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Reinforcement of Economic Cooperation Capacity

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Chapter 1

G20 Diplomacy to Strengthen Global Economic Governance



1. 2014 Brisbane G20 Summit

The ninth G20 Summit was held in Brisbane, Australia from November 15 to 16, 2014. G20 leaders recognized that, although there are some positive signs, the global recovery remains slow and not delivering sufficient jobs needed. Therefore, they focused their discussion on exploring ways to boost global growth and job creation.

Taking into account the three goals of the summit—"to lift growth and create jobs," "to build a stronger, more resilient global economy" and "to strengthen global institutions"—the leaders discussed ways to strengthen policy coordination in such areas as growth strategies, job creation, investment, trade, development, finance, tax, energy and climate change.

As a result of such intensive discussions, the G20 Leaders' Declaration and its twelve annexes were adopted. In addition, taking into account the serious impact

of the Ebola virus, the leaders also adopted the G20 Leaders' Brisbane Statement on Ebola to demonstrate the G20's will to address the Ebola issue.

The most notable outcome of the summit was the adoption of the G20 Comprehensive Growth Strategies, which include G20 members' growth strategies in trade, investment, employment and competition. If the strategies are fully implemented, the combined GDP of G20 members is expected to grow by 2.1 percent over the current trajectory by 2018.

G20 leaders also adopted the Global Infrastructure Initiative, a multi-year program to increase quality infrastructure investment, and agreed to set up a Global Infrastructure Hub with a four-year mandate to implement the Initiative.

Meanwhile, to boost employment, the leaders agreed to reduce the gender gap in labor force participation rates by 25 percent by 2025, while taking into account domestic circumstances.

Development has been one of the core issues for discussion of G20 since the Seoul G20 Summit in 2010. To help low-income countries mobilize domestic resources and support their financial inclusion, G20 leaders agreed to take measures to reduce the global average cost for remittances by 5 percent. Furthermore, the leaders expressed their strong support for the success of the post-2015 development agenda negotiations at the UN.

To build a stronger, more resilient global economy, the leaders agreed to continuously push for the financial regulatory reform such as delivering the shadow banking framework. On tax issues, they recognized that considerable progress has been made on the G20/OECD Base Erosion and Profit Shifting (BEPS) Action Plan, whose goal is to modernize international tax rules.

G20 leaders also reaffirmed their commitment to enhancing cooperation in trade, finance and energy. They demonstrated their will to fight protectionism, strengthen

the multilateral trading system and enhance the international financial system by reforming the IMF. They also agreed to adopt the G20 Principles on Energy Collaboration, which reflects the G20's will to improve the international energy market and enhance energy efficiency.

Korea made constructive contributions to advancing the discussions on major agenda items. On growth strategies, President Park Geun-hye elaborated on Korea's efforts for structural reform including the 3-year Plan for Economic Innovation. She highlighted the importance of the Creative Economy as a new engine of growth for the economy and offered to share relevant experiences with other G20 members.

President Park also explained in detail Korea's efforts for regulatory reform. Furthermore, she suggested that relevant international organizations conduct research on the status of reform in the service industries that lag behind in regulatory reform. In addition, President Park pointed out the potential risks that the monetary policies of advanced countries might bring and stressed that each nation's monetary policy should be carefully calibrated and clearly communicated.

President Park reiterated the importance of development as a G20 agenda and suggested focusing on development issues at the next year's G20 Summit, which will be held under the Turkish Presidency. She also encouraged G20 members to assist developing countries to participate in global value chains (GVCs).

President Park also urged the G20 to contribute to the Green Climate Fund (GCF), an international organization aiming at helping developing countries build capacity to tackle climate change.

On top of this, President Park held a bilateral meeting with Crown Prince Salman of the Kingdom of Saudi Arabia and exchanged ideas on various issues of mutual interest. Also, President Park and Prime Minister John Key of New Zealand officially declared the conclusion of the Korea-New Zealand FTA.

Since the first G20 Summit was held in 2008 to deal with the financial crisis following the bankruptcy of the Lehman Brothers, eight summits have been held. As a premier forum for international economic cooperation, the G20 Summit has served as an excellent venue for discussing major global economic issues.

The Korean government will keep on doing its utmost to raise Korea's status on the global stage by participating actively in the G20 Summit and taking the lead in discussing key agenda items. Such efforts will contribute not only to creating a stable global economic environment but also to laying the foundation for the sustainable growth of Korea.

2. Korea's Activity within the OECD

The Organization for Economic Cooperation and Development (OECD) is an international organization established in 1961 with the goal of enhancing global economic growth and stability. Its members are making efforts to promote economic growth and international trade through policy coordination and cooperation.

Korea has been an active participant in the work of the OECD since it joined the organization in 1996. Korea reinforced its role in 2014 by participating in the Ministerial Council Meeting (MCM), OECD Southeast Asia Regional Forum, OECD Development Week, and Global Strategy Group Meeting, among many others.

The annual meeting of the Ministerial Council, the highest decision-making body of the OECD, was held in Paris from May 6 to 7, 2014 under the theme of 'Resilient Economies and Inclusive Societies.' During his remarks in the session on international development, Cho Tae-yul, Vice Minister of the Ministry of Foreign

Affairs proposed using the global monitoring system of the Global Partnership for Effective Development Cooperation (also known as the Busan Global Partnership) as an instrument for achieving post-2015 development goals. He also highlighted the need to conduct projects aimed at poverty eradication and sustainable development by drawing on various financial resources. Moreover, he expressed the willingness of the Korean government to cooperate with the OECD for the success of the OECD's Southeast Asia Regional Program, which was launched at the Ministerial Council.

Yoon Sang-jick, Minister of Trade, Industry and Energy, explained the Korean government's policy efforts to make full use of global value chains including policies to promote trade and investment liberalization through free trade agreements (FTAs), support capacity-building for small and medium sized enterprises (SMEs) and achieve balanced growth between large companies and SMEs. On the other hand, Choo Kyung-ho, Vice Minister of the Ministry of Strategy and Finance, attended a session titled 'Resilient Economies' and introduced Korea's economic policies for increasing private investment and creating jobs, such as the 3-year Plan for Economic Innovation and regulatory reforms.

Korea has strengthened its contribution to the OECD's development discussions through the OECD Southeast Asia Regional Forum and the High-Level Meeting of the Development Center by sharing its experience in advancing institutional transformation after joining the OECD as well as in economic development.

Korea will continue to strengthen its role as a middle power by utilizing the discussions at the OECD in advancing institutional transformation and policies, sharing Korea's development experience with developing countries and supporting the OECD's activities as a global policy network.

3. Activities Related to UNESCAP (UN Economic and Social Commission for Asia and the Pacific)

As the only region-wide intergovernmental body in Asia and the Pacific, the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) plays a pivotal role in strengthening cooperation for the economic and social development of the region. Korea has been actively taking a part in UNESCAP's efforts. Korea established the Asian and Pacific Training Centre for Information and Communication Technology for Development (APCICT) in Incheon in 2006 and the UNESCAP Sub-regional Office for East and North-East Asia (SRO-ENE) also in Incheon in 2010. Since their establishment, the two institutions have been functioning successfully to this end.

