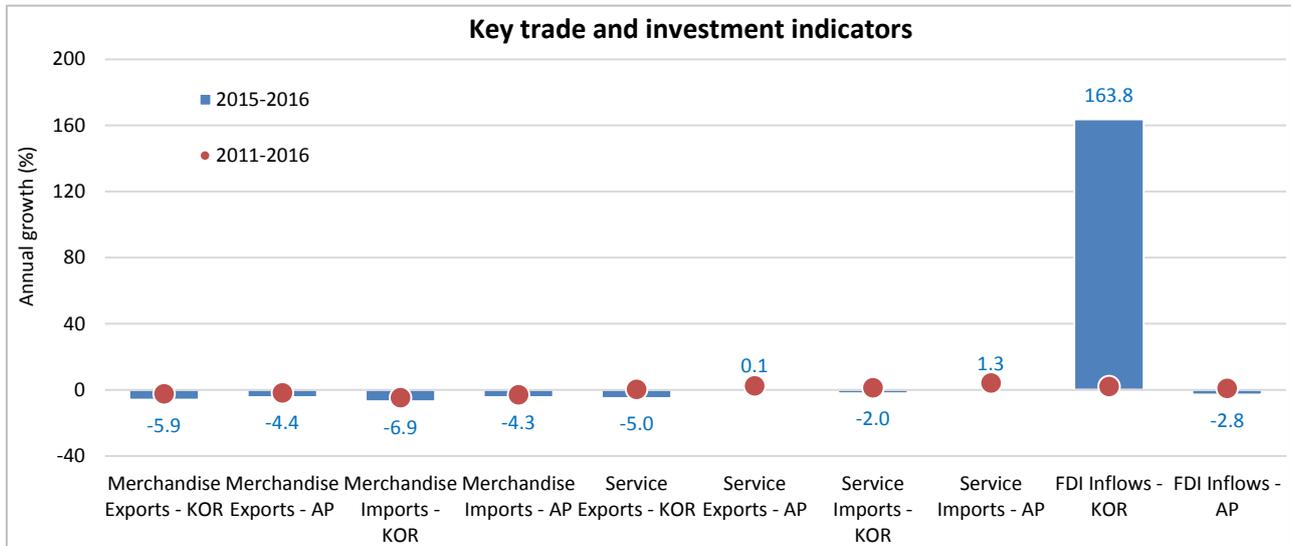




Asia-Pacific Trade and Investment Briefs Republic of Korea



AP: Asia and the Pacific average

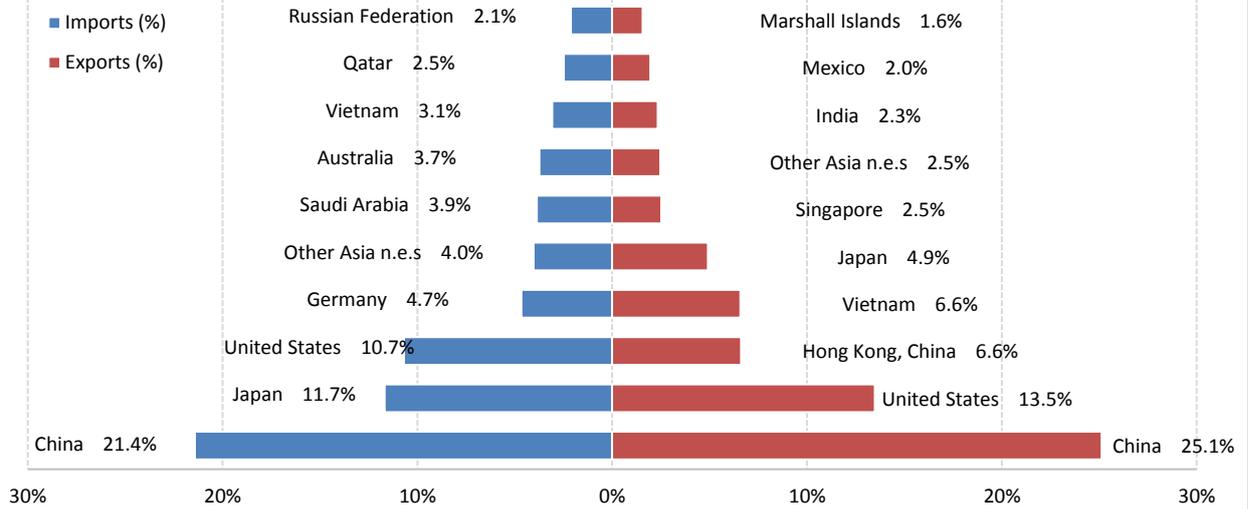
Merchandise trade: In 2016 merchandise trade accounted for 81.8% of total trade. While merchandise exports – which in 2016 accounted for 84.4% of total exports – contracted by 2.2% on average during 2011- 2016 and fell by 5.9% in 2016, a slightly larger contraction than 4.4% for the Asia-Pacific average. Electronic integrated circuits, motor vehicles and petroleum oils formed the major export goods. Lower exports demand from China and the United States as well as falling world crude oil prices were the main drivers behind the contraction in exports. Merchandise imports in 2016 also experienced a sharp fall of 6.9%, which was more severe than the Asia-Pacific average import decline of 4.3%. The import contraction was strongly linked to the country’s slowing exports growth and participation in global value chains, as the economy remained heavily reliant on imports of intermediate goods and raw materials.

