

11

*Trade and Investment Opportunities
Between Korea and RCEP Countries*

Chapter

Chapter 11 Trade and Investment Opportunities Between Korea and RCEP Countries

Section 1 Trade in Goods

This section introduces the preferential tariffs imposed by South Korea and other RCEP contracting parties on each category of products from directions of export and import by industry, and enterprises can understand the extent of tariff preferences for various goods from South Korea and other RCEP Parties.

I. Current State of Trade in Goods Between South Korea and Other RCEP Parties

In terms of the scale, the overall scale of South Korea's import and export trade with other RCEP Parties has been growing from 2010 to 2020. In 2020, South Korea's exports to other RCEP Parties were valued at \$254.348 billion, accounting for about 49.60% of Korea's total exports, and imports were valued at US\$229.614 billion, accounting for about 49.11% of total imports. Due to the impact of the epidemic, the overall trade scale of South Korea with other RCEP Parties decreased by 3.56% in 2020 compared to 2019, and the overall development of trade similarly slowed down. South Korea's top five trading partners in 2020 were China, the United States, Japan, Vietnam, and Taiwan, China, with a respective value of US\$243.422 billion, US\$181.362 billion, US\$71.117 billion, US\$69.122 billion, and US\$34.280 billion, accounting for 60.93% of total imports and exports in total.

South Korea has an overall trade surplus with other RCEP



Parties, and has a higher dependency on exports than imports, highlighting the differences in resource endowments and industrial division of labor of other RCEP parties. In recent years, Korea's exports and imports with five RCEP member countries, including China, Japan, Vietnam, Australia, and Singapore, accounted for about 85%-90% of Korea's total exports and imports. Korea's exports to five countries in 2020, including China, Vietnam, Japan, Singapore, and Malaysia, were US\$132.555 billion, US\$48.543 billion, US\$25.093 billion, US\$9.826 billion, and US\$9.077 billion respectively. South Korea's total exports to these five countries accounted for 88.50% of Korea's total export volume to the RCEP. South Korea's imports from China, Japan, Vietnam, Australia, Malaysia, and other five countries in 2020 were US\$108.870 billion, US\$46.025 billion, US\$20.579 billion, US\$18.701 billion, and US\$8.894 billion respectively, accounting for 88.44% of Korea's total import volume from RCEP. At the same time, South Korea had a trade deficit with Japan, Australia, Indonesia, and Brunei. It can be seen that South Korea's export concentration to other RCEP parties is higher than its export concentration, but the difference between the two is not significant. The conclusion of the RCEP will help South Korea continue to expand its export market and meet domestic import demand, which is conducive to the further development of South Korea's regional industrial chain supply chain. By establishing a common framework of rules of origin, the RCEP significantly expands the scope of trade and investment liberalization and significantly enhances South Korea's FTA network.

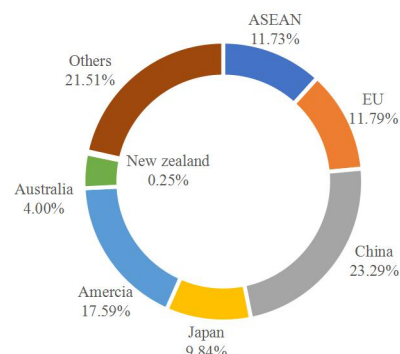
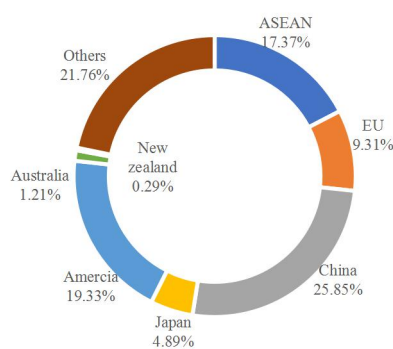


Figure 11.1.1 South Korea's Exports in 2020 Figure 11.1.2 South Korea's Imports in 2020

Source: UN Comtrade Database

Table 11.1.1 Volume of Trade in Goods Between South Korea and Other RCEP Parties in 2020

Unit: US Dollar million

Country or Region	Imports	year-on-year growth	Exports	year-on-year growth	Trade Value	year-on-year growth
ASEAN	548.36	-2.40	890.51	-6.32	1438.86	-4.86
Japan	460.25	-3.26	250.93	-11.68	711.17	-6.41
China	1088.70	1.54	1325.55	-2.68	2414.25	-0.82
Australia	187.01	-9.20	61.87	-21.59	248.88	-12.64
New Zealand	11.82	-9.10	14.63	5.09	26.44	-1.77

Source: UN Comtrade Database.

China and South Korea share strong economic relations, with China being Korea's largest trading partner for 17 consecutive years. China has been South Korea's largest trading partner country, largest export market, and largest source of imports for many years in a row. Based on data from the Ministry of Commerce, bilateral import and export of goods between South Korea and China in 2019 was US\$243.422 billion, of which China imported US\$107.220 billion from South Korea and exported US\$136.203 billion to South Korea, forming a trade surplus of US\$28.983 billion. 2020 trade in goods between China and South Korea fell slightly to US\$241.425 billion, a drop of 0.82%. Export volume was US\$132.555 billion, a decrease of 2.68%, and import volume was US\$108.870 billion, an increase of 1.54%.

Bilateral trade in goods between South Korea and ASEAN. According to the UN Comtrade Database, bilateral import and

export of goods between South Korea and ASEAN in 2020 amounted to US\$143.886 billion, a year-on-year decrease of 4.86%. Among them, the total value of South Korea's exports to ASEAN was US\$89.051 billion and the total value of imports from ASEAN was US\$54.836 billion. The trade surplus between South Korea and ASEAN was US\$34.215 billion, the largest among other RCEP Parties.

South Korea is Australia's fourth-largest trading partner.

According to the Australian Bureau of Statistics, as of August 17, 2020, South Korea was included as one of Australia's top five partners, importing goods with a total value of A\$11.8 billion from Australia, accounting for 6.4% of Australia's total exports, and exporting goods with a total value of A\$4.2 billion to Australia. This accounted for 3.0% of Australia's total imports, with a trade deficit of A\$7.6 billion.

Bilateral trade in goods between South Korea and New Zealand. According to the UN Comtrade database, the bilateral import and export volume of goods between South Korea and New Zealand in 2020 was US\$2.644 billion, down 1.77% year-on-year. Among them, South Korea's exports of goods to New Zealand amounted to US\$1.463 billion, and the total value of goods imported from New Zealand was US\$1.182 billion, a trade surplus of US\$281 million.

Bilateral trade in goods between South Korea and Japan.

According to statistics, South Korea's total exports of goods to Japan in 2020 were valued at US\$25.093 billion, down 11.68% year-on-year, accounting for approximately 4.89% of South Korea's total foreign exports. South Korea's total imports of goods from Japan fell by 3.26% year-on-year to US\$46.025 billion, or about 9.84% of South Korea's total imports in the same period. South Korea's bilateral trade volume in 2020 was about US\$71.117 billion,

and the trade deficit is the highest among other RCEP Parties at US\$20.932 billion.

II. Trade in Goods Opportunities for South Korea Brought by RCEP

(A) Electromechanical Products

Electromechanical products are classified under the Harmonized System Code Of Section 16, Chapters 84-85.

Table11.1.2 Detailed breakdown of electromechanical products

HS Code	Product Description
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof
85	Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, And Parts and Accessories of Such Articles

Source: www.hs.e-to-china.com.cn

In the export of electromechanical products, most of the Parties have seen a slight decline in export trade with South Korea in recent years. This indicates that the market prospects of South Korean electromechanical products in other RCEP Parties are still unstable. Among them, South Korea's exports of electromechanical products to China and Vietnam far exceed the exports of electromechanical products to other RCEP Parties and are the main trading partners for Korea's exports of electromechanical products. **With regards to the imports of electromechanical products**, the average annual growth rate of South Korea's import of electromechanical products from other RCEP Parties is 6.23%, and the overall growth is stable. While the exports of a few Parties to South Korea showed a downward trend, the trade volume with major trading partners China, Vietnam and Japan have shown a steady increase in recent years, with Vietnam's imports to South Korea reaching an average annual growth rate of 26.76%.

Table11.1.3 2015-2020 South Korea's Trade Volume of Electromechanical Products to Other RCEP Parties and the Average Growth Rate

(Unit: US Dollar million; %)

Country or Region	Rep. of Korea's exports to the country or region			Rep. of Korea's imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Japan	7825.64	6707.82	-3.04	16100.00	17800.00	2.03
China	67800.00	71400.00	1.04	41900.00	56400.00	6.12
Viet Nam	15200.00	30800.00	15.17	3300.00	10800.00	26.76
Singapore	5320.00	4280.00	-4.26	4570.00	5160.00	2.46
Malaysia	2180.00	2620.00	3.75	2610.00	3360.00	5.18
Indonesia	1330.00	1610.00	3.90	524.00	590.00	2.40
Thailand	1880.00	1850.00	-0.32	1810.00	1930.00	1.29
Australia	872.00	955.00	1.84	157.00	75.00	-13.74
Philippines	4410.00	3870.00	-2.58	1511.20	1980.00	5.55
Myanmar	166.00	135.00	-4.05	10.50	2.96	-22.37
Cambodia	79.90	54.30	-7.43	38.20	48.20	4.76
New Zealand	145.82	137.53	-1.16	40.24	31.57	-4.74
Lao People's Dem. Rep.	31.10	10.46	-19.58	0.01	4.84	244.33
Brunei Darussalam	12.80	11.00	-2.99	12.55	3.85	-21.05
TOTAL	107253.26	124441.11	3.02	72583.70	98186.42	6.23

Source: UN Comtrade Database.

Based on the comparison between the agreed tariff rates in the first year and the tenth year under RCEP, **in the first year of the RCEP coming into force**, South Korea's exports of electromechanical products to Australia will have the best tariffs under RCEP rules, with a tariff difference of 2.39%. This indicates that there is more room for preferential utilization after RCEP is signed. **Ten years after RCEP comes into force**, with the gradual reduction of tariffs, South Korea's exports of electromechanical products to Laos and Cambodia will have the best tariff rates under RCEP rules, with a tariff difference of 4.60% and 4.45% respectively. Japan and Singapore will eliminate tariffs in the tenth year of RCEP implementation, which will help improve the

international competitiveness of these two parties' electromechanical products and create more profits for the international export markets.

Table11.1.4 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	2.98	0.59	2.39	0.50	2.48
Brunei Darussalam	3.61	3.61	0.00	1.44	2.17
Cambodia	12.98	12.98	0.00	8.53	4.45
Indonesia	3.56	1.74	1.82	0.09	3.47
Japan	0.04	0.03	0.01	0.00	0.04
Lao People's Dem. Rep.	7.53	5.21	2.32	2.93	4.60
Malaysia	1.85	1.71	0.14	0.72	1.13
Myanmar	1.35	0.65	0.70	0.56	0.79
New Zealand	4.03	3.73	0.30	2.23	1.80
Philippines	2.56	0.26	2.30	0.12	2.44
China	1.78	1.44	0.34	0.68	1.10
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	3.61	1.72	1.89	1.28	2.33
Viet Nam	1.17	0.75	0.42	0.18	0.99

Source: UN Comtrade Database, WITS.

In terms of import tariff rates, the agreed tariffs rate for electromechanical products under the RCEP Agreement is generally low in the first year, and tariff rates will be gradually be further reduced by the tenth year. **In the first year of the Agreement**, Cambodia's tariff differential will be as high as 7.42%, indicating that Cambodia's tariff preferences under RECP are substantial. **Ten years after the Agreement enters into force**, Cambodia's tariff differential will increase to 7.62% and Indonesia's tariff differential will be 4.26%, indicating that both countries will have the greatest room for tax reduction and profitability in this sector in the next decade.

Table11.1.5 Comparison of Weighted Import MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Import-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Import-Weighted FTA (%)	Tax Difference (%)	Import-Weighted FTA (%)	Tax Difference (%)
Philippines	2.53	0.92	1.61	0.36	2.17
Cambodia	7.86	0.44	7.42	0.24	7.62
Lao People's Dem. Rep.	0.40	0.27	0.13	0.10	0.30
Malaysia	1.80	0.72	1.08	0.25	1.55
Myanmar	4.23	1.24	2.99	0.45	3.78
Thailand	2.90	1.22	1.68	0.52	2.38
Brunei Darussalam	2.82	0.12	2.70	0.09	2.73
Singapore	1.34	0.16	1.18	0.06	1.28
Indonesia	5.00	1.85	3.15	0.74	4.26
Viet Nam	2.72	0.63	2.09	0.23	2.49
China	2.34	1.31	1.03	0.19	2.15
Japan	3.69	3.19	0.50	1.71	1.98
Australia	5.01	1.99	3.02	0.93	4.08
New Zealand	3.93	1.55	2.38	0.94	2.99

Source: WITS database.

(B) Base Metals and Articles of Base Metal

Base metals and articles of base metal are classified under the Harmonized System Code Of Section 15, Chapters 72-83.

Table11.1.6 Sub-categories of Base Metals and Articles of Base Metal

HS Code	Product Description
72	Iron and steel
73	Articles of iron or steel
74	Copper and articles thereof
75	Nickel and articles thereof
76	Aluminium and articles thereof
78	Lead and articles thereof
79	Zinc and articles thereof
80	Tin and articles thereof
81	Other base metals; cermets; articles thereof
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal
83	Miscellaneous articles of base metal

Source: www.hs.e-to-china.com.cn

In terms of export, there are large fluctuations in the growth rate of South Korea's trade in base metals and their products with other RCEP parties. Certain RCEP Parties, such as Brunei, Australia, and Laos, have seen a significant decline in trade, while China, Japan, Vietnam, Thailand and other Parties with the highest trade volume maintained an overall upward trend and are important export markets for South Korea's base metals and their products. **In terms of import,** Korea's import of base metals and their products from other RCEP Parties grew at an average annual rate of -2.55%, which is not optimistic overall. China and Japan have been the largest trading partners of South Korea, but the trade with many countries including these two Parties has shown a negative growth trend in recent years.