The 70th Commission Session of UNESCAP was held under the theme of "Balancing the Three Dimensions of Sustainable Development" in Bangkok from August 4 to 8, 2014. The session was attended by high-level representatives from 62 member states. As Korea's chief delegate, Cho Tae-yul, Vice Minister of the Ministry of Foreign Affairs made a speech to the representatives highlighting Korea's various activities and significant contributions to strengthen connectivity in the region, including the Asian Information Superhighway Initiative and Regional Arrangement on Facilitation of Cross-border Paperless Trade. He also had a meeting with Ms. Shamshad Akhtar, Executive Secretary of UNESCAP, where he stressed Korea's continued support to the activities of UNESCAP as the largest donor. They also discussed ways to enhance Korea-UNESCAP cooperation.

The Executive Secretary was invited by Yun Byung-se, Minister of Foreign Affairs to visit Korea from October 19 to 24, 2014 on the occasion of the 60th anniversary of Korea's entry into UNESCAP. They appreciated the ever-strengthening partnership

between Korea and UNESCAP. They also agreed to cooperate closely to achieve sustainable development in the Asia-Pacific region and tangible outcome regarding Korea's policy initiatives such as the Eurasia Initiative, Northeast Asia Peace and Cooperation Initiative and the Creative Economy.

Currently, Korea is working together with UNESCAP in various areas. It has launched various joint cooperation projects with UNESCAP including the pilot roadmap project for achieving low-carbon green growth in the Asia-Pacific region and the project for developing a learning model that utilizes ICT for higher learning institutions in the Asia Pacific region. Korea and UNESCAP have also joined hands to promote utilizing ICTs for disaster risk management and establishing e-government systems for women's empowerment. Korea will continue to play a leading role in bringing about economic and social development in the Asia-Pacific region.

4. World Economic Forum

The annual meeting of the World Economic Forum (widely known as the Davos Forum) has been a venue where business leaders, political leaders and government officials from various countries gather to discuss current challenges and solutions to the global economy. The 2014 Davos Forum was held from January 22 to 25, under the theme of "The Reshaping of the World: Consequences for Politics, Business and Society."

President Park Geun-hye contributed a lot to the forum's discussion for finding the new growth engine of the global economy. At the plenary session, she delivered a keynote address titled 'Creative Economy and Entrepreneurship' and introduced to the international community Korea's vision of achieving the Creative Economy

and its strategies. Moreover, the President greatly raised awareness of the unification of the Korean Peninsula by explaining that the unification would bring a bonanza by benefiting neighboring countries, let alone improving the lives of North Korean people.

Also, President Park attended the 2014 Korea Night, which was organized by the Federation of Korean Industries. She highlighted Korea's favorable economic and investment environment as a business-friendly nation and asked the participants to expand their investments in Korea. Moreover, President Park held a series of one-on-one meeting with the CEOs of major global businesses including Qualcomm, Aramco and Siemens. During such meetings, President Park actively promoted Korea as an attractive nation for investments by stressing the necessity of boosting business cooperation with Korea and asking them to increase their investments in Korea.

5. 2014 Boao Forum

The 13th Boao Forum was held in Hainan, China from April 8 to 11, 2014 under the theme of "Asia's New Future: Identifying New Growth Drivers." The forum was launched in 2001 to serve as Asia's Davos Forum. Since 2002, the forum has been held in Boao annually and has succeeded in establishing itself as Asia's leading non-governmental forum.

This year's Boao Forum was attended by about 2,000 participants including high-level government officials, business leaders, scholars and members of the press. Korean Prime Minister Jung Hong-won, Chinese Premier Li Keqiang and Australian Prime Minister Tony Abott were also present at the forum. The forum served as a

good opportunity for the participants to discuss the current economic situation in Asia and ways to achieve sustainable economic growth.

In his keynote speech at the opening ceremony, Korean Prime Minister Jung pointed out that Asia has been faced with a wide range of challenges including growing uncertainties in the global economy, income inequality and environmental pollution although it has achieved remarkable economic development over the past several decades. He elaborated on Korea's efforts to cope with these challenges, such as the 3-year Plan for Economic Innovation and the Creative Economy Vision.

Furthermore, Prime Minister Jung highlighted Korea's initiative for paving the way towards a reunified Korea, which President Park Geun-hye put forth in Dresden in March 2014 during her visit to Germany. Prime Minister Jung also underlined that a reunified Korea will become a new engine of growth in Asia and, in turn, contribute to the international community as a whole.

On the sidelines of the forum, Prime Minister Jung held a bilateral meeting with Chinese Premier Li to discuss various ways to enhance the Korea-China relations such as by increasing high-level visits. Prime Minister Jung's participation in the Boao Forum has contributed not only to strengthening the Korea-China relations but also to promoting Korea's economic policies and reunification vision at the international fora.

Chapter 2

Energy & Resources Cooperation and Green Growth & Environment Diplomacy



1. Energy & Natural Resources Cooperation Diplomacy

1) Korea's Active Diplomatic Efforts in Energy Cooperation

In October 2014, MOFA made significant diplomatic achievements in energy cooperation by actively supporting for concluding the contract for the OYSTER project to upgrade the research reactor at Delft University of Technology in the Netherlands on the occasion of Dutch king's visit to Seoul for the summit talks with President Park Geun-hye. MOFA also continuously reinforced bilateral cooperation on nuclear energy by supporting co-hosting the first Korea-India Nuclear Regular Conference in Mumbai in December 2014, which was agreed at the summit talks

between Korea and India on the occasion of President Park Geun-hye's attendance of the EAS in November 2014.

To win the bid to host the 2021 World Gas Conference, MOFA held the GASTECH VIP Program Seminar in March 2014 and continued to actively negotiate with member countries of the International Gas Union to gain support for Korea until the last moment of the final decision. As a result of such efforts Korea finally won the bid and also became to assume the Presidency of the IGU for three years from 2018 to 2021.

In November 2014, MOFA invited diplomatic delegations staying in Korea from some 20 countries, most likely to consider importing Korea's nuclear power plants in the near future, and hosted 'the third International Seminar for Nuclear Cooperation' to promote Korea's related competitiveness and explore its possibility on the nuclear energy cooperation with those invited countries. Moreover, Korea organized 'the fourth International Energy Cooperation Symposium' in December by inviting high-ranking policy makers from resource-rich countries in order to establish professional networks, strengthen relations with those nations, and provide assistance for the domestic enterprises to expand their overseas business.

2) The Northeast Asia Peace and Cooperation Initiative (NAPCI)

MOFA played a leading role in organizing and hosting the Northeast Asia Nuclear Safety Symposium (TRM+) for realizing the initiative 'Northeast Asia Nuclear Safety Consultative Body' proposed by President Park Geun-hye in her Anniversary of Liberation's speech on August 15, 2014. At the sixth Korea-China-Japan Top Regulators Meeting held in November 2013, the three countries agreed to launch the TRM+ in a form of a symposium or workshop to invite other countries in

Northeast Asia and international organizations in addition to existing three countries. The Korean government successfully hosted the second TRM+ in November 2014 following the first TRM+ meeting held in Japan in September of the same year, with the extensive participation of persons concerned from government, academia, and institutes in the field of nuclear safety. The second TRM+ was recognized for its significant role in laying the groundwork to make regular hold TRM+s in the future.

