

FTA Utilization Promotion Policy in the ROK and the Implications for Japan

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Summary

Japan is now actively engaged in negotiating “mega FTAs”, including the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), and the Economic Partnership Agreement (EPA) with the European Union. However, the conclusion of FTAs per se does not automatically bring economic benefits to the firms and consumers of member countries. No matter how many partners a country enters into FTAs with, or no matter how ambitious the liberalization achieved through FTA negotiations, if the potential users of FTAs face significant transaction costs when trying to utilize FTAs, an expansion of users is unlikely. In fact, among the firms engaged in trade with FTA partner countries, the utilization ratio of FTA preferential tariffs by Japanese exporters is still relatively low (29.9%), suggesting that there remains room to expand the number of actual users.

This paper provides an overview of policy packages for promoting firms’ FTA utilization introduced by the government of the Republic of Korea in 2010, 2013, and 2014, and discusses the policy implications for Japan. We show that the FTA utilization promotion policy in the ROK has recently shifted from a generic approach to a well-targeted approach, such as policy measures by industry, by firm size, by region, and by a firm’s status for FTA utilization. We also demonstrate that the ROK government has been trying not only to quantitatively expand the number of FTA users by supporting inexperienced firms, but also to continuously and qualitatively improve the user environment by providing various kinds of support for experienced users.