I. ASEAN-Korea Economic Cooperation
ASEAN is one of the fastest growing markets, one of Korea's most important economic partners.
- Combined population almost 590 million, GDP $1,462 billion.

ASEAN is emerging as the pivot of economic integration in East Asia.
- Huge economies have actively engaged in FTA with ASEAN.

ASEAN plays an important role for the stability of East Asia in terms of balance of power.
ASEAN is Korea's third largest trading partner in 2009.
- Trade with ASEAN is as much as $75 billion in 2009 with $41 billion exports and $34 billion imports.

Korea is ASEAN's 6th largest trading partner in 2008.
- Since the 2007 effectuation, trade in goods with ASEAN amounted to $90 billion in 2008, an increase of 26 percent.
- This shows that AKFTA has highly contributed to the expansion of trading between Korea and ASEAN.
### Trade between ASEAN and Korea

**<Table 1> ASEAN-Korea Trade**

(Unit: US$ billion, %)

<table>
<thead>
<tr>
<th></th>
<th>‘03</th>
<th>‘04</th>
<th>‘05</th>
<th>‘06</th>
<th>‘07</th>
<th>‘08</th>
<th>‘09</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Export</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td>20.2</td>
<td>24.0</td>
<td>27.4</td>
<td>32.0</td>
<td>38.7</td>
<td>49.2</td>
<td>40.9</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>10.1</td>
<td>18.6</td>
<td>14.2</td>
<td>16.9</td>
<td>20.8</td>
<td>27.2</td>
<td>-16.8</td>
</tr>
<tr>
<td><strong>Import</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td>18.5</td>
<td>22.4</td>
<td>26.0</td>
<td>29.7</td>
<td>33.1</td>
<td>40.9</td>
<td>34.0</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>10.2</td>
<td>21.3</td>
<td>16.4</td>
<td>41.1</td>
<td>11.3</td>
<td>23.6</td>
<td>-16.8</td>
</tr>
<tr>
<td><strong>Trade Balance</strong></td>
<td>1.7</td>
<td>1.6</td>
<td>1.4</td>
<td>2.3</td>
<td>5.6</td>
<td>8.3</td>
<td>6.9</td>
</tr>
</tbody>
</table>
ASEAN is the 5th largest investor in Korea.

- Up to 2009, the cumulative total of ASEAN investment in Korea is $13 billion, 8.3 percent of the total FDI in Korea.
- With its peak of $2 billion in 1999, investment of $6 billion to $10 billion has been brought into Korea recently.

ASEAN is Korea's third largest investment destination.

- Cumulative total $37 billion, 18 percent of the total FDI in ASEAN
- Since the economic crisis in 1997, investment in ASEAN was stagnant, lower than $1 billion.
- Deregulation of FDI, worsening investment climate in China and ASEAN's economic recovery boosted investment lately.
Korea’s Investment in ASEAN was concentrated in the manufacturing sector.

Recently, investment in the non-manufacturing sector has been rapidly growing.

- It has been diversified into the sectors such as finance, telecommunications, real estate and mining of the crude oil.

Korea’s Major investors in ASEAN (2009)

Samsung Electronics, LG Electronics, Posco, Samsung C&T, Hyundai Motor Company, Kumho Tires, Daelim Industrial company, Hyundai Engineering & Construction, Korea Gas Corporation, Korea National Corporation etc.
## ASEAN - Korea INVESTMENT

### <Table 2> ASEAN-Korea FDI

(Unit: US$ billion, %)

