

# KOREA'S TRADE POLICY AND KOREA-EU ECONOMIC COOPERATION

*Following is the excerpt of the speech made by Ban Ki-moon, Deputy Secretary of the Ministry of Foreign Affairs and Trade to a gathering of ambassadors of EU member states on Feb. 07, 2001 in Seoul.*

## Korean Economy and Reform

Since the 1997 financial crisis, the Korean economy has been moving towards a new system, in order to be more transparent, market-oriented, accountable and competitive. As such, the Korean government has been implementing wide ranging reform and restructuring measures in the financial, corporate, labor and public sectors.

There has been substantial progress, but the reform process is not yet complete. The process must continue until the Korean economy cures its structural weaknesses and inefficiencies. Economic restructuring is our top priority. We must continue tackling the remaining challenges head-on.

This year, our economy is facing formidable challenges, both internally and externally. Internally, we have to move forward in strengthening our financial system and improving corporate governance while addressing the issue of possible slowdown of the business cycle.

Externally, we have to deal with the uncertainties in the world economy, particularly those arising from the slowdown of the US economy and the increase of oil prices.

Given these challenges and uncertainties, the Korean economy will perhaps achieve around a 5% growth, which is significantly lower than last year.

Still, I hope you will continue to maintain your confidence in the Korean economy. Our commitment to completing the reform is stronger than ever, and I believe this is a good time for you to expand business and investment in Korea.

## Korea's Trade Policy

Now, I would like to touch on the main features of the trade policy of Korea. Currently, trade comprises 65 percent of Korea's GDP. Korea's economic prosperity relies heavily on trade, through which Korea participates in and contributes to the world economy. For that reason, Korea firmly believes in the benefits of open trade and is dedicated to promoting trade liberalization through multilateral, regional, and bilateral undertakings.

### a. Market Liberalization

Since the beginning of the present administration in early 1998, we have been working hard to open our market. In addition to removing the remaining barriers to market access, we have attempted to change the public perception of foreign goods, services and capital, by increasing awareness of the benefits of imports and market liberalization. It is important for Korean consumers to buy best-quality products at the lowest prices, regardless of their origin.

## b. Multilateral Participation

We believe that an open multilateral trading system best guarantees the long-term prosperity of all the countries in the world. Based on this conviction, we are actively participating in activities of the WTO.

Through the WTO, we will be able to promote further market liberalization and establish and harmonize various rules and regulations of trade.

## c. Regional Engagement

We believe that regional economic fora can significantly contribute to the expansion of international free trade and investments. In this context, Korea is actively engaged in regional cooperation mechanisms, such as the ASEAN+3, APEC, and ASEM processes.

Through active participation in the ASEAN+3 Process, we are engaged in efforts to expand economic flows in East Asia. This includes the establishment of the East Asia Study Group (EASG), which will explore ways and means of enhancing cooperation in East Asia.

Also, through active participation in ASEM such as hosting the Third Summit in Seoul last year Korea wants to promote deeper and wider trade and investment ties between Asia and Europe.

## d. Bilateral Cooperation

We believe that bilateral free trade and investment arrangements, when properly structured, will offer additional openness and “trade creation.” Based on this belief, we are considering the establishment of free trade agreements with some of our trading partners. As a first step, we are negotiating a Free Trade Agreement (FTA) with Chile. We are also engaged in negotiations on bilateral investment treaties with the United States and Japan. We hope that we will conclude the treaties at the earliest date possible, hopefully by the end of this year.

## Korea-EU Economic Cooperation

As President Kim’s visit to Europe last year has amply demonstrated, the economic ties between Korea and Europe have made remarkable progress over the last two years. The EU is Korea’s 2nd largest export market, and Korea is the 9th largest one for the EU. The bilateral trade volume, which had shrunk after Korea’s economic crisis, has recovered to pre-crisis levels and is expected to increase in the years to come. Last year, it increased by 20% compared with the 1999 figure.

In investment, the EU is Korea’s largest source of foreign direct investment. The increase in EU investments reflects the EU’s confidence in Korea’s economic potential, and it will help the Korean economy become more advanced.

ASEM has played a critical role in the development of EU-Korea relations, in many aspects. This year, for example, we will see the initial stages of building the Korea-EU Information Network. This will be the first step towards establishing the Trans-Eurasia Information Network, a project proposed by Korea at the 3rd ASEM Summit in Seoul, along with the EU and Singapore. This network will provide a direct inter-connection among research and information networks between Asia and Europe. **VIP**