Moreover, MOFA contributed to facilitating multifaceted discussion on major energy security issues for the purpose of promoting related cooperation among countries in Northeast Asia by having held the fifth 'Pacific Energy Summit' (June) and the second 'Northeast Asia Energy Security Forum' (December) and so on. MOFA also contributed to making progress in discussion on regional cooperation in each energy resource by having held the 'GASTECH Northeast Asia Gas Pricing Gathering' (March), 'International Gas Trading Hub Symposium' (March), 'the International Oil Hub Symposium' (June).

3) Leading International Energy Cooperation

MOFA has actively participated and assumed a greater role in the activities of energy-related international organizations such as the International Renewable Energy Agency (IRENA) and the International Energy Agency (IEA). During the IRENA General Assembly and its three Council meetings (January, June, and November), Korea led the international discussions on ways to increase renewable energy deployment. Meanwhile, Korea was reelected as the IRENA Council Member country for 2016, thereby raising the stature of Korea on the global stage of renewable energy field. Furthermore, MOFA expanded its scope of international energy cooperation by taking part in a series of regional and other multilateral cooperative

bodies such as the IEA Global Energy Dialogue Group Meeting (May, September), the India Chennai Renewable Energy Forum (September), the 128th and 129th OECD/NEA Steering Committee (April, October), and International Gas Union Council Meeting (October), and more.

4) Strengthening Public-Private Energy Cooperation through the Energy Diplomacy Infrastructures

MOFA has continued to support Korean energy companies in expanding their business in overseas markets through the 50 diplomatic missions designed primarily to focus on energy projects and their aids for energy affairs. Those diplomatic missions, designated in major countries with abundant natural resources or growing energy markets, are contributing to strengthening bilateral cooperation on energy and natural resources by hosting various energy events in collaboration with governments of countries of residence and collecting up-to-date information on local energy resources as well as establishing professional networks.

In addition, the Global Energy Cooperation Center (GECC) under MOFA has steadily supported Korean energy companies in their efforts to enter into foreign markets. The GECC delivered 'the Daily/Special Energy Report' and 'International Energy and Resource Bidding Information,' which were compiled on the basis of up-to-date information and data collected by overseas Korean diplomatic missions to about 3,000 experts affiliated with domestic energy companies, organizations and association. (140 Daily Energy Reports, 23 Special Energy Reports and 37 International Energy Bidding Informations were released in total in 2014). Meanwhile, the GECC has tried to provide possible solutions to difficulties which national energy companies faced in overseas markets via meetings or telephone

calls. Moreover, the GECC contributed to increasing exchange of human resources and building networks between Korean entrepreneurs, and foreign energy experts and government officials.

2. Diplomatic Efforts on Sustainable Development and Green Growth

Sustainable development has been understood as a process of development; seeking balance among economic growth, social inclusion and environmental protection. The concept of sustainable development was initially confirmed at the UN Conference on Environment and Development held in Rio de Janeiro in 1992, and has been spreading around the world ever since.

The three pillars of sustainable development—economy, society, and environment—were reaffirmed at the UN Conference on Sustainable Development (Rio+20) held in Rio de Janeiro in 2012. The countries that attended the Rio+20 conference also agreed to establish an inclusive and transparent intergovernmental process on sustainable development goals to achieve sustainable development in a balanced manner. Accordingly, various foras in the UN were established including the Open Working Group on Sustainable Development Goals (OWG on SDGs), the Intergovernmental Committee on Sustainable Development Financing (ICESDF), and the High-Level Political Forum (HLPF).

The Open Working Group on SDGs, comprised mostly of UN Member States including the Republic of Korea, held 13 sessions from March 2013 to July 2014. The OWG drafted a proposal for a set of sustainable development goals to present to the UN General Assembly (UNGA). On July 19, 2014, the OWG adopted, by consensus,

the Proposal of the Open Working Group for Sustainable Development Goals containing 17 goals and 169 targets. The OWG's proposal on SDGs was submitted to the UNGA for consideration and is now being used as a basis for intergovernmental negotiations on the Post-2015 Development Agenda. The ICESDF produced its report as an outcome of sessions from August 2013 to August 2014. The ICESDF's report suggests four options of financial strategy for sustainable development including domestic public financing, domestic private financing, international public financing, international private financing, and blended financing, while describing assets and mobilization method of each resource and policy recommendations. In 2014, the second HLPF Ministerial Meeting was held in New York from July 7 to 9, 2014 and provided political leadership to advance discussions on the Post-2015 Development Agenda. On December 2014, the UN Secretary General published a synthesis report on the Post-2015 Development Agenda in which the overall discussions for the Agenda were reviewed, and the directions for the intergovernmental negotiation on the Post-2015 Development Agenda were proposed. The UNSG's report proposes six essential elements of dignity, people, planet, prosperity, justice and partnership as a way of framing the Post-2015 Agenda. The Korean government has actively participated in the UN discussions on sustainable development and contributed to incorporating various important issues such as water, energy, climate change, and global partnership in the final set of OWG proposals.

The Korean government has also been supportive and deeply involved in other global discussions on sustainable development held in the ESCAP and OECD to reflect Korea's view and played a leading and coordinating role in this global agenda. In 2014, Korea took part in various meetings including the ESCAP Asia Pacific Forum on Sustainable Development (Thailand, May 19~20), EAS East Asia

Low Carbon Partnership Dialogue (Japan, October 30~31), OECD Forum on Green Growth and Sustainable Development and more. In 2015, full-pledged discussions of the sustainable development goal after 2015 will begin at the UN. The Korean government is committed to actively participating in the upcoming UN discussions of the Post-2015 Development Agenda so that Korea's interest and views are well incorporated in the outcome document.

The Korean government is also committed to spreading the Green Growth agenda in the global community. The Global Green Growth Institute (GGGI), established mainly upon the initiative of the Korean government, is now assisting 20 developing countries including Ethiopia, Cambodia and Mongolia in their efforts to develop and implement their own national green growth plans. In 2014, global recognition of the GGGI as an international institution has increased with the new leadership of Director-General Yvo de Boer (former Executive Secretary of the UNFCCC) and President of the Assembly and Chair of the Council Dr. Susilo Bambang Yudhoyono (former Indonesian President). The Korean government has actively cooperated and fully participated in the GGGI decision making process through close consultation with the Secretariat and member countries. In addition, Korea was actively involved in the discussions for the GGGI's new five year strategic plan (2015 to 2020), in which the GGGI's focus was shifted to assist the least developed countries (LDCs) and to the green investment project. Other efforts to enhance the efficiency of the organization were also included. For the development of the GGGI, Korea has encouraged other countries' accession and contribution to the GGGI on the various occasions of diplomatic events and meetings. In 2014, Fiji, Jordan, Vanuatu and Senegal became Member countries and the United Kingdom announced to fund the GGGI in the order of £14.8 million (GBP) (roughly \$23 million (USD)) over the next three years. The Korean government will continuously provide

support for strengthening the global standing of the GGGI as a leading international organization in the area of global green growth.

The Korean government has made active efforts to strengthen bilateral cooperation on green growth with a number of partner countries. Denmark, for instance, has been one of Korea's core partners of the green growth agenda since the establishment of the Korean-Danish Green Growth Alliance in 2011. Since the establishment of this value-based alliance, the two countries have held the Green Growth Alliance meeting on an annual basis. The fourth Green Growth Alliance meeting headed by Korean Vice Minister of Foreign Affairs and Danish Minister for Trade and Development Cooperation, was held in Seoul, in March 2014. The meeting confirmed the high interest and potential cooperation of the two countries in the area of green technology research and applications. Companies and institutions from both countries also attended the meeting and concluded eight MOUs in various areas including renewable energy. Besides the Green Growth alliance meeting, Korea's Co-Chairman of Green Growth Committee Dr. Lee Seung-hoon attended the Global Green Growth Forum (3GF) held in Copenhagen, Denmark in October 2014 and expressed the Korean government's continuous commitment to the green growth agenda.