<table>
<thead>
<tr>
<th></th>
<th>‘03</th>
<th>‘04</th>
<th>‘05</th>
<th>‘06</th>
<th>‘07</th>
<th>‘08</th>
<th>‘09</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASEAN to Korea</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td>5.8</td>
<td>6.3</td>
<td>6.4</td>
<td>7.0</td>
<td>5.9</td>
<td>9.9</td>
<td>5.8</td>
<td>133</td>
</tr>
<tr>
<td>Number</td>
<td>101</td>
<td>145</td>
<td>177</td>
<td>163</td>
<td>159</td>
<td>198</td>
<td>196</td>
<td>2,160</td>
</tr>
<tr>
<td><strong>Korea To ASEAN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td>13.4</td>
<td>7.4</td>
<td>9.4</td>
<td>37.6</td>
<td>63.6</td>
<td>58.6</td>
<td>61.2</td>
<td>354.4</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>499</td>
<td>782</td>
<td>979</td>
<td>1,473</td>
<td>2,277</td>
<td>2,475</td>
<td>1,901</td>
<td>16,627</td>
</tr>
</tbody>
</table>
II. Brief History of ASEAN-Korea FTA
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 2004</td>
<td>Announced the launch of the ASEAN-Korea FTA negotiations at the Summit Meeting</td>
</tr>
<tr>
<td>Feb. 2005</td>
<td>1st meeting of the ASEAN-Korea Trade Negotiating Committee</td>
</tr>
<tr>
<td>Feb. 2006</td>
<td>9th meeting of the ASEAN-Korea Trade Negotiating Committee</td>
</tr>
<tr>
<td>Aug. 2006</td>
<td>Korea and ASEAN signed the ASEAN-Korea FTA Trade in Goods Agreement</td>
</tr>
</tbody>
</table>

Nov. 2007  Korea and ASEAN signed the ASEAN-Korea FTA Trade in Services Agreement.

May. 2009  ASEAN-Korea FTA Trade in Services Agreement entered into force.

Jun. 2009  Korea and ASEAN signed the ASEAN-Korea FTA Investment Agreement

Sep. 2009  ASEAN-korea FTA Investment Agreement entered into force
Structure of ASEAN-Korea FTA
Structure of ASEAN–Korea FTA

Framework Agreement

Agreement on Trade in Goods
  - Annex 1 Normal track
  - Annex 2 Sensitive track
  - Annex 3 Rules of Origins

Agreement on Trade in Services
  - Schedule of Specific Commitment

Agreement on Investment
  - Annex

Annex Economic Cooperation

Agreement on Dispute Settlement Mechanism

Signed in 2005, signed in 2006, signed in 2007, signed in 2009
IV. Details of Investment Agreement
Investment protection clauses apply to the measures affecting the *supply of service through commercial presence*.

Each party shall accord "National Treatment", "Most-Favoured-Nation Treatment" to the *pre-establishment investors*.

This Agreement concretely stipulates the clause of “*General Treatment of Investment*” of ‘fair and equitable treatment and full protection and security’.
Each party is banned from requiring that "Senior Management and Board of Directors" be of a particular nationality or resident in the territory of the Party.

The ICSID Convention and the ICSID Rules of Procedure for Arbitration Proceedings can apply.

Investors can choose and be subject to more favorable one among this Agreement and other BITs.
Reservations

Within five years from the date of entry into force of this Agreement, MFN, PR, ISD, etc. shall be concluded.

Schedule of Reservations will be concluded in the work programme within five years from the date of entry into force of this Agreement.

NT, MFN, SMBD and (only in case of Laos) PR shall not apply until the Schedule of Reservations have entered into force.
V. Significances and Benefits of AKFTA
The framework of the “ASEAN-Korea Free Trade Area” has been formed by the completion of the Investment Agreement.

- Korea and 10 member states of ASEAN launched negotiations for a free trade agreement in Nov. 2004, with a view to creating the ASEAN-Korea Free Trade Area.

ASEAN-Korea Investment Agreement can act as a model of ASEAN's future Investment Agreements.

- Investment liberalization of ASEAN-Korea Investment Agreement is higher than that of ASEAN's any other Investment Agreement.
The Investment Agreement will provide a strong legal framework for the improvement of investment climate.

- It improved the transparency of investment related measures.
- It enhanced protection of investment by adopting the ISD.
- It expanded the protection of investment by investors’ choosing more favorable one among this Agreement and other BITs.
- Besides protections under the Agreement on Trade in Services, additional protections under the Agreement on Investment are enjoyed by a service supplier through commercial presence.

Investment and trade will increase steadily.

Employment in ASEAN member states can be encouraged.
VI. Concluding Remarks
Concluding Remarks

- It is too early to evaluate the investment liberalization of this Agreement as plans for liberalization are yet to be conclude.

- For the improvement of AKFTA, each member needs
  - To complete the internal procedures for the entry into force
  - To start negotiations on the liberalization plan

More can be expected in the future from ASEAN-Korea FTA Agreement on Investment.
Thank you!

Yang Sooyoung
Assistant director, FTA Division
Ministry of Knowledge Economy
E-mail: ssyang@mke.go.kr