



## Asia-Pacific Trade Briefs

### Republic of Korea

**Merchandise trade:** As the fifth-largest exporter and seventh-largest importer in the world, trade is critical to the economy of the Republic of Korea. The nation also hosts the fifth-busiest container port in the world in Busan. In 2014, merchandise export growth decelerated to just 2.3% – compared with an average annual growth of 5.3% during 2010-2014. The lower export growth was mainly due to China's economic slowdown, given that China is the Republic of Korea's largest trading partner, accounting for 36% of the latter country's exports. The Korean economy is highly vulnerable to changes in external demand due to a heavy reliance on exports, which are highly diversified across 4,460 products and 125 markets, compared with the Asia-Pacific average of 2,017 products and 95 partners. Top exports include petroleum, intermediate goods such as electronic circuits and liquid crystal devices, and final goods such as cars and mobile telephones. In 2014, merchandise import growth decelerated to just 1.9% from an average annual growth of 5.4% between 2010 and 2014. Around half (49.7%) of the Republic of Korea's imports are sourced from China, Japan and the United States.

**Services trade:** The Republic of Korea's services exports and imports grew by 3.1% and 4.4%, respectively, in 2014 – a slowdown from an average annual growth of 6.5% and 4.2%, respectively, during 2010-2014. This decline was mainly led by lower exports and imports of transport services – the country's largest sector, which accounts for about one third of both exports and imports. However, the impact of the slowdown was dampened by higher exports and imports of business services – the next largest sector.

**Global value chains (GVCs):** The share of intermediate goods in trade – a proxy for participation in GVCs – is marginally higher in the Republic of Korea (23%) than the Asia-Pacific region overall (22%) in the case of imports, and much higher in the Republic of Korea (24%) than Asia-Pacific (18%) in the case of exports. This suggests that the Republic of Korea is well integrated into GVCs. This is reflected in the country's top exports and imports, which prominently feature intermediate goods (e.g., electronic circuits, motor parts and liquid crystal devices).

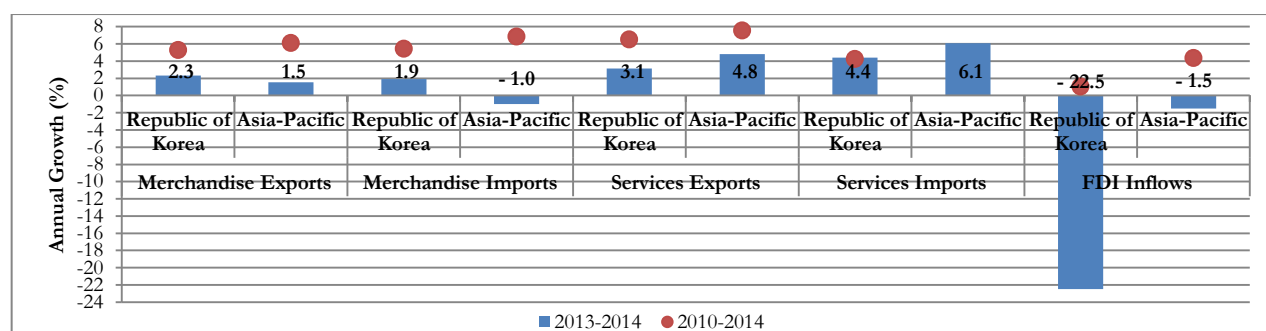
**Foreign direct investment (FDI):** In 2014, the Republic of Korea's FDI inflows contracted sharply by 22.5% to US\$ 9.9 billion. Inflows had actually remained relatively steady at between US\$ 9 million and US\$ 10 billion annually since 2009; however, 2013 saw an anomalous surge of inflows, and hence this sharp contraction actually reflects a transition to its longer-term level. Although the nation's rapid economic development as well as specialization in new information and communication technologies has drawn investment for many years, that investment has been constrained in recent years by: unfavourable global and domestic macro-financial conditions; a lack of transparency in regulations; a weaker Japanese yen (Japan is the single largest source of investment); a sharp fall in tourism (which is a major investment sector); and high labour and real estate prices.

**Tariffs:** Average MFN applied and effective tariffs at 11.9% and 9.5%, respectively, are slightly higher than the Asia-Pacific averages of 7.4% and 7.4%, respectively. Average WTO bound duty, at 16.5%, is slightly lower than the Asia-Pacific average of 21.7%.

