed ways for economic recovery in a sustainable manner amid the COVID-19 pandemic. Regarding trade, they also exchanged views on "the role of trade and investment in globalisation and economic recovery." Korea has joined the cooperation at the OECD for economic recovery measures such as the following: recommending trade facilitation measures, proposing the facilitation of the essential movement of people, progress of WTO negotiations on e-commerce, and support for WTO reform.

4.17. As one of the G20 countries, Korea is participating in discussions on new trade and investment issues. The country, in particular, is joining the efforts to find international solutions to urgent and important challenges in trade and investment through the G20 Trade and Investment Working Group every year. Korea is also actively engaged in various discussions on the trade and investment agenda to respond to the COVID-19 pandemic at the G20 (e.g. international cooperation, a level playing field, and environmental sustainability).

4.1.3 Development Cooperation and Support for Developing Countries

4.18. As a member of the international society, Korea is carrying out a wide range of activities to reinforce the trade capabilities of developing countries and to help them integrate with the multilateral trade system.

4.19. Korea has also participated in the WTO's DDA Global Trust Fund (GTF) since 2002, and its contributions so far have reached around CHF 6 million, including around CHF 350,000 contributed in 2020. By doing so, the country has contributed to creating conditions for an expanded multilateral trade system.

4.20. Furthermore, Korea has provided a range of bilateral assistance to developing countries to help build their capacity related to trade and customs duties. Regarding trade, Korea has provided assistance to build platforms for e-commerce to improve the export and import environment and promote trade, and provided scholarships to improve trade policies for 35 developing countries as of 2020.

4.21. Regarding customs duties, Korea has provided assistance to nineteen developing countries as of 2020 to build e-customs systems for an efficient and transparent management of customs administration as well as consulting services and training for an efficient and modernized customs administration.

4.22. Through the Economic Development Cooperation Fund (EDCF), Korea has provided "Aid for Trade" for developing countries since 2006, which amounts to USD 10.1 billion, including a project

¹² APEC, The Final Review of APEC's Progress towards the Bogor Goals, Viewed at: <https://www.apec.org/About-Us/About-APEC/Achievements-and-Benefits/2020-Bogor-Goals>.

¹³ APEC, Kuala Lumpur Declaration. Viewed at: https://www.apec.org/Meeting-Papers/Leaders-Declarations/2020/2020_aelm.

¹⁴ APEC, Putrajaya Vision 2040. Viewed at: https://www.apec.org/Meeting-Papers/Leaders-Declarations/2020/2020_aelm/Annex-A.

to build a new international port in Cebu, the Philippines (2017) and a project to improve seaway signs in Indonesia (2019), as part of its continued efforts to foster trade environments for developing countries.

4.23. Korea joined the Food Assistance Convention (FAC) in January 2018. It has also provided 50,000 tonnes of rice every year since 2018 to refugees and immigrants of Africa, the Middle East, and other countries which suffer food shortages through the World Food Programme (WFP). Through such efforts, Korea is joining the endeavours of the international society to achieve food security and end famine.

4.24. Korea is also expected to help build trade capacity in developing countries in relation to the environment by announcing to provide a total of USD 300 million to the Green Climate Fund (GCF), which is located in Korea, and establishing a trust fund under the Global Green Growth Institute (GGGI) to strengthen capabilities to respond to climate change and provide assistance to reduce greenhouse gas emissions and adapt to changes in the climate.

4.2 Regional and Bilateral Trade Cooperation

4.2.1 FTA Policies

4.25. As an open trading nation, Korea has continued to expand its FTA network, based on the understanding that market opening and liberalization would help enhance national competitiveness. Since the Korea-Chile FTA in 2004, the Protocol Amending the KORUS FTA entered into force in 2019, and the FTAs with the U.K. and five Central American countries also came into effect in 2021. As of July 2021, Korea has an FTA network spanning across 57 different nations through 17 FTAs. In addition, domestic ratification procedures are underway at the Korean National Assembly for the FTAs with Indonesia, the RCEP, and Israel.