Table11.1.7 2015-2020 Export of South Korea's Base Metals and Their Products to Other RCEP Parties and the Average Growth Rate

Country or Region	Rep. of Korea's exports to the country or region			Rep. of Korea's imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
China	7380.00	8690.00	3.32	12800.00	10000.00	-4.82
Viet Nam	2890.00	3590.00	4.43	394.00	721.00	12.85
Japan	3877.08	4025.47	0.75	7200.00	6340.00	-2.51
Thailand	1890.00	2010.00	1.24	251.00	414.00	10.53
Indonesia	1170.00	1080.00	-1.59	496.00	885.00	12.28
Malaysia	1570.00	1120.00	-6.53	644.00	642.00	-0.06
Philippines	684.00	552.00	-4.20	364.49	236.00	-8.33
Australia	1560.00	579.00	-17.98	1070.00	1160.00	1.63
Singapore	409.00	258.00	-8.80	231.00	112.00	-13.48
Myanmar	32.70	71.90	17.07	6.83	23.20	27.71
Cambodia	60.60	60.50	-0.03	10.60	4.05	-17.50
New Zealand	99.80	124.04	4.44	63.66	140.64	17.18
Lao People's Dem. Rep.	2.81	1.25	-14.96	1.81	1.02	-10.84

Brunei Darussalam	16.60	1.18	-41.07	0.66	0.09	-32.87
TOTAL	21642.59	22163.34	0.48	23534.05	20679.00	-2.55

Source: UN Comtrade Database, WITS.

Based on the comparison between the agreed tariff rates in the first year and the tenth year under RCEP, **in the first year of the RCEP coming into force**, South Korea's exports of base metals and their products to the Philippines have the best tariffs under RCEP rules, and the Philippines has a tax differential of 2.57%. This indicates that there is more room for preferential utilization after RCEP is signed. **Ten years after RCEP comes into force**, with the gradual reduction of tariffs, South Korea's exports of base metals and their products to China and Laos will have the best tariffs under RCEP rules, with a tax differential of 4.12% and 3.14% respectively. This indicates that the signing of RCEP will enable Korea to obtain more tariff preferences as well as trade profits when exporting to other Parties in the future, which will be conducive to South Korea's base metal industry to gradually participate in international competition on a level playing field in the China and Laos markets, and increase the international competitive advantage of its products.

Table11.1.8 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	4.39	2.40	1.99	1.80	2.59
Brunei Darussalam	0.00	0.00	0.00	0.00	0.00
Cambodia	2.23	2.23	0.00	1.65	0.58
Indonesia	6.90	6.46	0.44	5.56	1.34
Japan	0.37	0.33	0.04	0.06	0.31
Lao People's Dem. Rep.	5.13	3.62	1.51	1.99	3.14
Malaysia	10.98	10.80	0.18	10.00	0.98

Myanmar	1.50	0.69	0.81	0.57	0.93
New Zealand	3.02	2.52	0.50	1.06	1.96
Philippines	3.17	0.60	2.57	0.32	2.85
China	5.27	3.72	1.55	1.15	4.12
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	4.13	2.85	1.28	1.36	2.77
Viet Nam	3.45	2.03	1.42	0.68	2.77

Source: UN Comtrade Database, WITS.

In terms of import tariff rates, **the difference in the first-year agreed tariff rates for base metals and their products under RCEP is large**, and Brunei's tariff differential will reach 2.34%, which indicates that South Korea's tariff preference for Brunei under RECP is relatively substantial. **Ten years after the agreement enters into force**, the tariff differential will further increase to 4.68% in Brunei and 4.60% in Vietnam, indicating that both countries will enjoy the greatest room for tax reduction and profitability in this sector in the next decade.

Table11.1.9 Comparison of Weighted Import MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Import-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Import-Weighted FTA (%)	Tax Difference (%)	Import-Weighted FTA (%)	Tax Difference (%)
Philippines	2.19	2.05	0.14	1.15	1.04
Cambodia	0.02	0.02	0.00	0.00	0.02
Lao People's Dem. Rep.	0.00	0.00	0.00	0.00	0.00
Malaysia	2.60	1.99	0.61	0.72	1.88
Myanmar	0.77	0.72	0.05	0.27	0.50
Thailand	2.58	2.07	0.51	1.18	1.40
Brunei Darussalam	6.03	3.69	2.34	1.35	4.68
Singapore	3.36	2.45	0.91	1.01	2.35
Indonesia	0.76	0.16	0.60	0.09	0.67
Viet Nam	4.83	4.11	0.72	0.23	4.60
China	2.97	2.22	0.75	0.97	2.00
Japan	2.41	2.21	0.20	1.46	0.95
Australia	1.72	0.84	0.88	0.57	1.15

New Zealand	1.03	0.35	0.68	0.12	0.91
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Source: WITS database.

(C) Chemical Products

Chemical products are classified under the Harmonized System Code Of Section 6, Chapters 28-38.

Table 11.1.10 Detailed breakdown of chemical products

HS Code	Product Description
28	Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, Of Rare-Earth Metals, Of Radioactive Elements or Of Isotopes
29	Organic Chemicals
30	Pharmaceutical Products
31	Fertilizers
32	Tanning Or Dyeing Extracts; Tannins and Their Derivatives; Dyes, Pigments and Other Coloring Matter; Paints and Varnishes; Putty and Other Mastics; Inks
33	Essential Oils and Resinoids; Perfumery, Cosmetic or Toilet Preparations
34	Soap, Organic Surfactants, Washing Preparations, Lubricating Preparations
35	Albuminoidal substances; modified starches; glues;
36	Explosives; Pyrotechnic Products; Matches; Pyrophoric Alloys; Certain Combustible Preparations
37	Photographic Or Cinematographic Goods
38	Miscellaneous Chemical Products

Source: www.hs.e-to-china.com.cn.

In terms of export, with the exception of exports to New Zealand, which showed a small decline, the growth rate of South Korea's exports of chemical products to other RCEP Parties was positive, indicating that South Korean chemical products in other RCEP parties' markets have a bright outlook. Among them, China, Japan and Vietnam are the key export targets of Korean chemical products. **In terms of import**, the trade between several Parties and South Korea showed a downward trend, and the average annual growth rate of chemical product import trade was 3.63%. China, Japan and Singapore have been South Korea's largest trading partners with regards to chemical product imports in recent years, and Japan's exports to South Korea declined slightly in 2020.

Table 11.1.11 2015-2020 South Korea's Trade Volume of Chemical Products to Other RCEP Parties and the Average Growth Rate

(Unit: US Dollar million; %)

Country or Region	Rep. of Korea's exports to the country or region			Rep. of Korea's imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
China	15300.00	17000.00	2.13	6667.88	10500.00	9.51
Japan	2281.33	3240.16	7.27	7990.00	7890.00	-0.25
Viet Nam	1080.00	1740.00	10.01	151.00	232.00	8.97
Thailand	687.00	785.00	2.70	359.00	366.00	0.39
Indonesia	511.00	792.00	9.16	436.00	540.00	4.37
Malaysia	617.00	699.00	2.53	624.00	531.00	-3.18
Australia	255.00	281.00	1.96	407.00	194.00	-13.77
Singapore	428.00	523.00	4.09	1020.00	1150.00	2.43
Philippines	350.00	540.00	9.06	52.80	38.10	-6.32
Myanmar	45.60	92.00	15.07	0.06	0.17	23.16
New Zealand	52.05	51.91	-0.05	260.27	52.04	-27.53
Cambodia	21.90	43.40	14.66	2.68	1.36	-12.69
Lao People's Dem. Rep.	1.70	5.42	26.10	13.29	5.34	-16.67
Brunei Darussalam	0.75	2.43	26.51	13.73	6.92	-12.81
TOTAL	21631.33	25795.32	3.58	17997.71	21506.93	3.63

Source: UN Comtrade Database, WITS.

Based on the comparison between the agreed tariff rates in the first year and the tenth year under RCEP, **in the first year of the RCEP coming into force**, South Korea's chemical exports to Thailand will enjoy the best tariff rates under RCEP rules. Thailand's tariff differential is 3.12%, which is a large gap compared to other countries, indicating that South Korea will enjoy a larger profit margin from Thailand after signing RCEP. **Ten years after the RCEP comes into force**, Thailand's tariff differential will further increase to 7.35%, while Vietnam's tariff differential will rise to 5.81% with the gradual tariff concessions. This indicates that along with the gradual tariff reductions under the RCEP Agreement, South Korea will receive more tariff preferences as well as trade

profits from trade with the Parties, which is beneficial to the continuous expansion of South Korea's chemical industry in the international market.

Table 11.1.12 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	2.14	0.12	2.02	0.01	2.13
Brunei Darussalam	2.03	2.03	0.00	0.74	1.29
Cambodia	14.93	14.47	0.46	13.62	1.31
Indonesia	4.09	1.77	2.32	0.89	3.20
Japan	0.90	0.82	0.08	0.14	0.76
Lao People's Dem. Rep.	16.08	15.92	0.16	15.47	0.61
Malaysia	1.30	1.11	0.19	0.82	0.48
Myanmar	4.78	4.72	0.06	4.58	0.20
New Zealand	1.43	1.02	0.41	0.35	1.08
Philippines	3.13	0.37	2.76	0.17	2.96
China	4.86	3.94	0.92	2.36	2.50
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	7.68	4.56	3.12	0.33	7.35
Viet Nam	6.03	4.34	1.69	0.22	5.81

Source: UN Comtrade Database, WITS.

In terms of import tariff rates, **there is an obvious difference in the first-year agreed tariff rates for chemical products under RCEP**, and Vietnam's tariff differential will reach 3.94%, which indicates that tariff preference of South Korea to Vietnam under RCEP is relatively substantial. **Ten years after the agreement enters into force**, New Zealand and Thailand will reap the most trade benefits from the tariff preference, and the tariff differential between the two countries will increase to 8.92% and 8.20% respectively, which will significantly increase the competitive edge of chemical products from the two countries in the international markets.

Table11.1.13 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Import-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Import-Weighted FTA (%)	Tax Difference (%)	Import-Weighted FTA (%)	Tax Difference (%)
Philippines	4.93	2.23	2.70	0.40	4.53
Cambodia	0.06	0.06	0.00	0.01	0.05
Lao People's Dem. Rep.	0.12	0.11	0.01	0.08	0.04
Malaysia	5.56	2.24	3.32	1.34	4.22
Myanmar	0.97	0.08	0.89	0.02	0.95
Thailand	53.28	51.37	1.91	45.08	8.20
Brunei Darussalam	1.41	0.00	1.41	0.00	1.41
Singapore	3.22	0.87	2.35	0.49	2.73
Indonesia	5.15	2.37	2.78	1.54	3.61
Viet Nam	7.50	3.56	3.94	2.19	5.31
China	4.69	1.79	2.90	0.30	4.39
Japan	4.20	2.86	1.34	0.66	3.54
Australia	4.83	3.48	1.35	1.19	3.64
New Zealand	9.86	8.03	1.83	0.94	8.92

Source: WITS database.

(D) Textiles and Textile Materials

Textiles and textile materials are classified under the Harmonized System Code Of Section 11, Chapters 50-63.

Table11.1.14 Detailed breakdown of textile and textile articles

HS Code	Product Description
50	silk
51	wool, fine or coarse animal hair; horsehair yarn and woven fabric
52	cotton
53	other vegetable textile fibres; paper yarn and woven fabrics of paper yarn
54	man-made filaments; strip and the like of man-made textile materials
55	man-made staple fibres
56	wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof
57	carpets and other textile floor coverings
58	special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
59	impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial
60	knitted or crocheted fabrics
61	articles of apparel and clothing accessories, knitted or crocheted
62	articles of apparel and clothing accessories, not knitted or crocheted

63	other made up textile articles; sets; worn clothing and worn textile articles; rags
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Source: www.hs.e-to-china.com.cn.

In terms of export, South Korea's trade with major trading partners Vietnam and China has seen negative growth in recent years, while exports to Japan have maintained a steady upward trend. Trade volumes have declined for most parties, resulting in an average annual growth rate of -5.05% for South Korea in recent years. **In terms of import,** South Korea's imports of textiles and textile articles from other RCEP parties grew at an average annual rate of 1.86%, indicating a relatively stable overall growth. China and Vietnam are South Korea's largest trading partners in this sector and trade volumes have been rising steadily.

Table 11.1.15 2015-2020 South Korea's Trade Volume of Textiles and Textile Articles to Other RCEP Parties and the Average Growth Rate

(Unit: US Dollar million; %)

Country or Region	Rep. of Korea's exports to the country or region			Rep. of Korea's imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Japan	721.40	738.41	0.47	383.00	353.00	-1.62
Viet Nam	2660.00	2310.00	-2.78	2730.00	3930.00	7.56
China	2170.00	1540.00	-6.63	5962.49	6032.99	0.24
Philippines	302.00	169.00	-10.96	109.71	108.00	-0.31
Indonesia	1170.00	684.00	-10.18	732.00	699.00	-0.92
Australia	78.50	71.60	-1.82	109.00	45.70	-15.96
Cambodia	252.00	136.00	-11.61	120.00	171.00	7.34
Malaysia	104.00	95.40	-1.71	71.50	28.00	-17.10
Thailand	177.00	145.00	-3.91	190.00	160.00	-3.38
Myanmar	136.00	98.90	-6.17	398.00	325.00	-3.97
Singapore	55.80	41.30	-5.84	17.20	14.90	-2.83
New Zealand	18.84	22.82	3.91	1.57	0.96	-9.37
Lao People's Dem. Rep.	1.36	2.64	14.19	0.54	0.75	6.79
Brunei Darussalam	0.72	0.29	-16.63	0.01	0.01	0.00
TOTAL	7847.62	6055.36	-5.05	10825.02	11869.31	1.86

Source: UN Comtrade Database, WITS.

Based on the comparison between the agreed tariff rates in the first year and the tenth year under RCEP, **in the first year of the RCEP coming into force**, South Korea's exports to Thailand will enjoy the best tariff rates under RCEP rules. Thailand's tariff differential is 10.22%, indicating that South Korea will enjoy a larger profit margin from Thailand after signing RCEP. **Ten years after the RCEP comes into force**, Thailand's tariff differential will further increase to 11.53%, while Vietnam's tariff differential will rise to 9.26% with the gradual tariff concessions. This indicates that along with the gradual tariff reductions under the RCEP Agreement, South Korea will receive more tariff preferences as well as trade profits from trade with the Parties, which is beneficial to the continuous expansion of South Korea's textiles and textile articles sectors in the international market.

Table11.1.16 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	3.30	0.70	2.60	0.33	2.97
Brunei Darussalam	0.16	0.16	0.00	0.09	0.07
Cambodia	7.35	6.15	1.20	4.38	2.97
Indonesia	9.43	5.28	4.15	4.77	4.66
Japan	5.27	4.94	0.33	2.03	3.24
Lao People's Dem. Rep.	11.80	11.50	0.30	6.07	5.73
Malaysia	4.85	4.65	0.20	1.11	3.74
Myanmar	12.54	11.02	1.52	6.24	6.30
New Zealand	1.80	1.64	0.16	1.10	0.70
Philippines	11.01	6.69	4.32	2.88	8.13
China	10.39	7.86	2.53	2.45	7.94
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	11.59	1.37	10.22	0.06	11.53
Viet Nam	11.77	5.71	6.06	2.51	9.26

Source: UN Comtrade Database, WITS.

