



Regional Implications

## KORUS FTA: A Boost for East Asian Economy

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Korea and the United States concluded the KORUS FTA negotiations on April 2. This is a major achievement between key members in the world economy and it would form the world's third largest trade block after the EU and NAFTA if ratified by the two countries. Even though Korea has FTAs with Chile, Singapore, EFTA and ASEAN (negotiations on the service sector are still going on in the FTA with ASEAN), the KORUS FTA is a big challenge for Korea. For the United States, the KORUS FTA is the only FTA with a major trading partner other than NAFTA. Therefore, it will have many effects on both countries and the East Asian economy by changing the map of the regional economy.

Even though the average tariff rates for imports into the United States are low, Korea expects more competitiveness in its exports to the United States, such as automobiles, steel products and textile goods, after the KORUS FTA is in effect. These products are major exporting goods for most other East Asian countries. Therefore, East Asian countries will suffer from trade diversion effects and more competition in the U.S. market. It will cause the diminishing trade surplus of the other East Asian countries with the United States if they cannot adjust to the situation caused by the KORUS FTA.

The Korean government expects more foreign direct investment will be caused by the KORUS FTA. There is a chance that the KORUS FTA will raise the international credit rating of Korea and cause the increase of competitiveness in its service industry. This will improve the environment of FDI in Korea. In addition to this change in business atmosphere, other countries will invest in Korea to get the benefits of preferential margins created by the KORUS FTA. If this happens as Korea expects, China, which is called a "black hole" of global FDI, may suffer from diminishing FDI, impeding that country's future development.

However, the KORUS FTA will give more opportunities to East Asian countries. Korea is a country that imports many



parts from the East Asian region to make export products. Study suggests that about 40 percent of Korean imports are used in making export products. Therefore, the increase of Korean exports to the United States will cause an increase in Korean imports from East Asian countries. East Asian companies can enjoy better business opportunities in Korea if the unnecessary regulations are eliminated as the Korean government expects.

After the announcement of the successful agreement of the KORUS FTA, China and Japan showed more interest in FTA negotiations with Korea. In a recent meeting with President Roh Moo-hyun, Chinese Premier Wen Jiabao proposed Korea-China FTA negotiations. Yasuhisa Shiozaki, Japan's chief Cabinet secretary, expressed Japan's desire to reopen Korea-Japan FTA negotiations in the near future. China and Japan were not full supporters of an FTA in the region even though they have had many negotiations with other Asian countries. Many agreed that the political element was the main reason to pursue an FTA in both countries. However, after the KORUS FTA, they showed more eagerness toward an FTA with Korea. Therefore, the KORUS FTA will bring more FTAs to the East Asian region. Some experts call this the "domino effect" of the KORUS FTA in the East Asian region. The proliferation of FTAs in East Asia may bring mutually exclusive regionalism if the countries only consider their own benefits. However, this should not be pursued. East Asian countries should bring more

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## '2007 KES' Explanatory Session Held



On March 29, KEA held an explanatory session at the Grand InterContinental Hotel in Samseong-dong, Seoul, to announce that it would hold 'KES (Korea Electronics Show) 2007' at KINTEX in Goyang City, Gyeonggi-do, for five days from October 9-13.

Participants were related officials from about 50 leading domestic and foreign companies representing Korea, Japan, the United States, China and Taiwan, including Samsung Electronics, LG Electronics, Samsung Electro-Mechanics,

Sony, JVC, Sharp Electronics, HP, Haier, BenQ, etc.

At the session, KEA said that 650 companies, including 220 foreign firms, would participate in the KES 2007 with a total of 1,500 booths. The exhibition is to be held on a record scale under the theme 'Home to New Digital Life' and will feature a variety of auxiliary events, keynote speeches by invited CEOs of global IT enterprises, an international seminar, new product presentation meeting, etc.

A related KEA official said that the targeted export business discussions and contract amount for KES 2007 are US\$2.5 billion and US\$250 million, respectively, the highest-ever levels.

In addition, KEA also held a roadshow to publicize KES 2007 in Taipei, Taiwan, on April 4. About 50 major electronics firms from Taiwan participated and local media also expressed strong interest in the show.

At the April 4 event, KEA explained its plan for KES 2007 and the medium & long-term vision for the show, while commercial officer Kang Myung-Soo of Korea's Representative Office in Taiwan made a presentation on the theme. KEA expects about 50 Taiwanese firms (up from 33 in 2006) and about 100 Chinese firms, including Haier, to participate in KES 2007, helping to upscale the show into a truly global exhibition.

KEA also held a roadshow in Las Vegas, U.S.A., in January this year. The association plans to move ahead actively with overseas marketing of KES, including plans to hold another roadshow in Shenzhen, China.

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prosperity in the region by enhancing mutual cooperation. Countries in the East Asian region can build win-win situations by completing an FTA and expanding the benefits to other countries because their trade structures are complementary to each other.