4.26. The Korean Government has been aiming for comprehensive and high standard FTAs covering goods, services, investment, and rules. It has pursued FTAs with the world's largest economies, such as the United States, European Union, and China, as well as emerging economies, while actively participating in the economic integration discussions in East Asia.

4.27. The Korean Government is expected to sign the Korea-Cambodia FTA in the near future, and it has been engaging in follow-up negotiations with China in the services and investment sectors. Korea is also currently negotiating a service and investment FTA with the Russian Federation, a trade agreement with MERCOSUR, and a trade agreement with Uzbekistan (see Table 4.1.).

Table 4.1 Overview of Korea's FTAs (as of July 2021)

Phase	Partners	Progress
Effective (17)	Chile (April 2004), Singapore (March 2006), EFTA (September 2006), ASEAN (September 2009), India (January 2010), European Union (December 2015), Peru (August 2011), United States (March 2012), Turkey (August 2013), Australia (December 2014), Canada (January 2015), China (December 2015), New Zealand (December 2015), Viet Nam (December 2015), Colombia (July 2016), United Kingdom (January 2021), five countries in Central America (March 2021)	
Signed (3)	Indonesia	Negotiations concluded in November 2019, signed in December 2020
	RCEP	Negotiations concluded and signed in November 2020
	Israel	Negotiations concluded in August 2019, signed in May 2021
Negotiations concluded (1)	Cambodia	Negotiations concluded in February 2021
Negotiating (8)	China (follow-up negotiations in services and investment)	9 rounds of official negotiations
	Russian Federation (services and investment FTA)	5 rounds of official negotiations
	MERCOSUR	6 rounds of official negotiations
	Uzbekistan	1 round of official negotiation
	the Philippines	5 rounds of official negotiations
	Chile (amendment)	5 rounds of official negotiations
	India (amendment)	8 rounds of official negotiations
	Korea-China-Japan	16 rounds of official negotiations

4.28. Korea will continue to actively engage in discussions for bilateral and regional FTAs as well as mega-FTAs. In addition, it will proactively push ahead with agreements in the digital sectors to keep pace with the rapidly changing trade environment in line with the advancement of digital technologies and the COVID-19 pandemic.

4.2.2 New Southern and New Northern Policies

4.29. The Korean Government has been implementing the "New Southern Policy (NSP)" and the "New Northern Policy (NNP)" since 2017 with the aim of enhancing trade, investment, and economic cooperation with emerging economies.

4.30. The NSP aims to achieve mutual prosperity with ASEAN countries and India. The Korean Government has established high-level bilateral and multilateral channels to build a better foundation for bilateral and multilateral cooperation with those countries, including Committees on Economic Cooperation, FTA Joint Committees, and the Korea-ASEAN Finance Ministers Meeting. The signing of the RCEP and Korea-Indonesia CEPA in 2020 has provided an additional momentum for promoting Korea's trade and investment with these partner countries.

4.31. Through the NNP, the Korean Government is seeking greater cooperation with Eurasian countries in economy and infrastructure. As part of its efforts to build the foundation for bilateral cooperation with these countries, Korea has set up the "Korea-Turkmenistan Business Council" and held working-level meetings with Kazakhstan. It is also currently pursuing an FTA with the Eurasian Economic Union (EAEU) and has been engaging in the FTA negotiations for services and investment with the Russia Federation since June 2019. In this way, the Korean Government has been further intensifying trade networks between Korea and the New Northern countries.

4.3 Trade Policies

Digital transition in trade

4.32. As the online and contactless economy has become mainstream, the ability to leverage platforms and data has emerged as a source of comparative advantage for trade. The interconnection between the online and offline worlds has also assumed greater importance (e.g. logistics to support the ever-increasing online transactions with the outbreak of COVID-19).