The Korean government has actively participated in water-related intergovernmental processes so as to contribute to achieving sustainable development of the international community by reaching successful outcomes at the seventh World Water Forum, the largest global event on water-related issues held in Daegu and Gyeongju, Korea in April 2015. Notably, the Ministry of Foreign Affairs has been in charge of the political process of the seventh Forum which aimed to implement solutions for water-related challenges and accelerate cooperation at the ministerial, parliamentary, and local government levels.

In addition, the Ministry of Foreign Affairs worked in close cooperation with relevant environmental organizations and businesses to dispatch private-public Market Development Groups to Middle Eastern countries, CIS countries, and Eastern European countries in an effort to strengthen partnerships with those countries in the area of environment and promote Korea's water and environment related technologies. The Ministry of Foreign Affairs also organized the Korea-Middle East Water and Environment Forum in October 2014 in close cooperation with the Ministry of Environment to support Korea's water-related businesses in their efforts to advance in the Middle East market.

3. Attending UN-led Negotiations on Climate Change and Mobilizing the Initial Capitalization of the Green Climate Fund

In 2014, Korea participated in major climate change meetings, both formal and informal, including the 20th Conference of Parties to the United Nations Framework Convention on Climate Change (COP20) (Lima, December 1~14), UN Climate Summit, Major Economies Forum (MEF), Petersburg Climate Dialogue, and Cartagena Climate Dialogue. At these meetings, Korea stated its views and played a bridging role between developed and developing countries, thereby constructively contributing to the progress of the negotiations for the Post-2020 climate change regime.

The Post-2020 climate change regime is a system in which all countries bear commitments to mitigate their greenhouse gas emissions. The formal negotiation process to introduce the Post-2020 climate change regime was launched in 2012

and is expected to end in 2015.

In September 2014, the UN Climate Summit was held at the instigation of Secretary General Ban Ki-moon in order to create a momentum for the successful conclusion of the Post-2020 negotiations. During the Summit, Korea pledged up to \$100 million (USD) for the Green Climate Fund (GCF), taking the lead in mobilizing the Fund's initial capitalization. As a result, more than thirty countries pledged a total of around \$10.2 billion (USD) to the GCF.

Should the GCF begin its full-scale operations by securing sufficient funding for all its activities, it is expected to function as a major operating entity of the financial mechanism, providing assistance for developing countries in their efforts to mitigate greenhouse gas emissions and adapt to the effects of climate change.

4. Enhancing Environmental Cooperation

1) Enhancing Regional Environmental Cooperation in Northeast Asia

In Northeast Asia, environmental problems such as yellow dust, acid rain, marine pollution are becoming increasingly severe due to the region's high population density, fast economic growth, and geographic proximity between neighboring countries. As environmental threats know no boundaries, seriously affecting all countries in the region, Northeast Asian nations are seeking bilateral and regional cooperation in tackling these issues.

Through bilateral joint committees on environmental cooperation with China, Japan and Russia, Korea has been reviewing its environmental policies and situation

as well as engaging in cooperation projects in broad-ranging areas including air and marine pollution, climate change, marine debris, biodiversity, and more. Further, Korea took part in the North East Asia Sub-regional Programme for Environment Cooperation (NEASPEC) with China, Japan, Russia and Mongolia to jointly address various environmental challenges including yellow dust, air and marine pollution, and preservation of the ecosystem in the region. In September 2014, the 19th Senior Officials Meeting of NEASPEC was held in Moscow during which member states agreed on a joint project between the research institutes of Korea, China and Russia to work on modelling of the movement of pollutants. They also discussed a strategic vision to be adopted in the next meeting. An Intergovernmental Meeting of the Northwest Pacific Action Plan (NOWPAP) with participation from Korea, China, Japan and Russia has been held on an annual basis to discuss ways to protect the marine and coastal environment. The four countries have examined strategies to preserve biodiversity and marine environments in the Northwest Pacific region.

2) Enhancing Global Environmental Cooperation

Global environmental issues range from air pollution, destruction of the ecosystem and marine environment to hazardous waste and chemical substances. A number of international environmental arrangements have been brought into effect through the UN, OECD and other international organizations to address such environmental challenges.

Korea is a member of the Convention on Biological Diversity, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and the Convention on Wetlands of International Importance, Waterfowl Habitat (also known as the Ramsar Convention). Korea has also been actively participating in the

Basel Convention on the Control of Transboundary Movements of Hazardous Waste and the Disposal, the Stockholm Convention on Persistent Organic Pollutants, and the Rotterdam Convention on the Prior Informed Consent Procedure in an effort to contribute to the conservation and sustainable use of biodiversity and international chemical waste management. In October 2014, the 12th Conference of Parties to the Convention on Biological Diversity was held in Pyeongchang, in which the 'Gangwon Declaration on Biodiversity for Sustainable Development' was adopted.

Chapter 3

Bilateral Trade Diplomacy



1. Economic Relations with Major Trading Partners

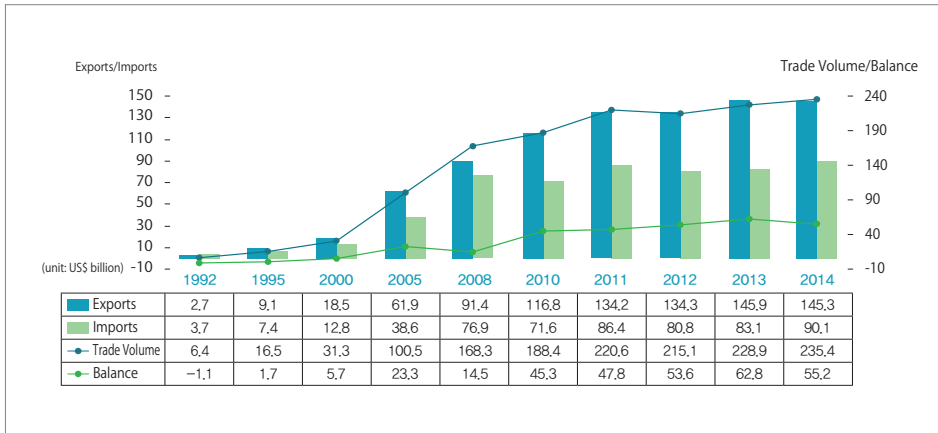
1) Korea-China Economic Diplomacy

Korea and China made remarkable progress in terms of bilateral economic relations since the establishment of diplomatic relations in 1992. China has been Korea's second-largest foreign investment destination since 2002, and Korea's largest trading partner since 2003.

The trade volume between the two countries has been steeply increasing. It has soared from a mere \$6.4 billion (USD) in 1992 to \$220.6 billion (USD) in 2011, thereby surpassing \$200 billion (USD) within two decades since the establishment of diplomatic relations. As of 2014, it amounted to \$235.4 billion (USD), accounting for 21.4 percent of Korea's total trade.¹⁾ Seoul and Beijing will continue to expand their bilateral trade volume, as the two agreed to a target of \$300 billion (USD) by 2015.