Services trade: Commercial services trade increased to 18.2% of total trade in 2016. For exports, commercial services declined by 5.0%. This was mainly related to a decline of 22.9% in transport exports, which accounted for 28.8% of total commercial services exports in 2016. Similarly, commercial services imports experienced a decline of 2.0%, due to a decline of goods-related services and other commercial services.

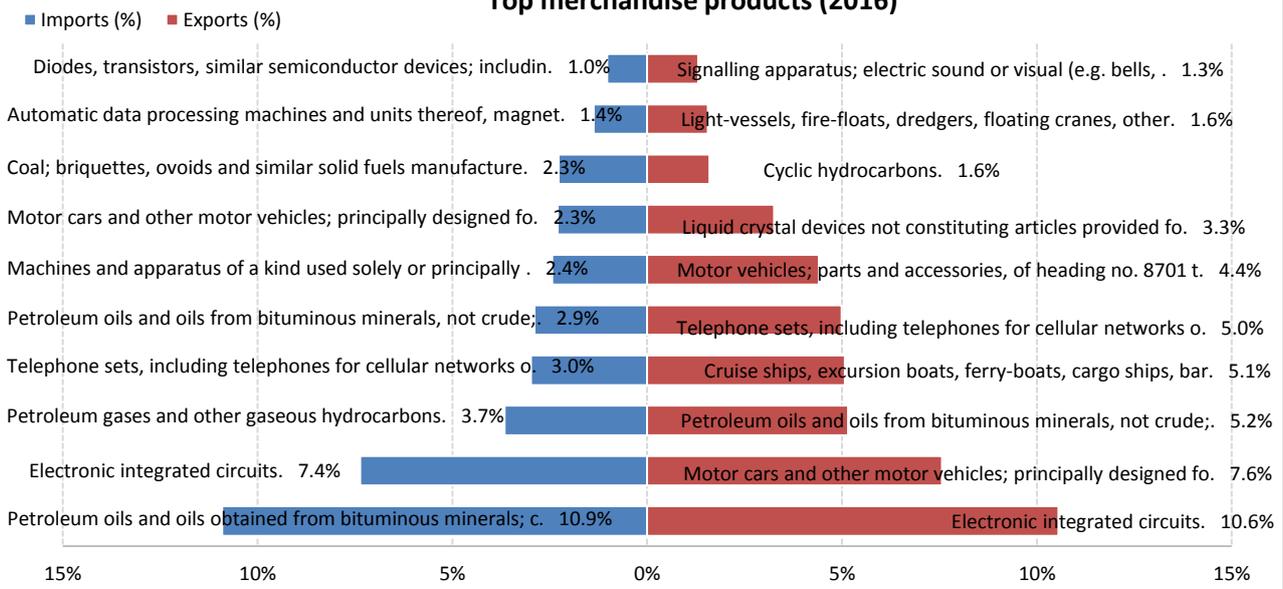
Intraregional trade: In 2016, the Asia-Pacific region absorbed 59.9% of total exports. The two largest export destinations were China (25.1%) and the United States (13.5%), followed by Hong Kong, China (6.6%). Meanwhile, 53.3% of goods imports were from the Asia-Pacific region, with China (21.4%) and Japan (11.7%) as the largest intraregional import sources.