4.33. Therefore, the Korean Government has updated its e-trade services for the digital transition in trade. In particular, it has further improved the uTradeHub system to substantially reduce trade costs and make trade transactions more intelligent.

4.34. The Korean Government has developed, and has been running, a new service so that consignors and sellers who are engaged in e-commerce can go through the entire export procedures online through the uTradeHub system. The system has also been further improved so that people can conduct export-related tasks efficiently. Information contained in commerce invoices, packing lists, and other export documents is now read by AI and converted into data, which saves effort and time to re-enter the same data during the follow-up processes, such as reserving cargos, requesting inland transportation, and making export declarations.

Establishing a pan-government cooperation system to overcome the trade crisis caused by the COVID-19 pandemic

4.35. Since the outbreak of the COVID-19 pandemic, trade is facing more challenging conditions than ever before (e.g. restrictions on cross-border movement and global economic slowdown). To address such situations, the Korean Government, related organizations, and the industrial sector have established a cooperative system, under which vaccinations of those business people who need to travel overseas have been prioritized, and standard contract templates have been distributed to reduce possible disputes among export and import companies.

4.4 Investment Policies

Achievements in attracting foreign investment

4.36. Currently, the Korean Government is committed to improving the quality of foreign investment, enhancing the linkage with Korean industrial policies, building the capacity of municipalities to attract investment, and improving infrastructure to attract investment.

4.37. The amount of FDI inflows (on the arrival basis) has witnessed a slowdown in its growth since it recorded USD 16.4 billion in 2015. With the influence of COVID-19, it further went down to USD 11.09 billion in 2020 (realized FDI). In 2021, however, amid expectations for global economic recovery and Korea's successful handling of the pandemic ("K-quarantine"), the figure rebounded to USD 7.8 billion in the first half of the year, setting a second record high among figures for the first halves of the years.

Table 4.2 Achievements in Inducing Foreign Investment

(unit: USD million)

	2016	2017	2018	2019	2020	1 st half of 2021
Declared	21,295	22,948	26,901	23,328	20,747	13,138
Arrived	10,840	13,761	17,264	13,340	11,090	7,836

4.38. What is worth noting is that, during the first half of 2021, the declared amount of FDI increased by 71.5% (USD 13.14 billion), and the realized amount by 57.3% (USD 7.84 billion), from the same period in the previous year. This is sound growth given the global FDI growth which is forecast to be around 10 to 15% this year (June 2021, UNCTAD).

Promoting foreign investment and enhancing the substantiality

4.39. The Korean Government is making an effort to promote re-investment by foreign-capital invested companies, to encourage foreign investment in high value-added sectors and to advance infrastructure to induce investment.

4.40. On 4 February 2020, *the Foreign Investment Promotion Act* was amended to allow the recognition of investment of unappropriated retained earnings in the establishment or extension of plants as foreign investment, thereby promoting re-investment within Korea by foreign-capital invested companies.

4.41. In addition, to attract substantive foreign investment, the Government is taking into account, *inter alia*, the market competitiveness of the products by investors, their presence at home, and the possibility of attracting domestic investment.

Generating more employment from FDI

4.42. Since *the Foreign Investment Promotion Act* was amended on 1 April 2019, surveys have been conducted every three years to inquire into the effect foreign investment has on job creation in Korea. The results of such surveys are incorporated into policies to promote foreign investment. In addition, to encourage foreign-capital invested companies to hire local employees, a wide range of events and programmes are being organized, such as job fairs and employment support weeks.

5 INTERNATIONAL COOPERATION TO RESPOND TO COVID-19

5.1. On 26 March 2020, Korea, joining other G20 member countries, emphasized the need for international cooperation to respond to COVID-19 through the G20 Leaders' Statement with a particular emphasis on the supply of food, essential medical supplies, and services during the pandemic.