In terms of import tariff rates, **many countries such as Cambodia, Laos, Myanmar and the Philippines will enjoy and benefit from tariff reductions implemented by South Korea** in the first year of the RCEP Agreement, and the tariff differentials of these parties exceed 9%, with Cambodia's tariff differential reaching 11.34%. **Ten years after the agreement comes into force**, the tariff differential of the parties will roughly stabilize in the range of 8% and 11%, with Cambodia's tariff differential rising to 11.96% and Myanmar's to 11.25%, which will greatly benefit the competitiveness of textiles and textile articles of the two countries in the international markets.

Table11.1.17 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Import-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Import-Weighted FTA (%)	Tax Difference (%)	Import-Weighted FTA (%)	Tax Difference (%)
Philippines	12.31	1.88	10.43	1.57	10.74
Cambodia	12.98	1.64	11.34	1.02	11.96
Lao People's Dem. Rep.	12.74	1.89	10.85	1.75	10.99
Malaysia	10.04	2.74	7.30	2.04	8.00
Myanmar	12.92	2.48	10.44	1.67	11.25
Thailand	10.56	1.43	9.13	1.14	9.42
Brunei Darussalam	9.64	0.32	9.32	0.11	9.53
Singapore	9.40	2.27	7.13	2.19	7.21
Indonesia	11.63	2.22	9.41	1.73	9.90
Viet Nam	11.96	2.44	9.52	1.87	10.09
China	8.74	6.55	2.19	0.48	8.26
Japan	8.75	7.62	1.13	3.37	5.38
Australia	1.40	0.07	1.33	0.06	1.34
New Zealand	8.80	0.36	8.44	0.30	8.50

Source: WITS database.

(E) Optical Instruments, Clocks and Watches, and Medical Apparatus

Optical instruments, clocks and watches, and medical

apparatus are classified under the Harmonized System Code Of Section 18, Chapters 90-92.

Table11.1.18 Detailed breakdown of optical instruments, clocks and watches, and medical apparatus

HS Code	Product Description
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
91	Clocks and watches and parts thereof
92	Musical instruments; parts and accessories of such articles

Source: www.hs.e-to-china.com.cn.

In terms of export, South Korea's main trading partners in this sector are China, Vietnam and Japan. However, in recent years, the trade growth rate between many parties including China with the largest trading volume, has been negative, and the overall performance is not optimistic. **In terms of import,** South Korea's imports from other RCEP parties are generally on a downward trend with an average annual growth rate of -0.81%. Japan and China accounted for a large share of exports to South Korea in recent years, and it is worth noting that China, which has a large trade volume, has experienced negative growth in trade with South Korea in recent years. This has pulled down the overall growth rate of South Korea's imports from other RCEP Parties.

Table11.1.19 2015-2020 South Korea's Trade Volume of Optical Instruments, Clock and Watches, and Medical Apparatus to Other RCEP Parties and the Average Growth Rate

(Unit: US Dollar million; %)

Country or Region	Rep. of Korea's exports to the country or region			Rep. of Korea's imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Japan	532.61	725.66	6.38	3750.00	3750.00	0.00
China	19300.00	9710.00	-12.84	4544.68	3236.28	-6.57
Viet Nam	804.00	2820.00	28.53	272.00	404.00	8.23
Malaysia	489.00	130.00	-23.28	173.00	504.00	23.84
Indonesia	192.00	147.00	-5.20	61.40	47.10	-5.16
Singapore	148.00	166.00	2.32	442.00	951.00	16.56
Thailand	173.00	130.00	-5.55	105.00	128.00	4.04
Australia	44.60	57.00	5.03	34.10	44.10	5.28

Philippines	215.00	75.90	-18.80	142.44	63.30	-14.97
New Zealand	11.94	8.86	-5.79	7.52	19.18	20.59
Myanmar	25.90	9.92	-17.46	4.04	2.00	-13.12
Cambodia	6.78	8.64	4.97	0.02	0.03	8.45
Lao People's Dem. Rep.	2.45	1.38	-10.85	0.00	5.85	-
Brunei Darussalam	0.89	0.57	-8.53	0.01	0.01	0.00
TOTAL	21946.17	13990.93	-8.61	9536.21	9154.85	-0.81

Source: UN Comtrade Database, WITS.

Based on the comparison between the agreed tariff rates in the first year and the tenth year under RCEP, **in the first year of the RCEP coming into force**, South Korea's exports to Indonesia will enjoy the best tariff rates under RCEP rules with a tariff differential of 4.23%, indicating that South Korea will enjoy a larger profit margin from Indonesia after signing RCEP. **Ten years after the RCEP comes into force**, Indonesia's tariff differential will further increase to 4.69%, while China's tariff differential will rise to 6.36% with the gradual tariff concessions. This indicates that along with the gradual tariff reductions under the RCEP Agreement, South Korea will receive more tariff preferences as well as trade profits from trade with the Parties, which is beneficial to the continuous expansion of South Korea's optical instruments, clocks and watches, and medical apparatus sectors in the international market.

Table11.1.20 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	0.35	0.02	0.33	0.02	0.33
Brunei Darussalam	2.39	2.39	0.00	0.84	1.55
Cambodia	5.67	5.67	0.00	4.03	1.64
Indonesia	4.69	0.46	4.23	0.00	4.69
Japan	0.20	0.18	0.02	0.07	0.13
Lao People's Dem. Rep.	5.00	2.88	2.12	1.15	3.85
Malaysia	0.01	0.01	0.00	0.00	0.01
Myanmar	2.80	2.43	0.37	1.95	0.85
New Zealand	0.24	0.16	0.08	0.05	0.19
Philippines	1.46	0.00	1.46	0.00	1.46
China	6.89	6.21	0.68	0.53	6.36
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	3.85	0.06	3.79	0.03	3.82
Viet Nam	0.03	0.00	0.03	0.00	0.03

Source: UN Comtrade Database, WITS.

In terms of import tariff rates, **first-year agreement rates under RCEP are generally low**, and most of the parties have a

large tariff reduction, among which Brunei's tariff differential is as high as 7.96%, indicating a large room for profit. **Ten years after the agreement comes into force**, the tariff differential of the parties will roughly stabilize in the range of 6% and 8%, with Brunei's tariff differential rising to 7.98% and Cambodia's to 8.00%. South Korea will achieve zero tariffs for all Parties with the exception of Vietnam, China and Japan, which will greatly expand the export market of such products between RCEP Parties.

Table11.1.21 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Import-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Import-Weighted FTA (%)	Tax Difference (%)	Import-Weighted FTA (%)	Tax Difference (%)
Philippines	6.65	0.12	6.53	0.00	6.65
Cambodia	8.00	0.34	7.66	0.00	8.00
Lao People's Dem. Rep.	7.93	0.00	7.93	0.00	7.93
Malaysia	5.99	2.38	3.61	0.00	5.99
Myanmar	7.88	0.01	7.87	0.00	7.88
Thailand	6.97	0.31	6.66	0.00	6.97
Brunei Darussalam	7.98	0.02	7.96	0.00	7.98
Singapore	4.15	0.10	4.05	0.00	4.15
Indonesia	7.41	3.31	4.10	0.00	7.41
Viet Nam	6.71	0.42	6.29	0.03	6.68
China	5.53	3.68	1.85	0.01	5.52
Japan	5.73	4.64	1.09	0.74	4.99
Australia	1.42	0.03	1.39	0.00	1.42
New Zealand	0.51	0.00	0.51	0.00	0.51

Source: WITS database.

(F) Plastics and Rubber

Plastics and rubber are classified under the Harmonized System Code Of Section 7, Chapters 39-40.

Table11.1.22 Detailed breakdown of plastics and rubber

HS Code	Product Description
39	Plastics and articles thereof
40	Rubber and articles thereof

Source: www.hs.e-to-china.com.cn.

In terms of export, China has become the most important export market for plastics and rubber to South Korea. The trade volume of plastics and rubber exported from Korea to China in 2020 accounted for 57.27% of the total exports to other RCEP Parties, with an average annual growth rate of 2.88%. A small of Parties with smaller trade volumes maintain a negative growth trend, but the impact on the overall export growth rate is negligible. **In terms of import,** South Korea's imports of plastic and rubber products from other RCEP Parties grew at an average annual rate of 3.08%. China and Japan are South Korea's largest trading partners and have maintained positive growth in export trade with Korea in recent years, indicating that there's a steady supply to meet domestic demand for plastics and rubber products in South Korea.

Table11.1.23 2015-2020 South Korea's Trade Volume of Plastics and Rubber Products to Other RCEP Parties and the Average Growth Rate

(Unit: US Dollar million; %)

Country or Region	Rep. of Korea's exports to the country or region			Rep. of Korea's imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Japan	1592.80	1664.15	0.88	3500.00	3640.00	0.79
Viet Nam	2010.00	3210.00	9.82	181.00	407.00	17.59
China	9890.00	11400.00	2.88	2578.88	3672.37	7.33
Australia	326.00	305.00	-1.32	25.00	19.30	-5.04
Malaysia	685.00	1150.00	10.92	338.00	339.00	0.06
Thailand	709.00	717.00	0.22	619.00	620.00	0.03
Indonesia	786.00	848.00	1.53	360.00	302.00	-3.45
Philippines	264.00	269.00	0.38	27.36	21.30	-4.88
Singapore	252.00	201.00	-4.42	284.00	185.00	-8.22
Myanmar	64.90	48.20	-5.78	5.44	14.00	20.81
New Zealand	82.27	69.11	-3.43	3.07	1.27	-16.18
Cambodia	15.10	19.50	5.25	5.86	6.91	3.35
Lao People's Dem. Rep.	2.38	1.83	-5.12	0.01	0.00	-100.00

Brunei Darussalam	2.26	1.94	-3.01	0.00	0.00	-
TOTAL	16681.71	19904.73	3.60	7927.62	9228.15	3.08

Source: UN Comtrade Database.

Based on the comparison between the agreed tariff rates in the first year and the tenth year under RCEP, **in the first year of the RCEP coming into force**, South Korea's exports to Laos will enjoy the best tariff rates under RCEP rules with a tariff differential of 4.44%, indicating that South Korea will enjoy a larger profit margin from Laos after signing RCEP. **Ten years after the RCEP comes into force**, South Korea's exports of plastic and rubber products to Laos and the Philippines will enjoy the best tariffs under RCEP rules, with tariff differentials of 6.72% and 5.17% respectively. This indicates that South Korea stands to reap greater trade benefits from gradual tariff reductions under the RCEP Agreement over the next ten years.

Table11.1.24 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	4.52	1.32	3.20	1.04	3.48
Brunei Darussalam	3.30	3.30	0.00	0.83	2.47
Cambodia	10.31	9.69	0.62	7.28	3.03
Indonesia	6.21	4.07	2.14	3.23	2.98
Japan	2.86	2.60	0.26	0.39	2.47
Lao People's Dem. Rep.	9.97	5.53	4.44	3.25	6.72
Malaysia	3.37	3.31	0.06	2.37	1.00
Myanmar	2.53	2.51	0.02	2.07	0.46
New Zealand	2.20	1.64	0.56	0.42	1.78
Philippines	8.10	4.76	3.34	2.93	5.17
China	6.68	5.96	0.72	2.75	3.93
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	4.78	2.55	2.23	0.12	4.66
Viet Nam	4.55	1.26	3.29	0.29	4.26

Source: UN Comtrade Database, WITS.

In terms of import tariff rates, **first-year agreement rates under RCEP are generally high**, and will be significantly reduced by the tenth year. The highest tariff difference for Malaysia in the first year is only 2.80%, and it will rise to 6.17% in ten years, indicating that South Korea will offer Malaysia substantial preferential tariffs in the future. **Ten years after the agreement comes into force**, South Korea's tariffs on Brunei and New Zealand will also reduce significantly, and the tax differential between the two countries will increase to 6.50% and 6.28% respectively. This shows that the signing of RCEP will be more favorable to these two Parties, and these two countries will stand to enjoy the greatest room for tax reduction and profitability in this industry in the next decade.

Table11.1.25 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Import-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Import-Weighted FTA (%)	Tax Difference (%)	Import-Weighted FTA (%)	Tax Difference (%)
Philippines	4.93	4.15	0.78	0.06	4.87
Cambodia	1.97	1.69	0.28	0.00	1.97
Lao People's Dem. Rep.	-	-	-	-	-
Malaysia	6.55	3.75	2.80	0.38	6.17
Myanmar	1.11	0.96	0.15	0.00	1.11
Thailand	4.56	3.45	1.11	0.33	4.23
Brunei Darussalam	6.50	5.90	0.60	0.00	6.50
Singapore	6.32	5.51	0.81	1.47	4.85
Indonesia	2.07	1.73	0.34	0.03	2.04
Viet Nam	5.85	4.67	1.18	0.20	5.65
China	5.50	4.60	0.90	0.12	5.38
Japan	6.43	5.96	0.47	1.83	4.60
Australia	6.27	5.39	0.88	0.16	6.11
New Zealand	6.55	5.74	0.81	0.27	6.28

Source: WITS database.

(G) Furniture, Toys, and Miscellaneous Manufactured Articles

Furniture, toys, and miscellaneous manufactured articles are classified under the Harmonized System Code Of Section 20, Chapters 94-96.

Table11.1.26 Detailed breakdown of furniture, toys, and miscellaneous manufactured articles

HS Code	Product Description
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings
95	Toys, games and sports requisites; parts and accessories thereof
96	Miscellaneous manufactured articles

Source: www.hs.e-to-china.com.cn

In terms of export, China, Japan, and Vietnam are South Korea's main trading partners, but all 11 RCEP Parties, including these countries, have seen an overall decline in trade volume in recent years, with an overall average annual growth rate of -8.53%, which does not provide an optimistic outlook. **In terms of import, trade between countries show a more stable performance.** China is the most important source of South Korea's imports of furniture, toys, and miscellaneous manufactured products. South Korea's trade imports from China accounted for 76.42% of total imports to other RCEP Parties in 2020 and maintained a positive growth rate of 7.82%. The signing of RECP in the future will continue to strengthen trade between the two countries in this sector.