Foreign direct investment (FDI): FDI inflows to the Republic of Korea have dramatically increased by 163.8% in 2016, contrasting with an annual average growth of 2.2% during 2011-2016. Recent business facilitating reforms were likely to have fostered such robust growth in FDI inflows to the Republic of Korea. Leisure and entertainments, electronic components and chemical sectors attracted the most greenfield FDI inflows, led by investments from the United States, France and Japan. FDI outflows from the Republic of Korea has also shown a robust growth, by 14.8% in 2016.

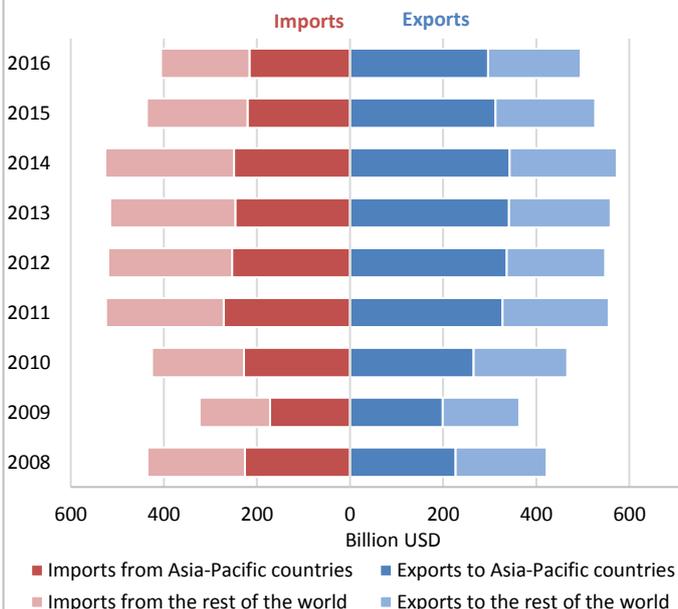
Top merchandise markets (2016)



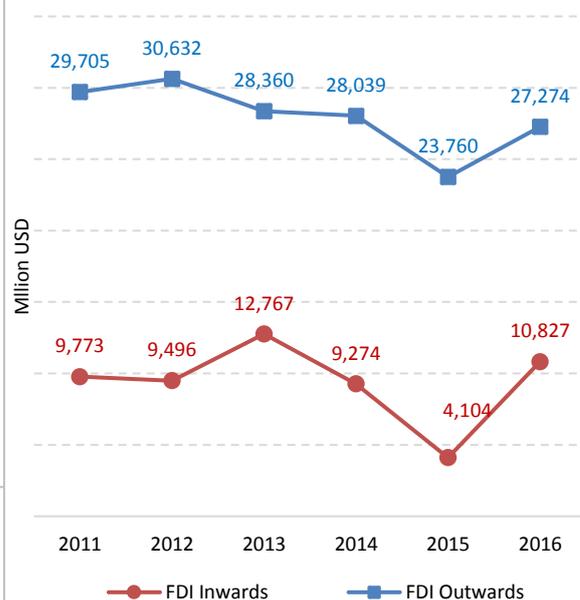
Top merchandise products (2016)