1) As of 2014, China was Korea's largest trading partner. For China, Korea is the third largest trading partner, excluding Hong Kong, the third largest export market, and the largest import source.

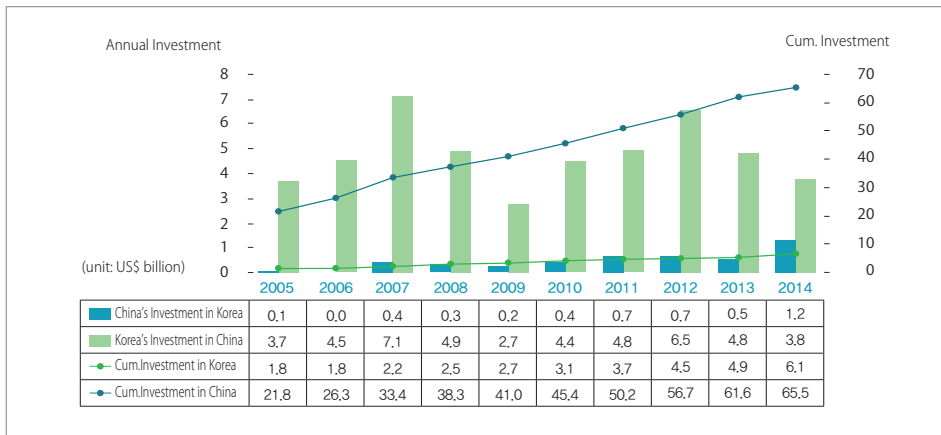
Trend in Korea-China Trade since 1992



source Korea International Trade Association

Korea's cumulative investment in China during the years 1968 to 2014 reached \$65.5 billion (USD), and Korea's investment in China in 2014 alone amounted to \$3.75 billion (USD). On the other hand, China's cumulative investment in Korea during the years 1962 to 2014 only amounted to \$6.1 billion (USD). Given China's recent economic policy of stimulating investment abroad and Korea's efforts to attract Chinese capital, China's investment to Korea is expected to further increase.

Trend in Korea-China Investment



source Ministry of Trade, Industry & Energy; Korea Eximbank

In 2014, President Park Geun-hye and President Xi Jinping discussed issues of mutual interest including the Korea-China FTA, enhancement of the utilization of the Chinese currency and expansion of trade, investment and economic cooperation on the occasions of Nuclear Summit (Hague, March 24 to 25, 2014), State visit of President Xi Jinping (Seoul, July 3 to 4, 2014), and APEC Economic Leaders' Meeting (Beijing, November 10 to 11, 2014). The two leaders also agreed to continue efforts to further financial and economic cooperation. At the summit meeting between the two leadership held during President Xi's visit to Korea, the two countries agreed to advance the Korea-China FTA negotiation with a view to concluding it by the end of 2014, and announced the substantial conclusion of the FTA negotiations on November 10, 2014. The conclusion of the Korea-China FTA is expected to accelerate Korea's growth and further the economic cooperation with China by expanding opportunity to enter into the Chinese market.

Although Korea and China have experienced trade friction due to the rapid expansion of bilateral economic relations, the two countries have been making efforts to manage and solve their trade issues through diverse bilateral channels ranging from the ministerial-level to working-level, as well as summit meetings. For instance the Ministry of Foreign Affairs has maintained the Economic Joint Committee at the vice-ministerial level; the Consultation Meeting on Quality, Quarantine and Inspection at the deputy-ministerial level; and the Director-General Level Meeting on Bilateral Economic Affairs.

In 2014, the Ministry held the 20th Director-General Level Meeting on Bilateral Economic Affairs on April 21 in Seoul, in which the two sides assessed the implementation status of the results of the previous year's Summit meeting, and, in order to jointly deal with new economic situations which the two countries are facing, explored untapped areas for cooperation such as regular economic cooperation meetings and events with China's local governments, Korea-China green industry cooperation forum, and linking China's One Belt One Road initiative with Korea's Eurasia Initiative. In addition, the two sides exchanged opinions on the difficulties that the businesses of the two countries are facing, such as procedure for acquiring residence certificates and work permits, and agreed to a working-level consultation and cooperation among related ministries in order to resolve these issues.

In addition, at the 20th Economic Joint Committee on December 23 in Yantai, Shandong Province, the two sides appreciated the successful implementation of the outcomes of the summit meeting between the two countries in July, including financial cooperation to enhance utilization of the Chinese currency and the conclusion of the Korea-China FTA within the year, and agreed on a joint study to produce a vision paper as a guideline to systematically manage the two countries' economic cooperation relations after the Korea-China FTA. The two sides also agreed

to continue consultations and cooperation on issues of mutual interest such as exploring cooperation for complex logistics and transportation network, the Korea-China economic cooperation complex in *Saemangeum*, and difficulties of businesses.

As the Chinese government intends to expand its domestic market and seek a balanced development between regions, more Korean businesses are making inroads into rising regions such as the midwest and northeast regions of China. To support this, the Korean government has been strengthening cooperation with each Chinese local government. In 2014, the Ministry of Foreign Affairs held economic cooperation forums with Three Northeast Provinces (Liaoning, Jilin, Heilongjiang) on July 18 in Shenyang and with Hubei Province from July 9 to 10, and held the Korea-China Friendship Week in Chongqing from July 4 to 6.

The Korean government will make continued efforts to expand trade and investment relations with China and prevent trade friction in advance. It will also work to enhance the bilateral economic cooperation as well as the policy consultations with China on macroeconomic issues to develop joint responses to risks in the global economy.

2) Korea-Japan Economic Diplomacy

Since the establishment of diplomatic ties in 1965, Korea and Japan have continued to develop their economic and trade relations. The bilateral trade volume grew from a mere \$220 million (USD) in 1965 to \$108 billion (USD) in 2011. As of 2014, Korea and Japan are the third largest trading partner for each other.²⁾

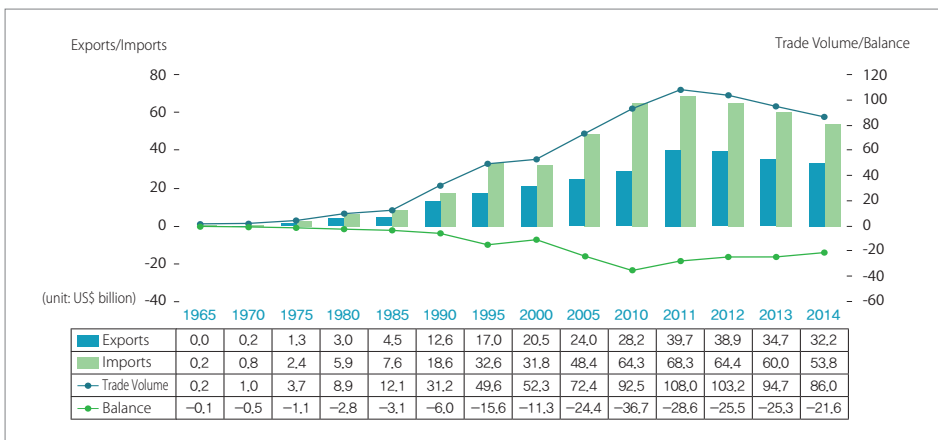
Japan implemented Abenomics³⁾ in 2013 in an effort to revive its sluggish

2) As of 2014, Japan is the third largest trading partner for Korea after China and U.S., the third largest export market, and the second largest import source. For Japan, Korea is the third largest trading partner, the third largest export market, and the seventh import source.