Table11.1.27 2015-2020 South Korea's Trade Volume of Furniture, Toys, and Miscellaneous Manufactured Articles to Other RCEP Parties and the Average Growth Rate

(Unit: US Dollar million; %)

Country or Region	Rep. of Korea's exports to the country or region			Rep. of Korea's imports to the country or region		
	2015	2020	Average Growth Rate (%)	2015	2020	Average Growth Rate (%)
Japan	377.95	243.67	-8.40	442.00	608.00	6.59
Australia	43.70	48.00	1.89	11.80	5.81	-13.21

China	724.00	369.00	-12.61	3067.67	4469.67	7.82
Malaysia	32.90	14.70	-14.88	62.70	54.40	-2.80
Singapore	40.80	19.30	-13.90	11.40	13.30	3.13
Viet Nam	167.00	136.00	-4.02	310.00	483.00	9.27
Philippines	27.20	63.10	18.33	8.88	40.10	35.19
Thailand	27.80	20.60	-5.82	107.00	107.00	0.00
Indonesia	32.00	26.60	-3.63	82.20	61.70	-5.58
New Zealand	7.56	5.67	-5.59	0.63	0.63	0.00
Myanmar	9.96	6.75	-7.49	1.03	1.28	4.44
Cambodia	2.62	3.45	5.66	0.75	3.83	38.56
Brunei Darussalam	0.91	0.23	-24.05	0.00	0.00	-
Lao People's Dem. Rep.	0.84	0.52	-9.15	0.00	0.41	-
TOTAL	1495.24	957.59	-8.53	4106.06	5849.13	7.33

Source: UN Comtrade Database.

Based on the comparison between the agreed tariff rates in the first year and the tenth year under RCEP, **in the first year of the RCEP coming into force**, the export tariff rate of each country to South Korea is generally higher. South Korea's exports to Thailand will enjoy the best tariff rates under RCEP rules with a tariff differential of 12.11%, indicating that there will be great potential for preferential utilization after signing RCEP. **Ten years after the RCEP comes into force**, South Korea's exports of furniture, toys, and miscellaneous manufactured articles to Thailand and Vietnam will enjoy the best tariffs under RCEP rules, with tariff differentials of 12.98% and 10.29% respectively. This will create a more conducive environment as well as fair competition for South Korean exporters of furniture, toys and miscellaneous manufactured articles to enter the domestic markets of both countries.

Table11.1.28 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Export-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Export-Weighted FTA (%)	Tax Difference (%)	Export-Weighted FTA (%)	Tax Difference (%)
Australia	5.10	1.73	3.37	1.42	3.68
Brunei	1.42	1.42	0.00	0.90	0.52

Darussalam					
Cambodia	17.50	17.50	0.00	10.78	6.72
Indonesia	9.92	2.81	7.11	0.51	9.41
Japan	0.86	0.78	0.08	0.12	0.74
Lao People's Dem. Rep.	37.09	36.52	0.57	36.33	0.76
Malaysia	8.91	7.28	1.63	1.44	7.47
Myanmar	7.93	7.10	0.83	3.91	4.02
New Zealand	3.79	2.77	1.02	0.52	3.27
Philippines	4.66	0.40	4.26	0.22	4.44
China	7.18	6.86	0.32	3.79	3.39
Singapore	0.00	0.00	0.00	0.00	0.00
Thailand	13.83	1.72	12.11	0.85	12.98
Viet Nam	17.28	13.53	3.75	6.99	10.29

Source: UN Comtrade Database, WITS.

In terms of import tariff rates, **there's a significant difference in first-year agreement rates under RCEP**, and tariffs will be eliminated for a large number of products by the tenth year of the Agreement. The majority of the Parties will have a weighted tariff rate of less than 0.05%, which is a significant tariff preference. In the first year, Cambodia has the highest tariff differential of 7.95%, indicating that Cambodia will enjoy the largest tariff preference under RECP. **Ten years after the RCEP comes into force**, Cambodia's tariff differential will increase to 7.69% and achieve zero-tariff treatment, while New Zealand's tariff differential is 7.52%, indicating that both countries will have the greatest room for tax reduction and profitability in this sector in the next decade.

Table11.1.29 Comparison of Weighted Export MFN Rates, FTA Rates and Tax Differentials in the RCEP

Country or Region	Import-Weighted MFN (%)	RCEP Year1		RCEP Year10	
		Import-Weighted FTA (%)	Tax Difference (%)	Import-Weighted FTA (%)	Tax Difference (%)
Philippines	6.16	0.15	6.01	0.01	6.15
Cambodia	7.96	0.01	7.95	0.00	7.96
Lao People's Dem. Rep.	3.39	0.22	3.17	0.08	3.31
Malaysia	4.96	1.26	3.70	0.01	4.95

Myanmar	6.81	0.02	6.79	0.00	6.81
Thailand	6.70	0.79	5.91	0.01	6.69
Brunei Darussalam	2.32	1.29	1.03	0.02	2.30
Singapore	7.47	6.50	0.97	0.11	7.36
Indonesia	2.85	1.03	1.82	0.01	2.84
Viet Nam	4.18	0.40	3.78	0.03	4.15
China	4.43	3.04	1.39	0.03	4.40
Japan	5.99	5.30	0.69	1.05	4.94
Australia	3.32	0.63	2.69	0.01	3.31
New Zealand	7.56	1.10	6.46	0.04	7.52

Source: WITS database.

Section 2 Trade in Service

South Korea's service trade has gradually become an engine of economic development. As an important member of the RCEP, the signing of RCEP will significantly enhance the level of economic integration in East Asia, drive service trade imports and exports, promote regional economic growth, and be a boost to South Korea's opening up and economic development. An analysis of the current service trade development between Korea and other RCEP Parties will be helpful in identifying the strengths and weaknesses of South Korea among other RCEP Parties and providing support for further quality improvement and growth of the service trade.

I. Current State of Trade in Services Between South Korea and Other RCEP Parties

Other RCEP parties are important partners for exports of services from South Korea, and exports to other RCEP parties account for a relatively large share of its total exports of services. Statistics show that Korea's services trade exports to other RCEP parties were \$37.913 billion in 2019, accounting for 27% of its global exports, up 3.8% year-on-year. Based on the overall situation of the scale of South Korea's exports of services, from 2014 to 2019, the volume of South Korea's exports of services

in general showed a downward and then upward trend, with a downward trend before 2017 and experiencing a slow uptick after 2017.

South Korea's export stock to other RCEP parties varies widely. South Korea exports the largest volume of services to China among RCEP Parties, followed by ASEAN, Japan, Australia and New Zealand. Between 2014 to 2019, South Korea's exports of services to China totaled US\$100.57 billion, accounting for 44.9% of its total exports to other RCEP Parties, higher than the US\$43.44 billion exported to Japan and much higher than the exports to Australia and New Zealand. Exports to ASEAN parties reached US\$54.46 billion, accounting for 24.3% of its total exports to RCEP Parties.

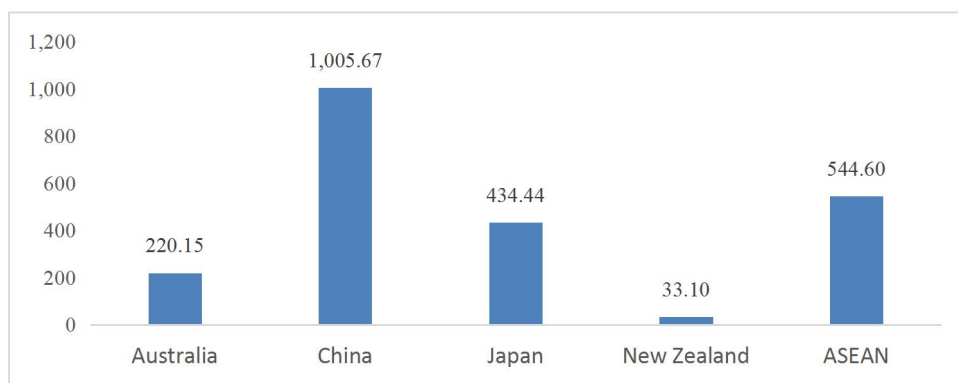


Figure 11.2.1 South Korea's Export Stock to Other RCEP Parties, 2014-2019 (Unit: USD 100 Million)
Source: Trade in Services, World Trade Organization Data.

South Korea's exports of services to ASEAN are mainly concentrated in Singapore, Vietnam and Thailand. Singapore accounted for the largest share and exports totaled US\$4.156 billion in 2019, accounting for 44.5% of the total exports to ASEAN. The geographical proximity, cultural homogeneity, convenient transportation and logistics, and frequent official exchanges between China, South Korea, and Japan signify that they have natural advantages in conducting trade in services. At the same time, as the economies and industrial technologies of the three

Parties are at different stages of development, they will be able to complement each other's advantages and reap mutual benefits. Therefore, China and Japan account for a larger share of South Korea's exports of services.

In terms of South Korea's services export flows with other RCEP Parties, the trend of service trade exports to China showed a decline followed by an increase, hitting a low of \$12.83 billion in 2017. In general, services exports show an overall downward trend, from US\$19.33 billion in exports in 2014 to US\$16.73 billion in 2019, an average annual decline of 2.7%. South Korea's exports to ASEAN fell from US\$10.75 billion to US\$9.25 billion, an average annual decline of 2.8%, while services exports to Japan, Australia, and New Zealand remained relatively stable.

South Korea's services exports to other RCEP Parties showed an overall downward trend, with the focus on the reduction of exports to ASEAN and China.

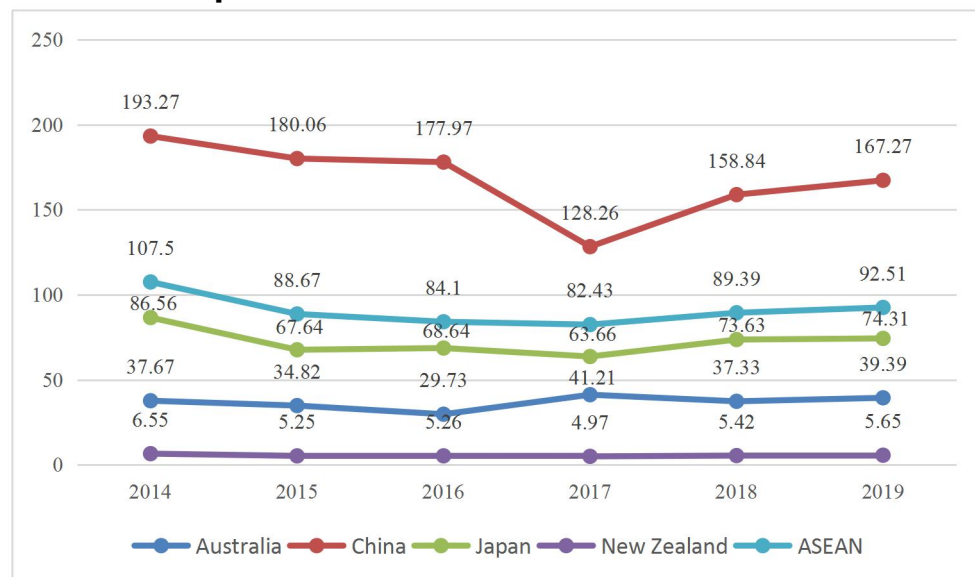


Figure 11.2.2 South Korea's Services Exports Flow to Other RCEP Parties, 2014-2019 (Unit: USD 100 Million)

Source: Trade in Services, World Trade Organization Data.

In terms of specific services sectors, South Korea's services exports to other RCEP Parties are dominated by transportation and tourism services, and the structure of its

exports to each Party varies. Based on an analysis of the structure of Korea's overall services exports, transportation services make up the largest share, followed by tourism and construction. South Korea's exports of transportation services to the world totaled US\$26.317 billion in 2019, accounting for 35% of its total exports. Tourism exports totaled US\$17.844 billion, an increase of 16.5% year-on-year. From 2014 to 2019, South Korea's services exports to the RCEP were dominated by transportation and tourism services, accounting for 37% and 29% of its total exports to the RCEP respectively. Transportation services exports totaled US\$67.478 billion and tourism services exports totaled US\$53.255 billion. The transportation services exports showed a downward trend, from US\$14.60 billion in 2014 to US\$9.77 billion in 2019. Construction services exports showed a fluctuating downward trend, hitting a low of US\$4.78 billion in 2016. Financial services showed a stable upward trend, with an average annual growth of 23.6%.

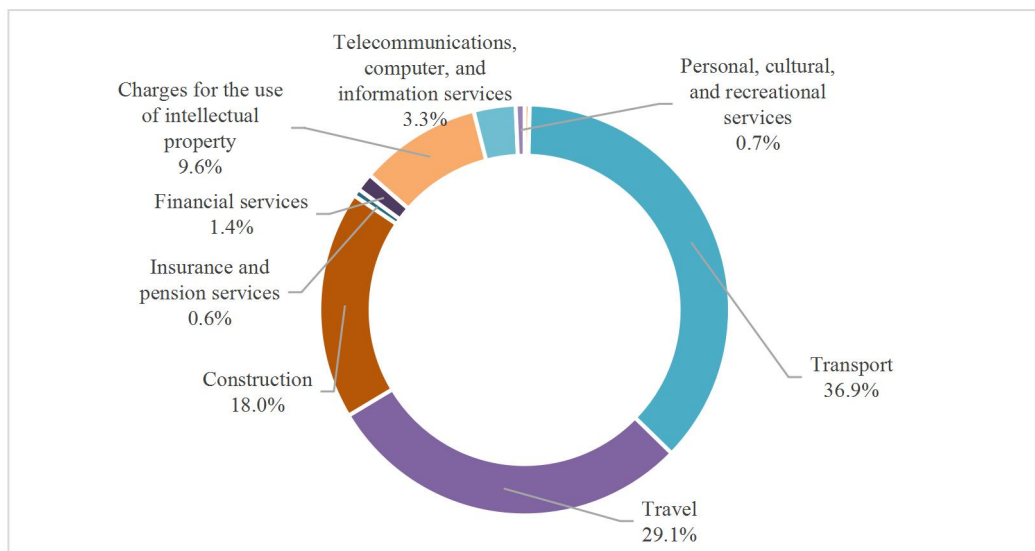


Figure 11.2.3 Composition of South Korea's exports to other RCEP Parties (Total Stock)
Source: Trade in Services, World Trade Organization Data.