**Trade costs:** Intraregional trade costs in the Republic of Korea have fallen marginally since 2009. It is costlier for Asia-Pacific economies to trade with the Republic of Korea than with East Asia-3 (China, Japan and the Republic of Korea) (the intraregional benchmark), but cheaper than with EU-3 (France, Germany and the United Kingdom) (the extraregional benchmark). Based on the UNRC Survey 2015,\* the Republic of Korea's trade facilitation and paperless trade implementation score is 86% compared with 46.5% for Asia and the Pacific.

**Trade agreements:** The Republic of Korea has 14 trade agreements in force, much higher than the Asia-Pacific average of seven agreements. Sixty-eight per cent of exports are to PTA partners, compared with 35% for the Asia-Pacific. Fifty-nine per cent of imports are from PTA partners, compared with 45% for the Asia-Pacific.

Figure 1. Key trade and investment indicators



\*Country notes summarising results of the UNRC Survey 2015 are available at: <http://unnex.unescap.org/UNTFSurvey2015.asp>

Figure 2. Top merchandise markets

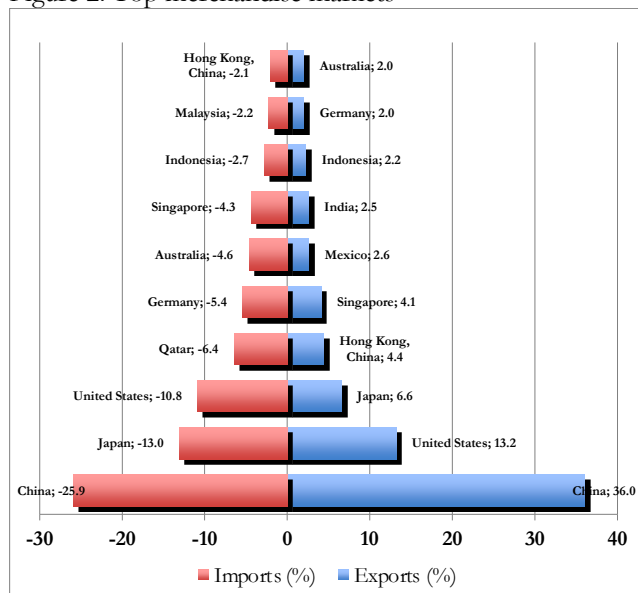


Figure 3. Top merchandise products

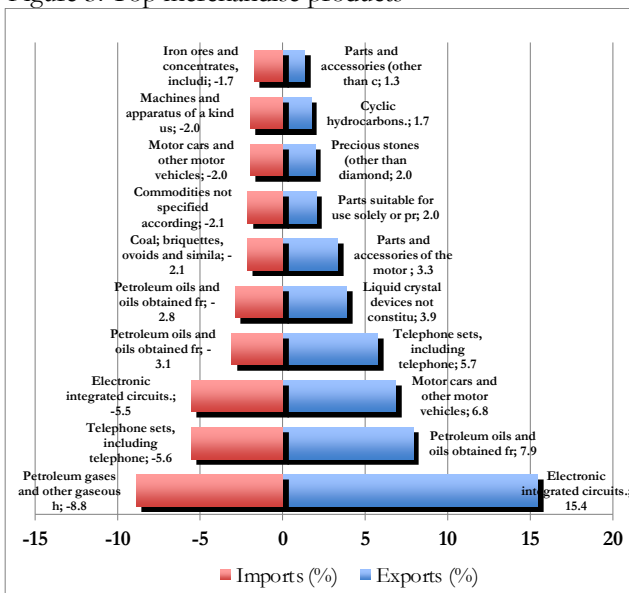


Figure 4. Trade in goods by their use

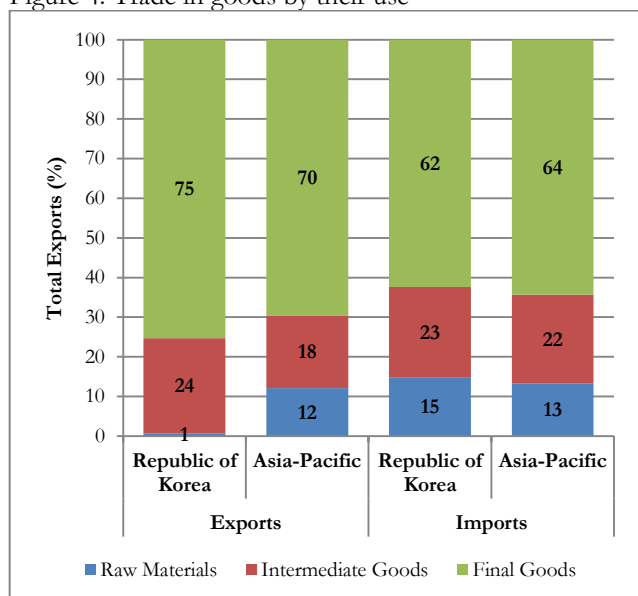


Figure 5. Foreign direct investment

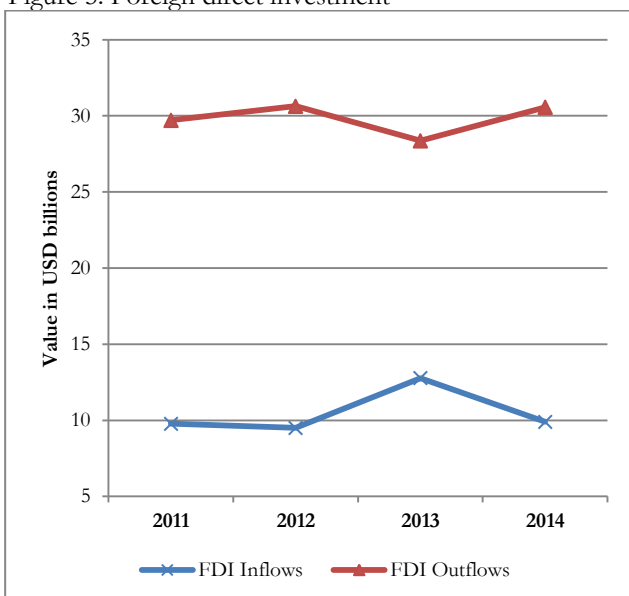


Figure 6. Tariffs

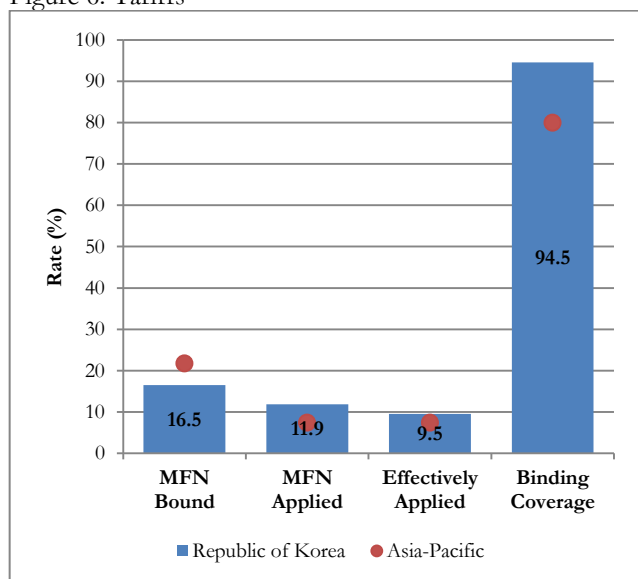
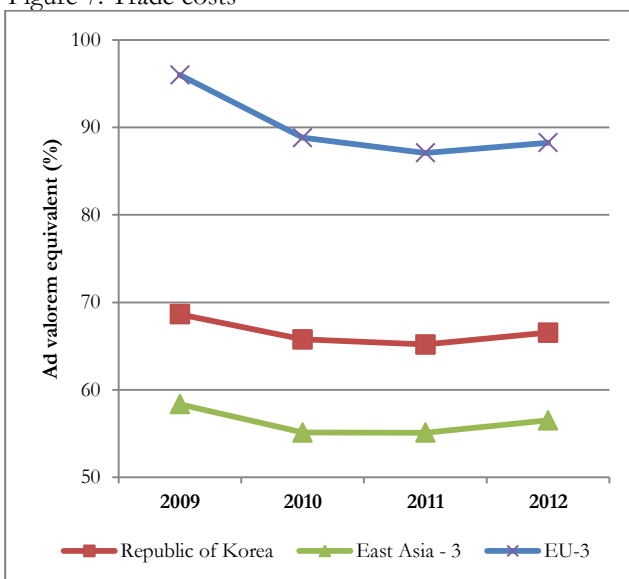


Figure 7. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data was accessed through UNCTADstat.

Notes: Trade data follows the HS2007 classification. Mirror data is used. Products are defined at the 6-digit level.

Definitions: Primary, intermediate, consumer, and capital goods are defined using UNCTAD System of Accounts. Final goods are defined as the sum of consumer and capital goods. Bound tariff is the maximum most favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied on imports among WTO members. Effectively applied rate is the lowest tariff available, i.e. preferential rates where available.

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