3) Abenomics refers to the economic policies advocated by Shinzo Abe since his inauguration in December 2012. Abenomics is based on three strategies (massive fiscal stimulus, monetary easing, growth strategy) to boost Japan's competitiveness and aiming to revitalize the Japanese economy.

economy, which resulted in the depreciation of the Japanese yen. Due to the combined impacts of the weakened yen and the shaky Korea-Japan relations, Korea's export volume to Japan decreased from \$38.9 billion (USD) in 2012 to \$34.7 billion (USD) in 2013, and further to \$32.2 billion (USD) in 2014. The total trade volume has also decreased from \$103.2 billion (USD) in 2012 to \$94.7 billion (USD) in 2013 and \$86.0 billion (USD) in 2014.

Trend in Korea-Japan Trade since 1965



source Korea International Trade Association

Korea has never recorded a trade surplus with Japan since the establishment of diplomatic relations in 1965, and its trade deficit hit its highest level in 2010 with \$36.1 billion (USD). However, Korea's trade deficit with Japan decreased in 2011 due to the disruption in Japan's supply system of major components and materials as a result of the disastrous earthquake in March 2011, and it continued to decrease for four consecutive years, recording \$25.3 billion (USD) in 2013 and \$21.6 billion (USD)

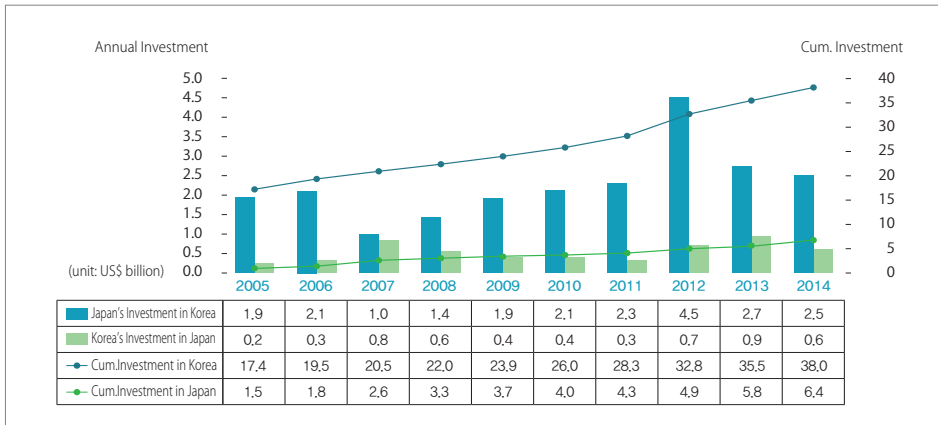
in 2014.

As a means to reduce the trade deficit with Japan, the Korean government has formulated policies to sharpen the competitiveness of its companies as well as to provide the necessary infrastructure. It has also made various efforts to promote bilateral cooperation in the components and materials industry, where the main cause of the trade deficit lies.

One good example of such an effort is the annual "Korea-Japan Components and Materials Procurement and Supply Trade Fair." In 2014 the Trade Fair was successfully held with the participation of 162 companies from Korea and 44 companies from Japan. Furthermore, as a way to boost Japan's investment in Korea, the Korean government has built industrial complexes for components and materials in four regions—Gumi, Pohang, Iksan and the Busan-Jinhae FEZ—and supports exchanges and cooperation between companies of the two countries through events such as "Korea-Japan Industrial Technology Fair."

Meanwhile, Japan is the second-largest investor in Korea following the United States. Its cumulative investment in Korea during the years from 1962 to 2014 totaled \$38.0 billion (USD), which accounts for 16.0 percent of the total foreign investment in Korea. Japan's investment in Korea has continued to increase since 2007, and recorded \$4.5 billion (USD) in 2012 as the Korean government's efforts to attract foreign investment worked as merits for Japanese companies. In 2013 Japan's investment in Korea decreased due to the rebound from the previous year's increase, the weaker yen, and the increase of Korea's electric charges, and it further decreased to \$2.5 billion (USD) in 2014.

Trend in Korea-Japan Investment



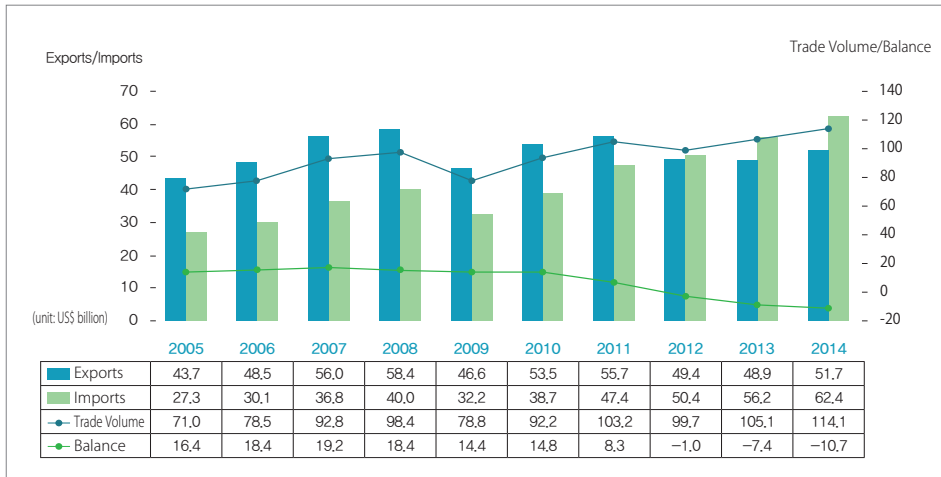
source Ministry of Trade, Industry & Energy; Korea Eximbank

In order to further develop economic and trade relations, both governments held bilateral consultations of various levels such as Foreign Ministers' Meetings, High-Level Economic Consultations, and Deputy Director-General Level Economic Consultations, and thus promoted mutual understanding and cooperation. Furthermore, the two sides decided to work towards further strengthening economic cooperation in various areas such as advancing joint projects by Korean and Japanese companies in a third country, as well as coordination in discussing regional economic integration including CJK FTA and RCEP.

3) Korea-EU Economic Diplomacy

The European Union (EU) is Korea's third largest trading partner after China and the United States while Korea is EU's eighth largest trading partner. Trade volume between Korea and the EU reached \$114.1 billion (USD) in 2014.