In terms of RCEP Parties, South Korea exported US\$6.46 billion in tourism services to China in 2019, accounting for 43.5% of its total services exports to China, US\$4.67 billion in transportation

services to China, accounting for 31.4% of its total services exports to China. From a lateral perspective, compared to other RCEP Parties, China is South Korea's largest exporter of intellectual property services and tourism services. Among them, Korea's exports of intellectual property services to China account for 66.8% of Korea's overall exports of intellectual property services to RCEP, and the tourism services exported to China accounted for 66.4% of the total exports. South Korea's well-developed intellectual property rights economy and unique culture, geography, and scenic views are important reasons why China has chosen to import these services from Korea.

South Korea exported US\$3.34 billion in construction services to ASEAN Parties in 2019, accounting for 45.8% of its total services exports to ASEAN Parties. It exported US\$1.58 billion in transportation services to ASEAN, accounting for 21.7% of its total exports to ASEAN. ASEAN is the largest importer among the RCEP Parties for South Korea's construction services, with ASEAN being a recipient of 63.9% of South Korea's exports of construction services to RCEP as a whole in 2019.

South Korea exported US\$2.27 billion of transportation services to Japan in 2019, accounting for 48.9% of its total services exports to Japan. A side-by-side comparative analysis of South Korea's export composition to other RCEP Parties shows that Japan attracted the most financial exports, with Korea exporting US\$210 million of financial services to Japan, accounting for 36.0% of its overall exports of financial services to RCEP.

South Korea's exports to Australia are dominated by transportation services. US\$1.05 billion in transportation services was exported to Australia, accounting for 32.9% of its total exports. Based on a side-by-side comparative analysis, Australia is the largest importer of insurance services from South Korea among

other RCEP Parties, totaling US\$78 million in 2019 alone, making up 36.1% of total RCEP imports of insurance services from South Korea.

Similarly, New Zealand imports mainly transportation services, to which South Korea exported US\$190 million of transport services in 2019. New Zealand's total services trade with South Korea is relatively small compared to other RCEP Parties.

Table 11.2.1 South Korea's Exports of Services to Other RCEP Parties in 2019 (USD Million)

	ASEAN	Australia	China	Korea	New Zealand
Maintenance and repair services	209	24	74	23	0
Transport	4,265	432	3,062	1,378	62
Travel	4,824	1,198	14,044	5,179	152
Construction	5,398	78	127	288	34
Insurance and pension services	387	18	82	108	2
Financial services	602	337	202	51	5
Charges for the use of intellectual property	6,302	223	4,821	782	6
Telecommunications, computer, and information serv	954	95	422	292	2
Personal, cultural, and recreational services	31	3	78	52	0
Total	22,972	2,408	22,912	8,153	263

Source: Trade in Services, World Trade Organization Data.

II. Current State of Trade in Services Between South Korea and Other RCEP Parties

Other RCEP Parties are also important partners for South Korea's imports of services, with imports accounting for slightly less than exports. South Korea's imports of services from other RCEP Parties totaled US\$40.818 billion, accounting for 24% of its total world imports, down 2.8% year-on-year. The overall scale of South Korea's imports of services indicates a slow growth in the volume of service trade. South Korea's trade in services has always maintained a deficit.

Based on services import stock between South Korea and

other RCEP Parties, South Korea's services imports mainly originate from China, ASEAN and Japan, and total import volume indicates an increasing trend. South Korea's total imports of services from China between 2014 to 2019 were US\$87.89 billion, accounting for 38.4% of its total imports of services from RCEP. Imports of services from Japan totaled US\$56.06 billion, accounting for 24.5% of its total imports of services from RCEP. The total imports of services from ASEAN totaled US\$54.83 billion, US\$25.95 billion from Australia and US\$3.75 billion from New Zealand.



Figure 11.2.4 South Korea's Import Stock From Other RCEP Parties, 2014-2019 (Unit: USD 100 Million)
Source: Trade in Services, World Trade Organization Data.

In terms of South Korea's imports of services flows with other RCEP Parties, total imports of services from China showed an overall upward trend, declining slightly in 2019 and peaking at US\$16.281 billion in 2018. South Korea's imports of services from Japan showed an upward trend, rising from US\$7.469 billion in 2014 to US\$10.79 billion in 2019, up 44.5%. South Korea's imports of services from ASEAN, on the other hand, showed a downward and then upward trend, hitting a low of US\$8.152 billion in 2016, and gradually moved from a services trade surplus to a services trade deficit with ASEAN. Imports of services from ASEAN parties are mainly concentrated in Singapore, the Philippines and Thailand. Imports of services from Singapore reached US\$4.518 billion in

2019, and US\$1.194 billion from Thailand and \$1.075 billion from the Philippines.

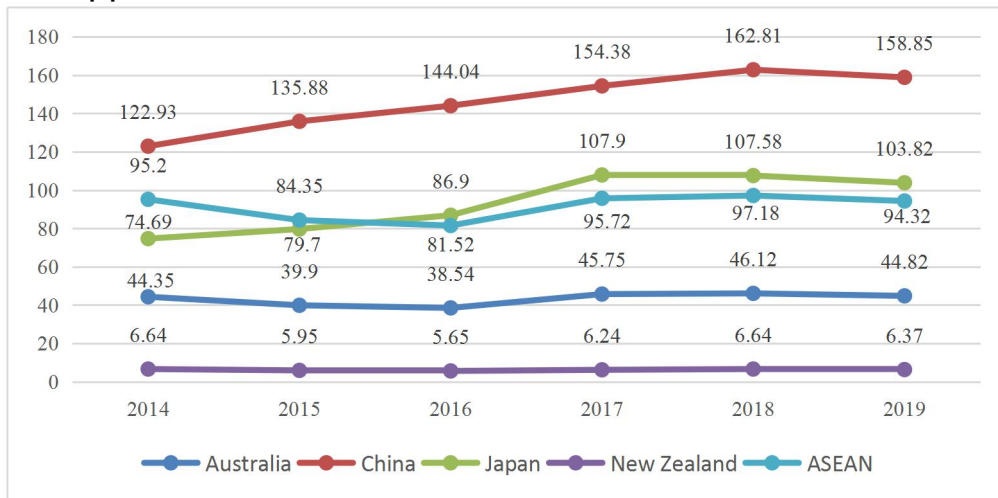


Figure 11.2.5 South Korea's Services Imports Flow From Other RCEP Parties, 2014-2019 (Unit: USD 100 Million)

Source: Trade in Services, World Trade Organization Data.

In recent years, South Korea's trade in services has maintained a deficit, but the deficit is gradually shrinking. South Korea's import service trade volume from other RCEP Parties showed that trade in services was expanding in general, and its import volume from Japan and China had increased. Import volume from ASEAN was mainly from Singapore, Thailand and other Parties.

In terms of specific sectors, South Korea's imports of services are dominated by transportation, followed by tourism and intellectual property royalties and licenses fees, with large differences in imports by sector. South Korea imported US\$60.58 billion in transportation services from other RCEP Parties between 2014-2019, accounting for 44.0% of its total imports, while imports of tourism services were US\$58.14 billion, accounting for 42.2% of its total imports. Imports of transportation services showed a downward trend before rising, from US\$10.13 billion in 2014 to US\$10.11 billion in 2019, hitting a low of US\$9.50 billion in 2015. Imports of tourism services increased significantly, with imports of US\$7.08 billion in 2014 and US\$10.48 billion in

2019, an average annual growth rate of 9.6%.

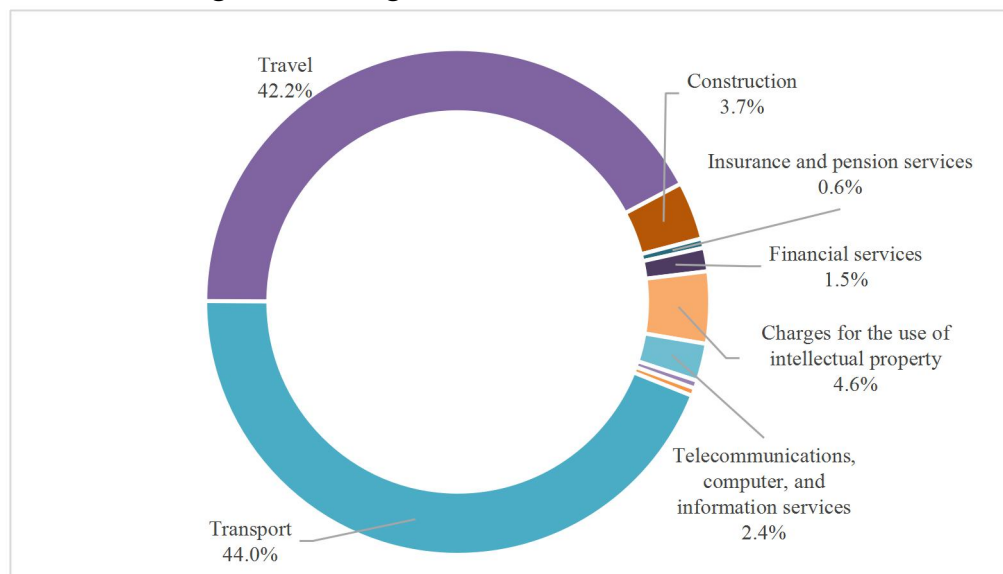


Figure 11.2.6 Composition of South Korea's imports to other RCEP Parties (Total Stock)

Source: Trade in Services, WTO database.

In terms of RCEP Parties, South Korea imported the most in tourism and transportation services from Japan in 2019, reaching US\$3.817 billion and US\$2.452 billion respectively, accounting for 50.6% and 32.5% of its total imports of services from Japan. Based on a side-by-side comparative analysis, South Korea's imports of intellectual property use services mainly originated from Japan compared to other RCEP parties, with imports of intellectual property use services from Japan reaching US\$740 million in 2019 alone, accounting for 64.5% of its total trade in intellectual property use services from other RCEP parties. Japan is also the largest trading partner of South Korea's imports of tourism services, with imports of tourism services from Japan accounting for 36.4% of total imports of tourism services from other RCEP Parties. In terms of trade in services with Japan, it maintained a surplus in construction services and a deficit in the areas of tourism and intellectual property use services.

South Korea imported more tourism services and transportation services from ASEAN, importing \$2.53 billion in tourism services and \$2.20 billion in transportation services in 2019,

accounting for 42.5% and 37.1% of total imports of services from ASEAN respectively. Based on a side-by-side comparative analysis of the import composition of other RCEP Parties, US\$310 million of computer and communication services were imported from ASEAN, accounting for 49.1% of its imports of this item from other RCEP Parties. South Korea imported US\$400 million of construction services from ASEAN, accounting for 44.0% of South Korea's total construction services imports from other RCEP Parties. Similarly, Korea imported US\$174 million of financial services from ASEAN, accounting for 42.5% of its imports of financial services from other RCEP Parties. With ASEAN, it maintained high surpluses in construction and intellectual property use services, and a trade deficit in computer, communication and information services.

South Korea imported more transportation services from China relative to other RCEP Parties. In 2019, South Korea imported US\$4.30 billion of transportation services from China, accounting for 63.1% of its total imports. Based on a side-by-side comparative analysis, South Korea's transportation imports from China accounted for 42.6% of its imports from other RCEP parties. With regards to trade in services with China, South Korea maintains a high trade surplus in tourism and intellectual property use services while it runs a trade deficit in computer, communications and information services.

With regards to trade in services with Australia and New Zealand, trade volume is lower and there is less fluctuation in the margin of surplus and deficit. South Korea imported US\$1.79 billion of tourism services from Australia and US\$370 million from New Zealand in 2019. In particular, South Korea imported US\$0.06 billion of personal, cultural, and recreational services from Australia, accounting for 45.6% of its total trade imports of this service from other RCEP parties.

Table 11.2.2 South Korea's Imports of Services to Other RCEP Parties in 2019 (USD Million)

	Australia	China	Japan	New Zealand	ASEAN
Maintenance and repair services	27	29	30	2	51
Transport	997	4,304	2,452	151	2,203
Travel	1,794	1,974	3,817	366	2,526
Construction	52	209	2,37	12	400
Insurance and pension services	42	57	49	3	50
Financial services	69	38	125	3	174
Charges for the use of intellectual property	108	99	738	5	195
Telecommunications, computer, and information serv	147	93	71	8	308
Personal, cultural, and recreational services	62	20	18	6	30
Total	3,298	6,823	7,537	556	5,937

Source: Trade in Services, WTO database.

A comprehensive analysis of South Korea's trade in services shows that its trade deficit is shrinking. South Korea offers strong protection for high technology services, so there are fewer imports of such capital-intensive and knowledge-intensive industries including insurance services, financial services, computer, communication and information services. In general, based on South Korea's imports and exports of services with other RCEP parties, the largest source of South Korea's trade surplus with other RCEP Parties lies in construction and intellectual property royalties and license fees. The trade surplus in construction services grew significantly, from US\$3.763 billion to US\$4.317 billion from 2017 to 2019. In contrast, intellectual property royalties and license fees hit a peak of US\$2.304 billion in 2018 and declined slightly in 2019. Trade deficits in the tourism and transportation sectors show a decreasing trend. In particular, trade deficits in tourism services narrowed to US\$746 million from US\$4.528 billion in 2017 while trade deficits in transportation services narrowed to US\$342 million from US\$1.193 billion. Maintenance and repair services moved from a trade deficit to a trade surplus.

Table 11.2.3 South Korea's Trade Balance to Other RECP Parties in Services Trade by Sector, 2017-2019 (USD Million)

	2017			2018			2019		
	export	import	balance	export	import	balance	export	import	balance
Maintenance and repair services	100	103	-3	137	112	25	167	139	28
Transport	9,162	10,355	-1,193	10,300	10,899	-599	9,765	10,107	-342
Travel	6,909	11,437	-4,528	8,005	11,357	-3,352	9,731	10,477	-746
Construction	4,533	770	3,763	5,260	918	4,342	5,227	910	4,317
Insurance and pension services	267	153	114	205	135	70	216	201	15
Financial services	447	367	80	569	374	195	586	409	177
Charges for the use of intellectual property	2,880	1,096	1,784	3,521	1,217	2,304	3,259	1,145	2,114
Telecommunications, computer, and information serv	938	634	304	1,008	525	483	1,222	627	595
Personal, cultural, and recreational services	203	101	102	236	117	119	283	136	147

Source: Trade in Services, WTO database.