Trade within Asia-Pacific and the rest of the world



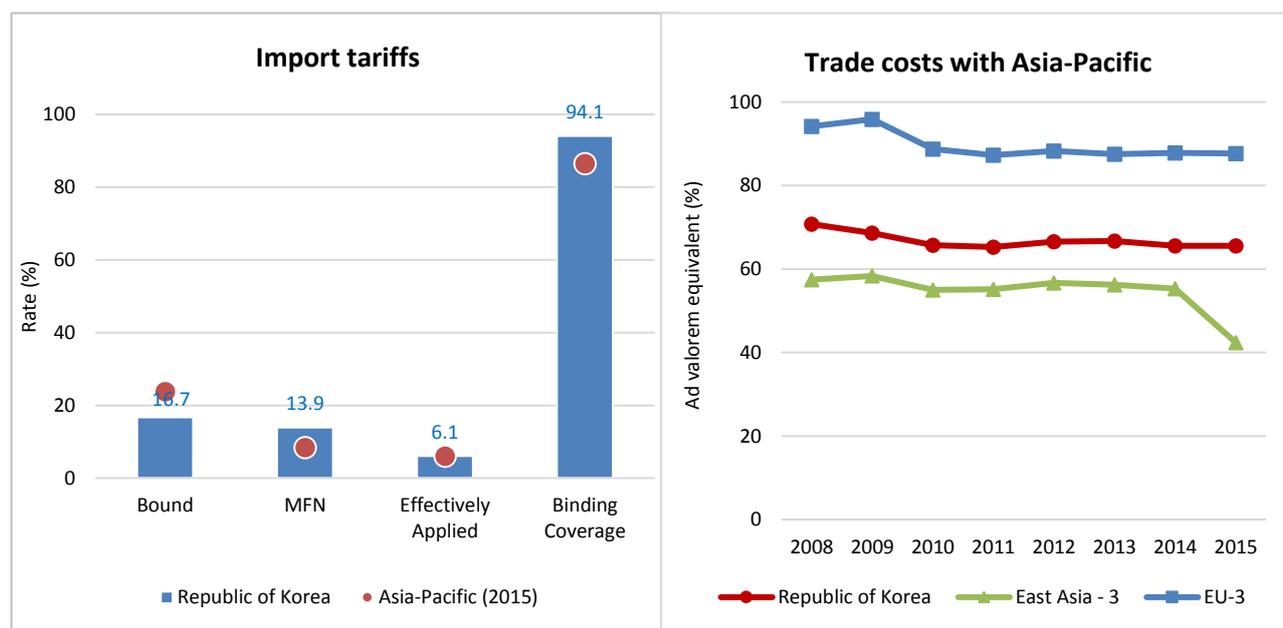
Foreign direct investment (FDI)



Tariffs: In 2015, average MFN applied was 13.9%, higher than the Asia-Pacific average of 8.5% and the effectively applied tariffs was the same as the Asia-Pacific average of 6.1%. Average MFN bound duty, at 16.7%, was less than the Asia-Pacific average of 23.8%. Korea has bound 94.1% of its tariff lines.

Trade costs: Intraregional trade costs in the Republic of Korea were slightly higher compared with the most efficient major traders in Asia and the Pacific, and during 2010-2015 they remained stable at a relatively low level. Trade costs incurred by the Republic of Korea were generally 10 percentage points higher than those of East Asia-3 (except for 2015) – which is dominated by China – and around 20 percentage points lower than those for the European Union-3 in reaching major trading economies of Asia and the Pacific (China, India, Indonesia and the Russian Federation).

Preferential trade agreement (PTAs): As of September 2017, Republic of Korea has 18 preferential trade agreements (PTAs) in force, which were higher than the Asia-Pacific average of 7.7 agreements. Based on data of 2013-2015, of total exports, 80.1% were to PTA partners, compared with 37.5% with the Asia-Pacific region. Of total imports, 72.0% were from PTA partners, compared with 50.3% for the Asia-Pacific region.



Sources: Trade and tariff data were accessed through WITS and IMF direction of trade database. FDI data were accessed through UNCTAD stat. Trade costs data were based on the ESCAP-World Bank trade cost database.

Notes: Data are based on countries or regions for which data available only (e.g. trade cost data of Japan are missing for 2015). Merchandise trade data follow the HS2012 classification. Mirror data are used. Products are defined at the 4-digit level. Tariffs are simple average. Trade costs shown are tariff equivalents, calculated as trade-weighted average trade costs of countries or regions with the Asian developing economies (China, India, Indonesia and Russian Federation). East Asia-3 comprises China, Japan and the Republic of Korea; European Union-3 comprises Germany, France and the United Kingdom. Average growth rate over a period means simple average growth rate.

Definitions: 1) Other commercial services include: Construction, Insurance and pension services, Financial services, Charges for the use of intellectual, Telecommunications & computer, Other business services, Personal & cultural & recreation. Other business services include: Research and development services, Professional & management consulting services, Technical & trade-related & other business services. 2) MFN bound tariff is the maximum most-favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied to imports among WTO members. The effectively applied rate is the ratio of collected import tariff revenue and value of imports. Binding coverage refers to the share of bound tariff lines in the total number of tariff lines.

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