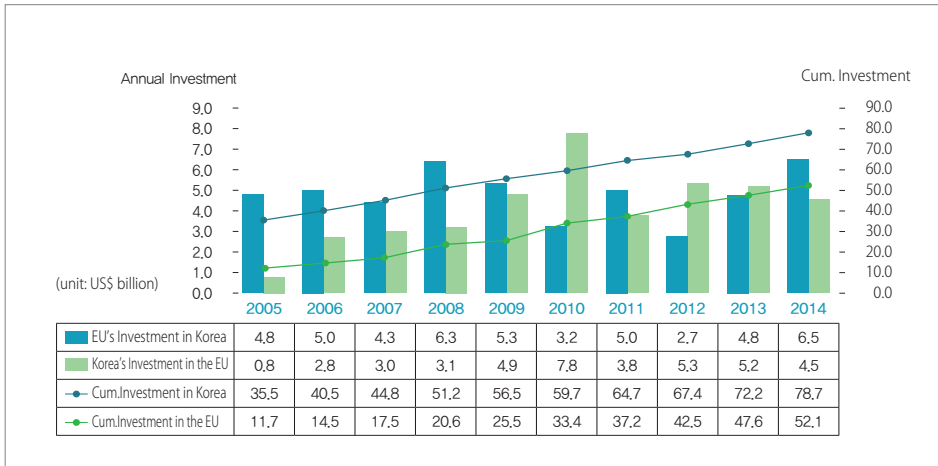
Trend in Korea-EU Trade



source Korea International Trade Association

Despite the overall economic downturn in the EU, trade has maintained a general upward trend since 2009. In 2014, trade flows increased by 8.5 percent compared to the previous year, amounting to \$114.1 billion (USD), which makes up 10.4 percent of Korea's total trade volume. Korea's exports to the EU amounted to \$51.7 billion (USD), accounting for 9.0 percent of Korea's total exports, with strong sales in ships, automobiles, automobile parts, flat panel display and synthetic resin. Korea's imports from the EU amounted to \$62.4 billion (USD), accounting for 11.9 percent of its total imports. Major import products are automobiles, crude oil, pharmaceutical products, semiconductor manufacturing equipment and automobile parts.

Trend in Korea-EU Investment



source Ministry of Trade, Industry & Energy; Korea Eximbank

EU is the largest foreign investor in the Korean market cumulative investment \$78.7 billion (USD). EU's annual investments in Korea reached \$6.5 billion (USD) in 2014, which is a 35.4 percent increase compared to the previous year. In addition, Korea's investments in the EU market reached \$52.1 billion (USD) during 1968~2014.

The Korea-EU Joint Committee has been held annually since 2001 in Seoul and Brussels alternately based on the "Korea-EU Framework Agreement" signed in 1996. The agenda for the meeting, which initially covered economic and trade cooperation, has been expanded to encompass political, social, and cultural cooperation.

The 12th Korea-EU Joint Committee was held in Brussels on November 26, 2014. At the meeting, Korea and the EU exchanged views on the current state of bilateral

relations and reviewed the implementation under the Korea-EU FTA, which marked its third anniversary in 2014. Both sides also discussed ways to further strengthen cooperation in the areas of climate change, development cooperation, science and technology, energy, education, and culture.

Through regular meetings and frequent bilateral consultations, the Korean government strives to strengthen the Korea-EU economic cooperation as well as to manage bilateral economic issues.

4) Korea-US Economic Diplomacy

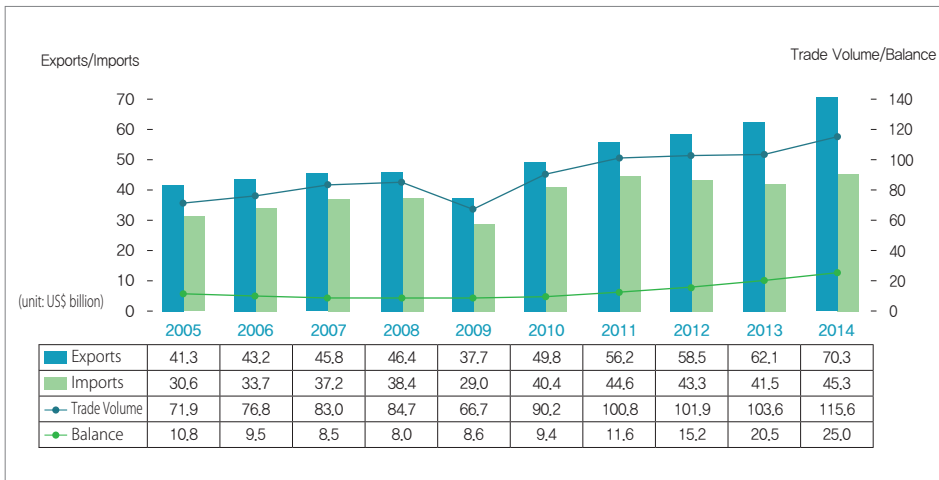
Currently, the US is Korea's second largest trading partner after China, while Korea is the sixth largest trading partner of the US. The bilateral economic and trade relations between the two countries further deepened since the Korea-US FTA entered into force on March 15, 2012.

In 2014, bilateral trade volume increased by 11.6 percent compared to the previous year (\$103.6 billion (USD)), recording \$115.6 billion (USD). In 2014, Korea's export to the US amounted to \$70.3 billion (USD), accounting for 12.3 percent of Korea's total exports, with strong sales in automobile, cell phones, automobile parts, iron and steel products and semiconductors. Korea's imports from the US amounted to \$45.3 billion (USD), accounting for 8.6 percent of Korea's total imports. Main import products are semiconductors, aircraft, semiconductor manufacturing equipments, and grains.

The US is the top destination for Korean overseas investment. Between 1968 and 2014, Korea's cumulative investment in the US reached \$79.6 billion (USD) accounting for 19.9 percent of Korea's total overseas investment (\$400 billion (USD)). Moreover, the US is also the largest investor in Korea (excluding the EU) and

its cumulative investment in Korea reached \$56.9 billion (USD) between 1962 and 2014.

Trend in Korea-US Trade



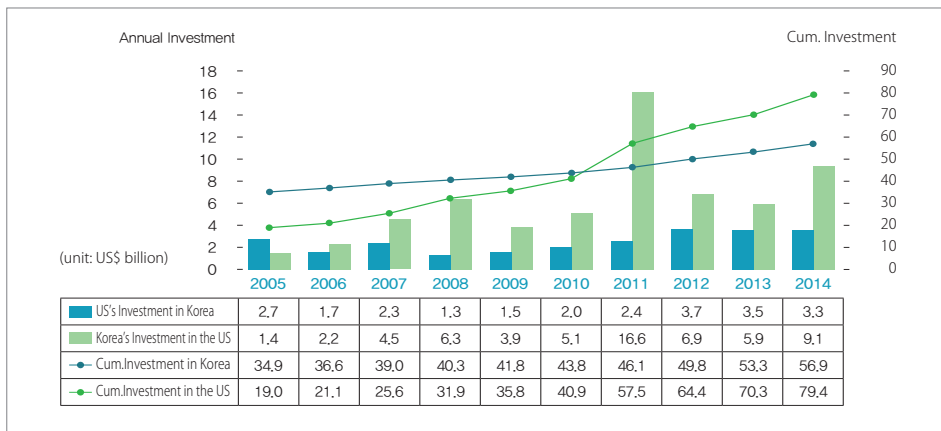
source Korea International Trade Association

Overall, trade and investment between Korea and the US continues to increase in terms of absolute amount. However, the weight of Korea's trade with the US compared to its total trade continues to show a downward trend due to a rapid expansion in trade between Korea and China as well as intensified competition within the US market.

Despite such a relative downward trend, the US is still the largest economy in the world and remains to be one of Korea's most important trading partners. When the Korea-US FTA entered into force on March 15, 2012, the two countries were expected to develop the already strong bilateral economic and trade relations into a

more future-oriented, comprehensive, and cooperative relationship.