III. Understanding South Korea's Commitment to RCEP With Regards to Trade In Services

South Korea's negative list lists a total of 37 sectors or activities where non-conforming measures and 50 sectors where restrictive measures may be applied, while financial services are listed separately in an appendix in accordance with a positive list. Service sectors that are subject to more restrictions in South Korea's negative list include not only sensitive industries such as telecommunications and entertainment, but also extend appropriate protection to dominant industries where it has a comparative advantage. The main contents are as follows:

(1) Business Services

South Korea has fully liberalized the sectors of architectural design, medical, dental, nursing, computer, R&D, dry lease, consulting and other services. Among the sub-sectors in which the existing non-conforming measures have been maintained, ① In addition to scientific research services and sea map-making services, some sub-sectors have local presence requirements.

such as: "Only a natural holding an optician's or optometrist's license that has established an office in Korea may engage in optician or optometry services, and a licensed optician or optometrist may not establish more than one office." ② Some sub-sectors have restrictions on market access, mostly requiring the acquisition of qualifications recognized in Korea or meeting certain conditions to obtain permission from the competent authorities, and the establishment of certain types of entities in specific locations in South Korea before they can conduct business, such as in legal services, "Only a Korean-licensed lawyer registered with the Korean Bar Association may supply legal services. Only a Korean-licensed lawyer may establish the following types of legal entities: law offices, law companies with the characteristics of partnership, limited liability law companies, or limited liability partnership law office." The former includes sub-sectors such as: real estate brokerage and appraisal, retail, leasing, rental and repair services related to medical devices, automobile rental services, industrial safety, health institution, and consulting services, engineering services, electronic billboard operator services and outdoor advertisement services, job placement services, etc. The latter includes sub-sectors such as: legal, accounting, auditing, taxation, investigation and security services, and so on.

(2) Construction Services

Construction is the most competitive service industry in South Korea, and South Korea is the world's top exporter of construction services. Some research institutions believe that although the construction technology competitiveness of Korea's construction industry is strong, the technology competitiveness in high value-added engineering, environmental protection, energy-saving and environmental protection materials, and intelligent parts is

weak, and there is a large gap with developed countries such as the United States and Japan. Therefore, almost all FTAs signed by Korea include construction services, leasing, repair, maintenance, sale and disposal services of construction machinery and equipment, and engineering design consulting services in the current negative list, with strict local presence requirements for foreign companies to enter the South Korean market. For example, "a person that supplies construction services in Korea must, prior to the signing of the first contract related to such services, establish an office in Korea."

(3) Telecommunication Services

As specified in Article 3 of the *Enforcement Decree of the Postal Services Act*, a person must establish an office in South Korea to supply international courier services that include commercial document delivery services. In order to obtain a trucking business license from the Minister of Land, Infrastructure and Transport, a domestic courier services supplier must establish an office in the relevant geographic area. Such a license is subject to an economic needs test. A license for facilities-based public telecommunications services or a registration for non-facilities-based public telecommunications services shall be granted only to a juridical person organized under South Korean law in which a foreign government, foreign person, or deemed foreign person holds in the aggregate no more than 49% of the juridical person's total voting shares. In addition, with respect to KT Corporation (KT), a foreign government, foreign person, or deemed foreign person may not be the largest shareholder of KT, except if it holds less than 5% of the total voting shares of KT. A foreign government, or its representative, or a foreign person may not obtain or hold a radio station license. A foreign person may not supply cross-border public telecommunications services into South

Korea, except through a commercial arrangement with a supplier of public telecommunications services that are licensed in South Korea.

(4) Distribution Services

South Korea has fully liberalized the sectors of commission agents and franchising. A person that supplies tobacco wholesale (including importation) or retail distribution services must establish an office in South Korea. Only designated tobacco retailers may sell tobacco to retail buyers. The sale of tobacco to retail buyers by mail or in electronic commerce is prohibited. The distance between places of business of tobacco retailers must be at least 50 meters. A person that supplies liquor wholesale distribution services must establish an office in Korea and obtain authorization from the head of the relevant tax office, which is subject to an economic needs test. The sale of liquor by telephone or in electronic commerce is prohibited. A person that supplies wholesale trade services must establish an office in Korea in order to receive an import business license to supply such services with respect to pharmaceuticals and related items; medical devices; or functional foods (including dietary supplements). A person that supplies wholesaling or retailing services for used cars must establish an office in Korea and obtain authorization from the head of the municipal authorities, which is subject to an economic need test, as appropriate.

(5) Environmental Services

A person that supplies the environmental services must establish an office in South Korea.

(6) Financial Services

In the financial sector, Korea has a separate section on the financial services in the form of a positive list, and market access is strictly limited by two major components: insurance and insurance-related services and banking financial services. All

commitments are subject to the entry requirements of the Financial Services Commission (FSC) or any other relevant regulatory bodies.

(7) Education Services

At least 50% of the members of the board of directors of a private higher education institution must be Korean nationals. If a foreign person contributes at least 50% of the basic property of a higher education institution, up to but not including two thirds of the members of the board of directors of such an institution may be foreign nationals. Only non-profit school juridical persons approved by the Minister of Education may establish higher education institutions in South Korea. The types of adult education institutions that a foreign person may establish in Korea are limited to those related to lifelong and vocational education.

(8) Recreational, Cultural and Sports Services

South Korea has fully liberalized the sectors of libraries, archives, museums, and sports and other services. Foreign governments, foreign persons, high-level executives in enterprises who are not South Korean nationals, and foreign persons who hold 25% or more equity interest in a South Korean registered enterprise may not supply news agency services. Foreign nationals or South Korean nationals not domiciled in Korea may not serve as a chief executive officer, president, or similar principal senior officer or editor of a joint news agency, or serve as a member of the board of directors. A foreign news agency may establish a branch or office in Korea for the sole purpose of collecting news. Such branch or office may not distribute news communications in South Korea. A foreign person who intends to engage in a public performance in Korea, or a person who intends to invite a foreign person to engage in a public performance in South Korea must obtain a recommendation from the Korea Media Rating Board. Publications

for the purposes of domestic distribution are subject to a review process.

(9) Transportation Services

Transportation is also the most competitive service industry in South Korea. South Korea still retains the existing non-conforming measures in the transport sub-sector in the negative list, such as maritime cargo and shipping brokerage services, air transportation services and aircraft maintenance and repair services have local presence requirements. There are market access restrictions in automobile repair and maintenance services, railroad transportation and incidental services, and pilotage services.

(10) Other Services

South Korea has basically no restrictions on the tourism sector, which means that the aforementioned areas will be fully open to service providers from the RCEP Parties.²⁶

IV. Trade in Services Opportunities for South Korea Brought by RCEP

South Korea is one of the countries that have signed the greatest number of FTAs in Asia, with 15 FTAs in force. Since 2001, the South Korean government has actively leveraged various governmental departments to formulate and improve measures and promote policies related to improving the competitiveness of the services sectors. Starting from the tax system, finance, and cost burden of enterprises, it has improved the difference between manufacturing metrics and did away with policies that were unfavorable to the development of service sectors. It has promoted the revitalization of Korea's service trade by proposing the policies that recognize the importance of higher value-added services, removing 43 policy restrictions that hinder the development of services sectors, and formulating development plans for 26 modern

²⁶Wu, Fang. Industry selection in Korea's negative list and implications for China[J]. International Trade,2014(06):34-38.

service sectors such as communications, advertising, education, and medical care.

RCEP is an important initiative taken by major Asian economies to seek changes in a global economy affected by the COVID-19 pandemic as well as the increasing proliferation of de-globalization, unilateralism and trade protectionism. Some developed countries have also implemented various trade restrictions to strengthen the protection of local markets. After the signing of the RCEP, many obstacles in the negotiations in East Asia have been addressed accordingly, which is helpful in achieving breakthroughs in cooperation and negotiations. Among the RCEP Parties, China, Japan and South Korea account for more than 80% of the total economic volume, and a situation of "countries punching beyond their weight" emerged during regional cooperation. The RCEP framework will further deepen the cooperation between South Korea and other Parties such as China, Japan and ASEAN, and the regional cooperation in East Asia will shift from hub-and-spoke arrangements of the past toward integrated cooperation, which will lay a good foundation for building a more advanced cooperation model for the entire region in the future. It will create a new engine for the Asian economy and drive global economic and trade development.

In general, the RCEP will improve market access for trade in services between South Korea and other RCEP Parties, expand the scope of protection offered to trade in services, improve transparency, promote the facilitation and integration of trade in services within the region. It will also greatly enhance the confidence of enterprises engaged in trade in services in each Party in cross-border trade and provide strong protection for cross-border trade in services activities.

Section 3 Bilateral Investment

South Korea has shown its interest and actively participated in the RCEP since the concept was first proposed, and after the RCEP comes into force, barriers to intra-regional trade and investment will be further reduced and it will also further strengthen economic and trade ties between the Parties. An analysis of the changes in bilateral investment after South Korea's inclusion in the RCEP will be important to understanding the stabilization and development of intra-regional trade.

I. Current State of South Korean Investments in Other RCEP Parties

Statistics show that, South Korea's outbound direct investment decreased by 14.6% year-on-year to \$54.91 billion in 2020 due to the impact of the COVID-19 pandemic, the first decrease in six years since 2014 and the most since 2002 (-32.3%). With respect to specific sectors, investment in the finance and insurance sector decreased by 31.3% year-on-year; manufacturing by 31.2%; and real estate by 3.8% respectively. In comparison, the information and communication sector (294.2%), and the electricity and gas supply sector (84.9%) recorded a significant increase. In terms of target investment regions, direct investments to the U.S. (-4.2%), Cayman Islands (-22%) and China (-27.9%) all decreased year-over-year, while investments to Canada jumped 147.4% year-over-year. This section will focus on bilateral investment data, with an emphasis on South Korean investment in the remaining 14 other RCEP Parties.

Based on the overall investment stock South Korea's foreign direct investments in 2019 totaled US\$433.671 billion, an increase of US\$49.689 billion from the previous year. Among them, South Korea's foreign direct investments in other RCEP Parties reached US\$176.329 billion, accounting for 40.66% of South Korea's total foreign direct investments in that year. Foreign direct investments in

other RCEP Parties have maintained a steady increase over the seven years, with the largest growth in 2018-2019. However, the proportion of investment in other RCEP parties in terms of total foreign direct investment is decreasing. The main reason is that the total volume of South Korea's foreign direct investment is rising and the rise is greater than the rise in investment in other RCEP Parties, so the proportion of investments in other RCEP Parties began to decrease after 2014.

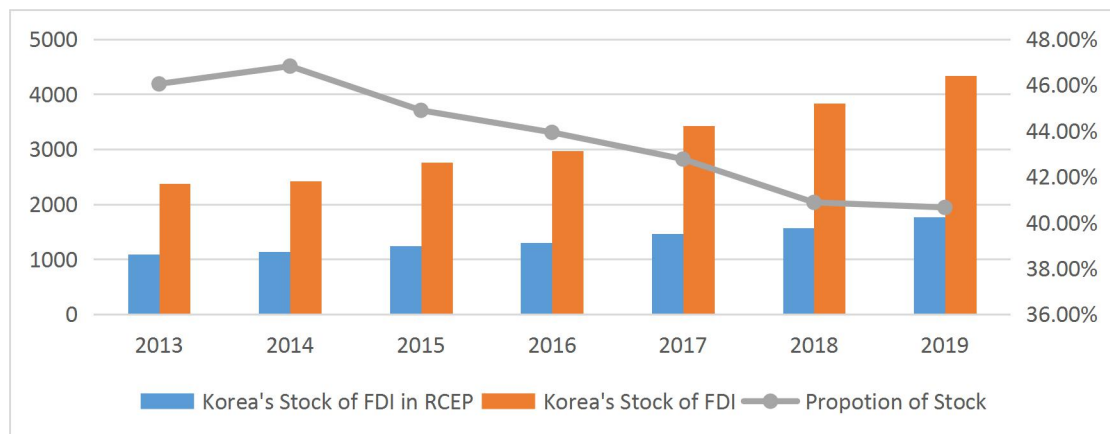


Figure 11.3.1 2014-2019 South Korea's Foreign Direct Investment Stock and Composition in Other RCEP Parties (100 million USD)
Source: OECD Statdatabase.

In terms of investment flows, South Korea's foreign direct investment flows abroad in 2019 were US\$50.981 billion, up US\$5.749 billion from the previous year. Foreign direct investment flows to other RCEP parties totaled US\$18.800 billion, accounting for 36.88% of South Korea's foreign direct investment flows abroad that year. Foreign direct investment flows to other RCEP Parties declined between 2013-2015, rose steadily between 2015-2019, and hit a peak in 2019. In terms of proportion, the share of South Korea's foreign direct investment flows to other RCEP Parties declined significantly after 2015 due to the significant increase in total foreign direct investment flows abroad after 2015. There was a rebound after 2017, and maintained a relatively stable trend thereafter.

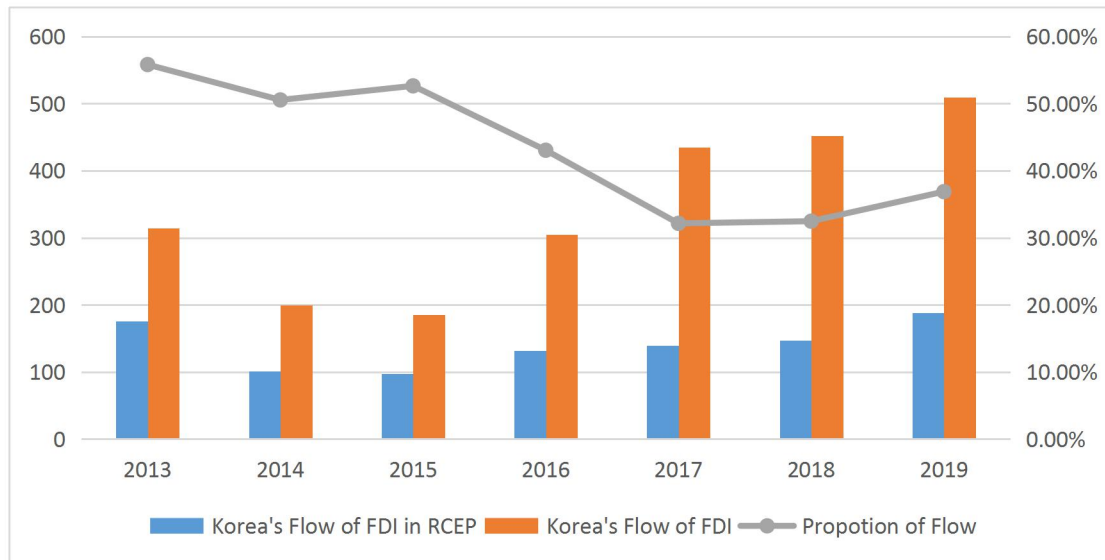


Figure 11.3.2 2014-2019 South Korea's Foreign Direct Investment Flows and Composition in Other RCEP Parties (100 million USD)
Source: OECD Statdatabase.