We cannot say that the KORUS FTA will bring all the best expectations, but this can be an opportunity for the East Asian countries. There should be some sectors that can be damaged by the change in the trade structure or structural reform, but

the economic welfare of all East Asian countries can be improved by cooperation following the KORUS FTA. The prosperity of the region depends on how East Asian countries cooperate in dealing with challenges, not just on competing with each other. The future of the East Asian economy lies in mutual cooperation. The KORUS FTA can be a chorus for greater prosperity in the East Asian region to promote the necessity of mutual cooperation by overcoming the challenges caused by the trade pact.

## 'BIT Industry Committee' Inaugurated



KEA announced that on March 29 it held a general assembly to launch 'BIT Industry Committee,' which will help to build the industrial infrastructure necessary for development of BIT fusion technology. BT-based technology fused with IT, electronics, etc. is expected to be the foundation for the 21st-century u-health industry.

The field has experienced difficulties with corporate activities, such as the absence of a BIT product classification system, a lack of information on new products and market trends, etc., despite the existence of revamped government organizations for BT and IT-fusion technologies.

The founding general assembly elected CEO Park Han-Oh of Bioneer, CEO Moon Woo-Chul of Goodgene, and CEO Kim In-Chull of LG Life Sciences as the committee's first chairman, vice chairman and auditor, respectively.

The committee, which consists of 23 member companies, agreed to cooperate and exchange information among BIT enterprises in the fields of bio chips, bio sensors, diagnostic/analysis equipment and devices, bioinformatics, etc.

The field has experienced difficulties

## Launch of 'Display Industry Association'

Discussions about establishment of a 'Display Industries Association' and placing this association under the KEA umbrella are making rapid progress.

The standing executives of KEA, Korea Semiconductor Industry Association (KSIA), Electronic Display Industrial Research Association of Korea (EDIRAK) and Korea Display Equipment Material Industry Association (KODEMIA) and the director of the related team at the Ministry of Commerce, Industry and Energy (MOCIE) meet on March 22 at the Electronics Bldg. in Yeoksam-dong, Gangnam-gu, Seoul.

At the meeting, held under the theme 'Ways to Strengthen Cooperation of Electronics Business Communities,' participants agreed to organize a working-level task force (TF) to re-establish the related roles of KEA and those of the other

associations by item.

An official who attended meeting said, "The executives of the participating associations shared the same opinion on the establishment of the display industry association targeting July this year and also on finalizing the matter of placing the projected association under the control of KEA prior to opening of the new Electronics Building." He added, "A specific division of roles will be recommended to the top decision-makers after discussions in the working-level TF."

Leading the TF, KEA will develop role-sharing methods after review and rearrangement of all business scopes and areas presently being undertaken by the respective organizations by item, such as integration of exhibitions, environmental business, patents, statistics, R&D projects, etc.



## Protect National Core Techs by Law



Ahead of enforcement of the Act

Concerning Leakage Prevention and Protection of Industrial Technologies in April, the Ministry of Commerce, Industry and Energy (MOCIE) requested research service to an external agency in order to determine the scope and selection criteria of national core technologies requiring protection.

The national core technologies defined by the Act are those industrial

technologies with high technological and economical value or high potential for the growth of related industries, which are feared to give grave bad effects to the national security and economic development when leaked abroad. The ministry decided to designate those technologies after preparation of detailed selection criteria and management regulations.

## IPv6 Users to 10 Mil. by 2010



The Ministry of Information and Communication (MIC) said that to increase the number of next-generation IPv6 (Internet Protocol version 6) users to 10 million by 2010, it will introduce IPv6 to public organizations, while

actively identifying related content and equipment.

To accelerate commercialization, MIC plans to promote development of FLO-based MSR (mobile support router) and control server technologies and transfer developed equipment technologies to private enterprises.

MIC also plans to identify diverse content for spread of IPv6 and link the protocol to the communication network of e-government in order to transform the services of public organizations into IPv6. With establishment of large-scale IPv6 utilization environments through public wireless network, the ministry

intends to increase the number of users to 200,000 within this year.

To stimulate introduction of IPv6 in the public sector, the ministry plans to allocate IPv6 with priority when new IPs are requested and also improve related systems by allowing only IPv6 for DNS (Domain Name Server) registration.

The ministry plans to support IPv6 educations for local autonomous bodies, while reinforcing IPv6 publicity through utilization of IPv6 technology training, preparation and distribution of related books and brochures, IPv6 experience hall, etc.

## User Platform Creation Service Emerging

Services enabling users to create a moving image community or e-commerce platform with utilization of sources provided by Internet media firms are emerging continuously. As those that have evolved into a direction to give platform composition rights to users in the web 2.0 era, the services are expected to bring a big change to future web standardization as well as web business.

The recently debuted moving image

community Extv ([www.extv.co.kr](http://www.extv.co.kr)) launched service that can upload moving images right within the Extv site by adopting the uploading solution of a moving image portal site ([www.mncast.com](http://www.mncast.com)). Extv established an internet moving image community with provision of the portal's platform itself, although server, codec license, traffic expenses are required in establishing a system that can upload and reproduce

moving images.

An Extv official said, "Although users wanted to provide moving image service on a community site or an individual homepage, they hesitated to do it due to expense problems. But now, they can receive the platforms of specialist firms like us." Mncast provides about 50 sites, including a mania community site Ruliweb, DVD Prime, etc.