5.2. The G20 members shared the view that the measures to protect the public health of each country should be "targeted, proportionate, transparent, and temporary." The G20 Trade and Investment Ministerial Statement (of 30 March 2020) reiterated the important roles of the multilateral trade system in responding to the pandemic. On 1 May 2020, Korea led the ministerial

meeting between five countries - Korea, Australia, Canada, Singapore, and New Zealand - where they adopted the "Joint Ministerial Statement on Action Plans to Facilitate the Flow of Goods and Services as well as the Essential Movement of People." This Joint Statement was discussed during the WTO General Council meeting, and WTO Members agreed on the importance of facilitating flows of goods and services and the essential movement of people.

5.3. Korea supported, as a member of the Ottawa Group, a statement with action plans for six different sectors in response to COVID-19 during the Ottawa Group Trade Ministers' meeting held in June 2020. Korea has actively participated in discussions on the "Trade and Health Initiative" to seek together ways to facilitate flows of essential medical supplies to counter the pandemic. It also co-sponsored the joint proposal on the said Initiative during the Ottawa Group Trade Ministers' Meeting held in November 2020.

5.4. In addition, Korea, on its part, has helped improvement of transparency and predictability in the flows of essential medical supplies through its immediate notification to the WTO of its export restrictions on the supplies. At the same time, Korea has also been providing practical support to respond to the pandemic by, for example, exporting test kits worth around USD 3.38 billion to approximately 180 countries by February 2021.

5.5. Korea has adopted the "ODA strategies in response to COVID-19" in July 2020 to help developing countries overcome the pandemic and has promptly responded to the needs for international assistance and cooperation. The country has donated PPE for COVID-19 worth USD 130 million to 120 countries, and shared quarantine experiences tailored to aid-recipient countries on around 800 occasions. Moreover, Korea has continued to maintain cooperation amid the global health crisis through, *inter alia*, providing USD 480 million in emergency loans to 13 countries and suspending official bilateral debt payments for 26 low-income countries. Through such efforts, it has responded to the needs for emergency medical supplies of developing countries and, at the same time, contributed to building their capacities to counter the infectious disease.

5.6. Such efforts by Korea will not only help global response to the COVID-19 pandemic but also ensure smooth flows of goods, including essential medical supplies and vaccines, and services, and movement of people in case a similar contingency takes place in the future. This will help enhance global crisis-responding capacities and strengthen international cooperation.

6 THE WAY FORWARD

6.1. The global economy and trade in recent times have been undergoing an unprecedented crisis due to the COVID-19 pandemic and the resulting economic slow-down. With the heightened uncertainty, there is a greater emphasis on the importance of the multilateral system and international cooperation.

6.2. Core principles of the WTO, such as market opening and transparency, have helped minimize export restrictions and enhance predictability of trade so that trade can continue to flow smoothly. In addition, through cooperation with other international organizations, such as the WHO and WIPO, the WTO will continue to work to promote vaccine production and ensure fair access thereto.

6.3. Being at the core of the multilateral trade system, the WTO will continue to respond to similar health crises and changing environments of economy and trade in the coming years. To this end, the WTO needs to grow as a more appropriate and effective organization keeping pace with the rapidly changing trade environment. Korea will continue to actively participate in the ongoing discussions for WTO reform and make efforts to bolster global confidence in the multilateral system.

6.4. As part of such effort, Korea will continue to faithfully implement its international obligations in compliance with the WTO Agreements as one of its members and actively engage in discussions on new trade topics, including trade and health issues, climate and environmental issues as well as the rules of digital trade rules in light of the accelerating pace of the digital transformation of the global economy.

6.5. Korea's experience of transforming from an aid-recipient country to a donor country is all the more encouraging as it shows a virtuous circle of the multilateral system, where growth and development of one country can contribute to the development of other countries.

6.6. Going forward, Korea will continue to seek effective domestic markets and sustainable development based on "innovation and inclusive growth" and make constructive contributions as a responsible member of the international community through its contribution to global economic growth with its robust trade activities.