In terms of RCEP Parties, the top 5 destination countries (regions) for overseas investment by South Korean firms in 2019 were China, Vietnam, Singapore, Australia, and Indonesia. Among them, China ranked first with overseas investment stock totaling US\$79.47 billion; Vietnam ranked second with US\$27.631 billion; and overseas investments in Singapore, Australia, and Indonesia were US\$20.639 billion, US\$11.364 billion, and US\$9.241 billion respectively.

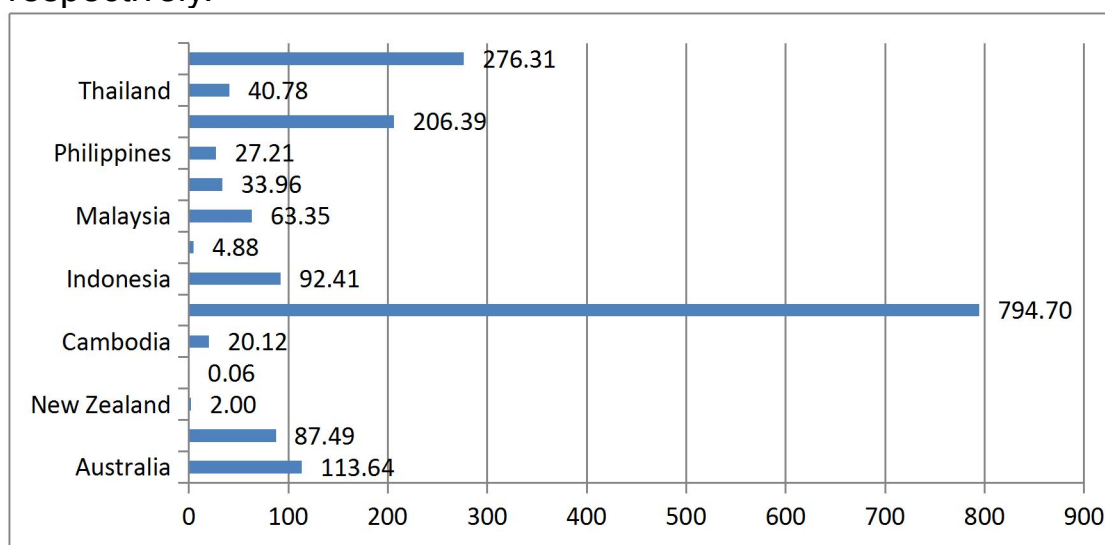


Figure 11.3.3 South Korea's Foreign Direct Investment Stock in other RCEP Parties at the End of 2019 (100 million USD)
Source: OECD Statdatabase.

In terms of specific sectors, the industries in which South Korea invested in other RCEP Parties have the following four characteristics. First, investment in manufacturing has an absolute advantage. Second, within the manufacturing industry, there was a decrease in investments in consumer goods sectors such as garment and chemical fiber, food, and footwear and leather goods. During the same period, investments in key projects in the petrochemical sector accounted for about 9% of the total number of projects, with investment projects spanning across almost all areas of petrochemical products. Third, while there was a decline in investments in the consumer goods sector, investments in industrial materials and accessories sectors such as electronic communications, petrochemicals, metals, metallurgy, machinery and equipment rose in proportion. Among them, investments in the electronics and communication industry have witnessed the fastest growth, accounting for more than 50% of the investments in manufacturing, and it is the industry with the highest investment volume. Fourth, South Korean investments in technology-intensive and capital-intensive projects have also increased. In recent years, South Korea's technology-intensive and capital-intensive enterprises engaged in sectors such as electromechanics, automobiles, chemicals, metals have gradually increased their investment in China, are now on par with European and Japanese enterprises. In some sectors, South Korean enterprises have certain advantages over their European or Japanese counterparts. South Korea's investment in China has shifted from labor-intensive industries to capital-intensive and technology-intensive industries in response to China's policy of preferential selection of industries and projects for the introduction of foreign investment in cutting-edge technologies and resource development.

According to the technological gradient theory, the regional

factor cost advantage does not completely determine the formation of the industrial division of labor, and the different stages in the maturity of technology cause the industry to seek other avenues of exports of its products only when it is unprofitable to export to China. South Korea's manufacturing technology at this stage is maturing, and is becoming more competitive internationally, while the technology-intensive and capital-intensive technologies in sectors such as industrial raw materials and parts, electromechanics, automobiles, chemicals, and metals are also maturing one after another, which is conducive to reducing and avoiding technological risks. At the same time, the distinct technology stages in South Korea means that they also complement the realistic requirements of different industrial base development stages in central and western China.

In terms of ASEAN, the FTAs signed between ASEAN and South Korea in May 2009 include the *ASEAN-ROK Investment Agreement*, *Protocol on the Accession of the Kingdom of Thailand to the Agreement on Trade in Services Under the Framework Agreement*, and the *Protocol on the Accession of the Kingdom of Thailand to the Agreement on Trade in Goods Under the Framework Agreement*, and entered into force in September of the same year. By 2019, South Korea ranked 10th²⁷ globally in terms of investments in ASEAN. South Korea's direct investment flows to ASEAN totaled US\$10.767 billion, accounting for 21.12% of South Korea's total outward direct investment flows in 2019. By the end of 2019, South Korea's direct investment stock in ASEAN Parties totaled \$76.546 billion, accounting for 17.65% of South Korea's total foreign direct investment stock. The top three ASEAN destination countries in terms of direct foreign investment flows from South Korea in 2019 were Vietnam, Singapore, and Indonesia.

²⁷Ministry of Commerce, "The Guide for Countries (and Regions) on Overseas Investment and Co operation - ASEAN", <http://www.mofcom.gov.cn/dl/gbdqzn/upload/dongmeng.pdf>

Vietnam and Singapore accounted for the vast majority, with US\$5.030 and US\$3.165 billion in investment flows respectively.

In terms of investments in other RCEP parties, China received the largest flow of foreign direct investments from Korea, followed by Australia, Japan, and New Zealand. Among these four Parties, South Korea's investment areas are mainly in manufacturing, electronic communications, petrochemicals, metals, metallurgy, machinery and equipment, and other industrial raw materials and parts industries, and services sectors.

II. Current State of Other RCEP Parties' Investments in South Korea

From the perspective of soft investments, in recent years, the South Korean government has actively encouraged foreign investment and introduced a series of policies and measures to facilitate foreign investment. From the perspective of hard investments, South Korea is strategically located, with convenient transportation and world-class communication facilities. According to the World Bank's *Doing Business 2020* report, South Korea ranked 5th out of 190 economies in the world, and the World Economic Forum's Global Competitiveness Report 2019 ranked South Korea as the 28th most competitive economy out of 63 economies across the globe. South Korea also maintained its 17th place in investment attractiveness according to the 2019 Kearney Foreign Direct Investment Confidence Index published by Kearney Management Consulting. The South Korean government adopted a negative list mechanism for foreign investment, which is divided into two categories: restricted and prohibited. The relevant lists are published by the Ministry of Trade, Industry and Energy in the form of announcements.

South Korea was receptive to both the RCEP and TPP and participated in the negotiations on both trade deals respectively.

However, based on the negotiation process, South Korea is clearly inclined to RCEP, and has expressed strong interest in the RCEP since ASEAN proposed the concept. South Korea currently occupies the second-highest position in terms of global industrialization and will rely on RCEP regional co-operation and free trade to better upgrade its industries and create flows for its industrial capital.

Foreign direct investment in South Korea has been on the rise since 2001. Foreign direct investment (FDI) in South Korea surpassed US\$20 billion in 2015, totaled US\$21.2 billion in 2016, and reached US\$22.9 billion in 2017. According to data released by South Korea's Ministry of Industry, Trade and Energy, foreign direct investments in South Korea hit a record high of \$26.9 billion in 2018. South Korea's actual use of foreign capital was US\$16.39 billion, more than three times that of 2010. In the first half of 2019, South Korea's foreign direct investment was US\$9.87 billion, down 37.3% year-on-year; actual use of foreign capital was US\$5.61 billion, down 45.2% year-on-year. In terms of investment scale, large-scale foreign direct investments of more than \$100 million doubled from 24% in 2010 to 48% in 2017, and accounted for 48% of South Korea's foreign direct investments.

In terms of investment volume, the ranking of other RCEP Parties' direct investment stock in Korea in 2019 is largely similar to their ranks in terms of investment flows. Within the RCEP Parties, Japan, Singapore, and China far exceeded other RCEP Parties in terms of investment volume, at US\$53.944, US\$16.255, and US\$8.684 billion respectively. Japan was the largest source of foreign investment between 2013-2019, followed by Singapore and China. By region, the European Union, the United States of America, China, and Japan are the main sources of foreign investment in Korea. According to the Ministry of Industry, Trade

and Energy of South Korea, China's declared investment in South Korea in 2018 was US\$2.74 billion, up 238.9% year-on-year, and was responsible for 10.2% of the total investment, and actual use of foreign capital was US\$780 million²⁸, up 287.3% year-on-year. Japan's declared investment in South Korea was US\$1.30 billion, up 29.4% year-on-year, accounting for 4.8% of the total investment, and actual use of foreign capital was US\$1.02 billion, down 19.3% year-on-year.

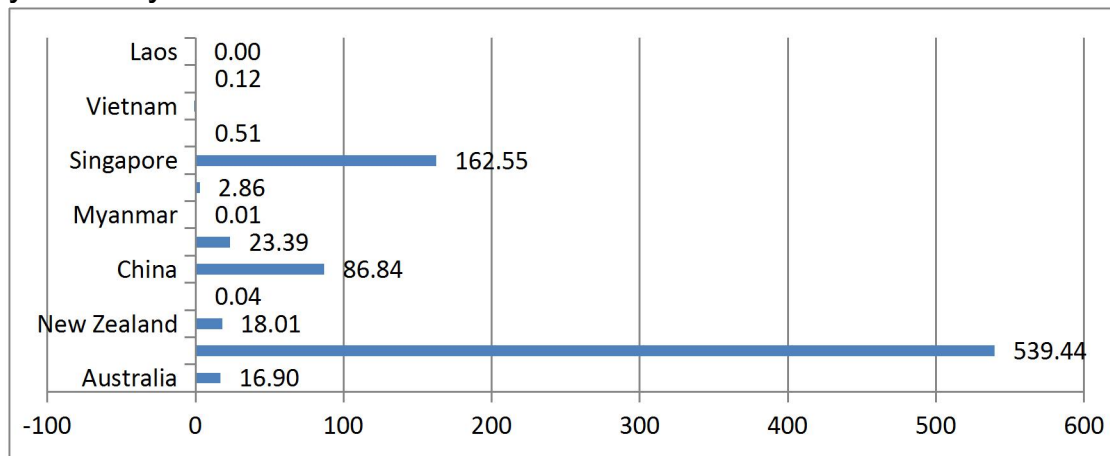


Figure 11.3.4 Foreign Direct Investment Stock of Other RCEP Parties in South Korea, 2019 (USD 100 million)

Source: OECD Statistics

In terms of investment flows, the top five RCEP Parties that invested in Korea in 2019 were Japan, Singapore, China, Australia, and Malaysia. China is shifting from a low-end manufacturing power to a high-end manufacturing power, and "Made in China 2025" focuses on ten key areas such as new generation information technology industry, advanced numerical control machine tools and robotics, and new materials. Since 2017, China has increased investments in South Korea's electrical and electronics, machinery and equipment, precision instruments, medical devices, metals, metal processing, and other industries. In addition to the above-mentioned sectors, Chinese investors also focused on South Korean advantageous industries such as

²⁸According to the 2018 Annual Statistical Communiqué of China's Outward Foreign Direct Investment issued by MOFCOM, State Administration of Foreign Exchange, National Bureau of Statistics, China's direct investment flow to South Korea was US\$1.03 billion in 2018.

robotics, medical, biological, beauty, and health care. There were also investments in auto parts, aluminum, and other industries to expand overseas markets by leveraging the low tariffs under the China-Korea Free Trade Agreement.

A typical example of Chinese investment in South Korea is the Jeju Dream Tower project, the tallest twin towers on Jeju island in South Korea, in which Chinese real estate developer Greenland Holdings had invested RMB 6 billion in 2016. This marked Greenland Holding's first wholly-owned investment overseas. Qingdao Double Star completed the equity delivery with relevant parties in Seoul, and Qingdao Shuangxing, together with Qingdao Guoxin and Qingdao Chengtou jointly invested about RMB 3.9 billion to acquire a 45% stake in Kumho Tire, a South Korean firm.

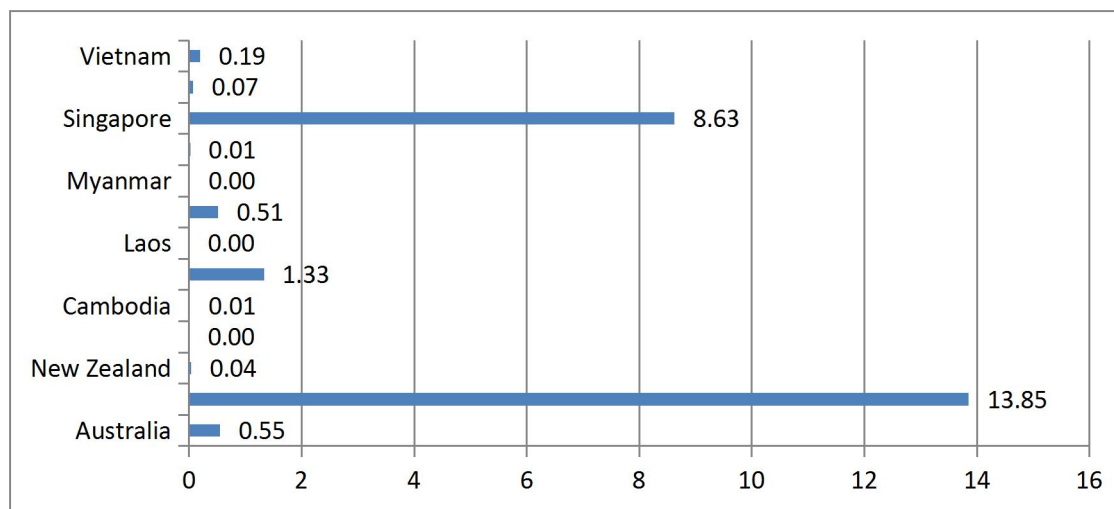


Figure 11.3.5 Foreign Direct Investment Flows of Other RCEP Parties to South Korea, 2019 (USD 100 million)²⁹

Source: OECD Statistics

In terms of RCEP Parties, with the exception of the six Parties with large investment volumes, namely Japan, Singapore, China, Malaysia, New Zealand, and Australia, the remaining eight Parties in the RCEP have relatively small foreign direct investment volumes in South Korea. Among them, the Philippines invested more than US\$286 million in South Korea, while the other seven

²⁹Relevant data for Brunei and Laos are missing.

parties invested less. When Nikkei interviewed enterprises from each Party on China-Japan-Korea relations in 2019, none of the Japanese enterprises interviewed answered "South Korea" when asked which country they should invest in equipment in 2019. 69% of Japanese entrepreneurs and 45% of Korean entrepreneurs cited the issue of forced labor when asked why. Accordingly, the website stated that Japanese enterprises may shun Korean companies and draw closer to China instead. On the contrary, both China and South Korea are both countries big in manufacturing and engineering contracting, each with comparative advantages in technology, equipment, and engineering construction. China's mid-range manufacturing capacity and rich construction experience and South Korea's high-end technology and advanced management concepts prove to be an effective combination that can drive project cooperation tailored to the needs of third-party markets, and promote industrial integration and economic development in third-party markets. Both countries have been cooperating extensively across South America, Africa, Southeast Asia, and the Middle East, and have successfully explored various modes of cooperation such as Sino-Korean joint venture bidding, Chinese supervision or design, and Korean construction. For example, the new refinery project in Kuwait, the Pacific refinery project in Ecuador, the Son Duong port project in Vietnam, and the cooperation in the off-grid electrification project in Ethiopia are all concrete achievements of the cooperation between China and Korea in third-party markets.

From the perspective of specific industries, other RCEP Parties have been active in investing in Korea across a wide range of investment fields and relatively concentrated investment regions. Other RCEP parties have invested in South Korea in a wide range of industries, including electronic information, real estate, food,

chemical, machinery and equipment, medical, transportation and storage, environmental protection, and other industries. In terms of industry, Chinese enterprises' investment in South Korea is mainly concentrated in the service sector, accounting for 67.7% of China's total investment in South Korea, and the investment volume in the service sector is usually small. The concentration of Chinese investment in South Korea in the service sector is also related to the content of the "Catalogue for the Guidance of Foreign Investment Industries" published by MOFCOM. The catalogue sets out the investment orientation centering on agriculture, forestry, animal husbandry and fishery, resource development, manufacturing, and service industries. The catalogue recommends investments in developing countries to be focused on the production of labor-intensive products or the development of natural resources such as oil, gas, and minerals, while investments in developed countries are to be focused not only on advanced technology and research and development but also on sunrise industries that ensure the sale of labor-intensive products with cheap labor. In terms of industry, South Korea's real estate industry attracted the most investment from Chinese enterprises, accounting for 20.8% of the total investment in South Korea, followed by the finance and insurance industry, and the electronic information industry. In terms of investment regions, Chinese enterprise's investment in South Korea is mainly concentrated in the metropolitan area, accounting for 62.4% of the total investment in South Korea (2016), among which Seoul, Gyeonggi Province and Incheon account for 72%, 10.3% and 17.6% of the total investment in South Korea's metropolitan area respectively. This was followed by the non-metropolitan area, which accounted for 22.2% of the total investment in South Korea, while other regions accounted for 15.4%.

With regards to ASEAN, the overall trend of ASEAN's actual investment flows in South Korea was stable between 2013 to 2019, with minor fluctuations in 2014 and 2017. In terms of volume, ASEAN's investment in South Korea first increased and stabilized after 2017. As of the end of 2019, the top three sources of investment in South Korea within ASEAN were Singapore, Malaysia, and the Philippines, with investment volumes of \$16,255, \$2,339, and \$286 million, accounting for 85.69%, 12.33%, and 1.51% of total ASEAN investment in South Korea respectively.

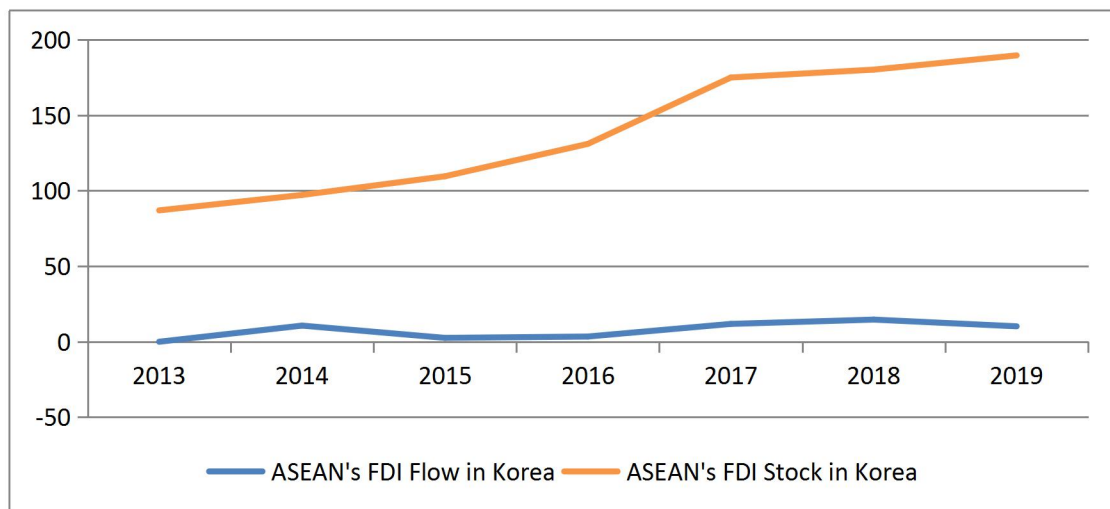


Figure 11.3.6 ASEAN Investment in South Korea, 2013-2019
Source: OECD Statistics

In terms of other RCEP Parties, Korea's main sources of investment are Japan and China, followed by New Zealand and Australia. China's cost focused investment in South Korea is also generally smaller because of its small local market and production factor costs are higher in most industries as compared to China. At the same time, the local market in South Korea has a very high level of recognition of its local products, and this reduces the incentive for market oriented investment by Chinese enterprises in South Korea to some extent. Therefore, the scale of Chinese investment in Korea is much smaller than that of Chinese investment in Europe, the US, Japan and other countries and

regions. The forms of investment are also concentrated in lower value-added service industries, while the proportion of investments in manufacturing is smaller.

There are still some hidden investment barriers to Chinese investment in South Korea. As an open market economy, South Korea generally has a positive attitude toward foreign investment, but South Korean nationals, including labor organizations, still harbor certain doubts about foreign enterprises, such as the fear of foreign enterprises stealing technology. Objectively, such fears would have a certain negative impact on the investment of each Party in South Korea. At the same time, the political risks including Sino-Korean relations, South Korean government investment policies, and labor disputes are also some of the important factors affecting Chinese enterprises' investment in South Korea. However, at the same time, China and South Korea have always shared friendly relations, similar histories, and cultural traditions, which are conducive conditions for trade and economic cooperation. Both countries are eager to cooperate, and a subject of concern across all industries is how to expand Chinese direct investment in South Korea is also a hot topic of concern. Chinese investment in South Korea will continue to expand with the establishment of China as a major foreign investment country and the further deepening of economic ties between the two countries. South Korea has an advantage over China in terms of cutting-edge technology in the manufacturing sector. Chinese companies can change their manufacturing origin to South Korea by investing in South Korea, thus increasing their brand value and added value in the international market.

In general, South Korea will be able to build a large international network of FTAs including China and ASEAN by joining the RCEP. This will make investment more convenient and

enable enterprises of other RCEP Parties to obtain trade preferences such as duty-free treatment and non-tariff barriers of the above-mentioned FTAs through investing in South Korea, which is in turn conducive to the development of overseas markets, the expansion investment areas, the growth of investment volume, and broadening its prospects. In particular, the number of Chinese investment hotspots in South Korea will increase significantly in the future. On the one hand, Chinese investment in South Korea will be able to combine the strengths of the two countries' enterprises in their respective key areas to jointly achieve a higher position internationally. On the other hand, South Korea will focus on fostering industries outlined by the government in the "17 new growth engine industries in three major growth fields" in the future, while China is undergoing a transformation from "world factory" to "world market". China's investment enterprises in South Korea and South Korea's local enterprises have jointly established a wider scope of cooperation and formed a closer production cooperation network, which will effectively serve the fast-growing Chinese market.

III. Current Status of South Korea's Openness to Foreign Investment

South Korea attracted foreign direct investment (FDI) of US\$20.75 billion in 2020, down 11.1% year-on-year but in excess of US\$20 billion for six consecutive years. Meanwhile, statistics also indicate that actual foreign investment in South Korea in 2020 decreased by 17% year-on-year to US\$11.09 billion. Based on the latest data, South Korea's largest source of foreign investment was the United States in 2020, with US\$5.3 billion in investment, down 22.5% year-on-year. This was followed by the European Union with US\$4.72 billion in investment volume, also down 33.8% year-on-year, and the third largest foreign investor was China with

US\$1.99 billion in investment volume, an increase of 102.8% year-on-year. In addition, Japan invested US\$730 million in South Korea in 2020, plunging 49.1% year-on-year.

In fact, investment volume in South Korea plunged by 22.4% in the first half of the year due to the impact of the COVID-19 pandemic, but the decline narrowed to 2.8% in the second half of the year, showing signs of a recovery. In this regard, the Ministry of Industry, Trade and Energy forecasted that there are still a lot of uncertain factors that will affect South Korea's attractiveness as a destination country for foreign investment in the next few years. Despite the pandemic, there are also favorable factors such as the large number of FTA partners and high creditworthiness, and uncertainties caused by the pandemic and the economic and trade disputes between China and the United States, and so on. Finally, the South Korean government said that in 2021, South Korea will continue to support state-of-the-art technology enterprises to attract foreign investment, and has achieved a positive growth in foreign investment.

South Korea adopts a negative list approach to foreign investment, which is divided into two categories: restricted and prohibited. South Korea lists 61 sectors where no foreign investment is permitted, such as sectors that affect national security or public order, sectors that are detrimental to public health, and areas that violate its domestic laws. South Korea adopts a licensing agreement approach for restricted sectors and there are equity restrictions. Restricted sectors mainly include agriculture, and livestock, publishing and distribution, transportation, power transmission and distribution, and broadcasting and communications. It should be noted that if a foreigner proposes to invest in an enterprise engaged in both prohibited and restricted sectors, foreign investment will not be permitted. If an enterprise is

engaged in more than two restricted sectors, the maximum investment ratio must not exceed the investment ratio of the sectors with lower permitted shares.

South Korea's incentives for foreign investment include compensation for foreign companies with high economic benefits of investment, reduction of cost burden for foreign-invested companies with relatively unfavorable investment conditions compared to domestic companies, and so on. There are seven main measures: tax exemptions, rent reductions, rent exemptions, or negotiated concessions, for state-owned, public-owned land, factories, cash support, special research and development zones, business support, and regional support policies.

IV. Understanding South Korea's Investment Commitment Under the RCEP

In Annex III of the RCEP, South Korea has elaborated its foreign investment restrictions in two major areas, trade in services and investments non-services, in the form of a negative list found in its Schedule of Reservations and Non-conforming Measures for Services and Investment. Refer to Section II of this chapter for an in-depth look at South Korea's services trade commitments. All of South Korea's investments in non-services are restricted in the form of a negative list and are presented as List A and List B in Annex III. List A sets out three concepts related to foreign investments: foreign investors (all investors except South Korean nationals), foreign investors may not invest (may not operate in South Korea for profit in any form) and South Korean ownership (foreign ownership may not exceed 49% through direct or indirect investment), and both List A and B apply to manufacturing, agriculture, hunting, forestry, and fishing, mining and quarrying, and all sectors or combinations thereof for which reservations have been made. South Korea has also included a section on

explanatory notes in List B, providing further clarification to existing measures.

Agriculture and livestock. Foreigners are not allowed to invest in enterprises engaged in rice or barley farming, or hold 50% or more of the equity interest of enterprises engaged in beef cattle farming.

Energy industry. Foreigners, in the aggregate, may not own more than 30% of the equity of Korea Gas Corporation (KOGAS).

All sectors. South Korea reserves the right to adopt or maintain any measure with respect to the transfer or disposition of equity interests or assets held by state enterprises or governmental authorities. Any services classified positively and explicitly in Korea Standard Industry Code (KSIC) or Central Product Classification (CPC), as of the date of entry into force of this Agreement should have been recognized by the Government of Korea at that time. South Korea reserves the right to adopt or maintain any measure with respect to the critical technology, which is defined in *Act on Prevention of Divulgence and Protection of Industrial Technology*.

V. The Opportunities RCEP Affords for Investment in South Korea

When South Korea and ASEAN signed FTAs with China, they still retained a certain level of tariffs on agricultural products, automobiles, steel and building materials imported from China due to the need to protect their industries. Therefore, the opportunities for these export industries will further increase after RCEP comes into force. One is the opportunity for industry chain restructuring: fabrics from China, designed by South Korean designers or under celebrities' IP, are processed by brands into products in Vietnamese factories and can be purchased by more consumers in the region. With the FTA in place, more of such products will be included in the zero tariff range in the future, including many raw

materials. Under the agreement, value components from any of the RCEP Parties will be considered in the rules of origin. This will greatly promote intra-regional factor flow, accelerate cross-regional industrial division of labor, and establish a finer and better industrial chain division of labor system. In the future, for each RCEP Party, instead of simply attracting investment, the industrial chain will be deeply integrated. This will not only affect the manufacturing sector, but the finance, tourism, entertainment, education and other sectors will also undergo changes in the industrial chain. The reorganization of production factors involving the industrial chain will bring about reshuffling of industries and new opportunities. Second, the opportunities of key industries in China and South Korea: for Chinese companies in South Korea, electronic products, especially small home appliances, smart home devices and other areas will have new opportunities. As for opportunities for South Korean imports to China, auto parts, especially new energy auto parts face good opportunities, and existing demand for products such as flash memory and semiconductor memory is still strong, advanced materials, precision instruments and other demand will increase, and these are precisely the areas in which South Korea excels at. Next, Korean cosmetics, such as men's cosmetics, mother and child products, health food, are likely to usher in a second wave of opportunities if brands are willing to put in the effort in China. In the service industry, besides tourism, there are many opportunities in the education industry, especially in non-academic language training, Korean language training and Chinese language training. At the same time, RCEP's strengthening of intellectual property protection will lead to new opportunities and a bigger market for content entertainment industries such as film and television, games and IPs, which will lead to stronger innovation and more frequent industrial collaboration.