Trend in Korea-US Investment



source Ministry of Trade, Industry & Energy; Korea Eximbank

2. Resolving Trade Remedy Measures

The Ministry of Foreign Affairs endeavors to assist Korean companies when they become subject to trade remedy measures, such as anti-dumping, safeguards, and countervailing duties, by foreign countries. In September 2000, a Trade Remedy Reaction Team was established in the Bilateral Trade Bureau. When Korean companies become subject to unfair procedures or measures with regard to trade remedies, the Reaction Team endeavors to resolve the issue bilaterally with the foreign investigating authority.

The Reaction Team responds actively to trade remedy investigations by

submitting government comments, sending letters from high-level officials, raising the issue in trade bilateral meetings, and holding consultations with the investigating authorities.

In 2014, the number of new investigations initiated against Korean products remained equivalent to that of the previous year. However, the measures taken against Korean products are slowly increasing. As of the end of 2014, 162 foreign trade remedy measures were enforced against Korea, resulting in 14 percent increase compared to the previous year: 120 anti-dumping measures, 5 countervailing duties, and 37 safeguard measures.

As a way to address this trend, the Trade Remedy Reaction Team set up 'pre-warning trade remedy reaction system' which entails researching new measures or regulations related to trade remedies by using its vast network of Korean missions abroad and sharing this information with the relevant companies through written communication, meetings, and seminars.

In 2014, investigations were terminated or tariffs were lowered in 22 cases as a result of the activities of the Reaction Team. Major cases include i)lowering of Brazil's anti-dumping duty on Korean tires (of a kind used on motor cars), ii) exemption of Korean products from India's anti-dumping duty on Poly Vinyl Chloride, iii)De facto negative determination on the investigation of countervailing duties by the US and Canada, iv)cancellation of Indonesia's anti-dumping duty on PET (Polyethylene Terephthalate), and v)lowering of China's anti-dumping duty on Korea's Solar-Grade Polysilicon.

In particular, the Reaction Team took actions in the case of Brazil's anti-dumping investigation on tires used for buses and trucks through diplomatic endeavors such as dispatching Reaction Team members, submitting governmental letters, presenting our position at the WTO Committee on Anti-Dumping, bringing about

the reduction of anti-dumping duty imposed by the Brazilian government from 11.5~62.5 percent to 7.1~39 percent, saving tariffs by about \$49 million (USD) (₩540 billion (KRW)).

Also, the Reaction Team successfully responded to the investigation on India's PVC by closely collaborating with the related authorities and industries; dispatching Reaction Team members and sending governmental letters. As a result, the anti-dumping duty (8 percent) which was levied since 2007 was lifted only from the Korean products and thereby reducing a sum of \$24 million (USD) (₩26.4 billion (KRW)).

Overall, the Reaction Team's work is estimated to have reduced tariffs by around \$330 million (USD) (₩370 billion (KRW)) as trade remedy measures were either not imposed or existing measures were reduced or terminated.

Key Activities of the Trade Remedy Reaction Team

- Consultations with the concerned industries at every stage of an investigation
 - The Reaction Team covers every step of the investigation process from before the initiation of the investigation to the preliminary and final decision stages. The team continuously holds consultations with relevant industries and associations as frequently as necessary in order to understand their positions and devise a countermeasure plan.
- Bilateral consultations with foreign investigating authorities
 - The Reaction Team visits the investigating country and holds bilateral consultations with foreign investigating authorities to have the position of the Korean government and industries understood and to request for their cooperation.

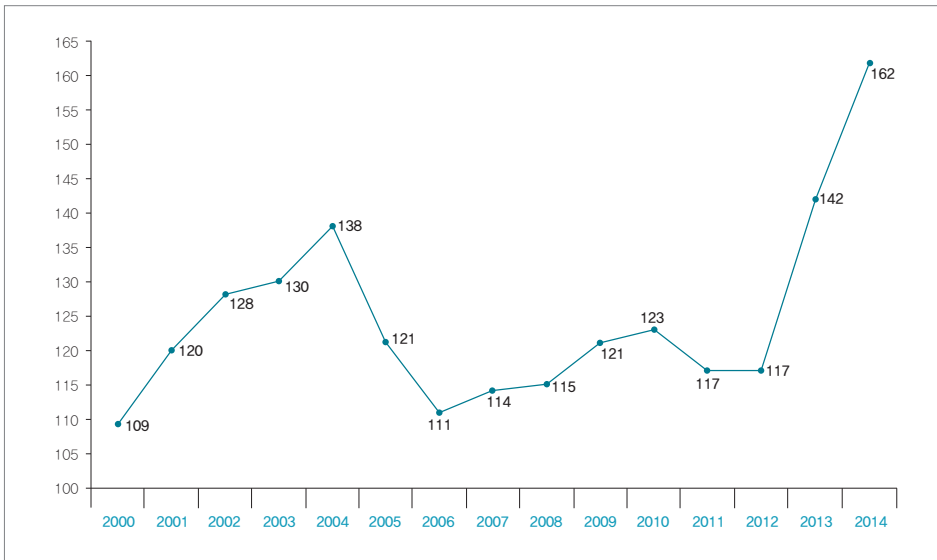
※ 2014 bilateral consultations (nine consultations in eight countries): Australia (February 26, November 7), Malaysia (April 9), Turkey (May 23), Canada (July 31), Brazil (September 26), Indonesia (October 6), Thailand (October 8), India (October 27)

• Preparation of Government letters and non-papers

–The Reaction Team writes letters and non-papers in order to bring the attention of the foreign government to the pending trade remedy cases, submits non-papers to address the legal issues, and presents Korea's position at high-level bilateral meetings.

※2014 documents regarding countervailing duties: governmental response 23, comments of the government 21, high-level governmental letters 5

Trend in the Annual Number of Trade Remedy Measures



Trade Remedy Measures Against Korean Products as of Dec 31, 2014

Total 162 cases (incl. 41 ongoing investigations)

Country	AD	CVD	Safeguard	Total
1. India	23(5)	0	8(4)	31(9)
2. China	15(0)	0	0	15
3. U.S.	15(2)	5(2)	0	20(4)
4. Turkey	5(2)**	0	10(3)	15(5)
5. Brazil	12(3)	0	0	12(3)
6. Indonesia	6(1)	0	4(3)	10(4)
7. Australia	9(2)	0	0	9(2)
8. Pakistan	6	0	0	6
9. Canada	8(2)	0	0	8(2)
10. Thailand	4	0	2(1)	6(1)
11. Russia*	1	0	3(1)*	4(1)
12. Ukraine	1	0	3	4
13. EU**	4(1)	0	0	4(1)
14. Malaysia	4(3)	0	1(1)	5(4)
15. Argentina	3(1)	0	0	3(1)
16. South Africa	1	0	0	1
17. Philippines	0	0	4(2)	4(2)
18. Taiwan	1	0	0	1
19. Mexico	1	0	0	1
20. Colombia	1	0	2(2)	3(2)
21. New Zealand	0	0	0	0
Total	120(22)	5(2)	37(17)	162(41)

※ Numbers inside the parentheses represent the number of cases under investigation

* Includes trade remedies by Russia, Belarus, Kazakhstan Customs Union

** Includes anti-circumvention measures

Achievements for Trade Remedy Measures

	Product (Regulating country)	Annual Exports (1,000 USD)	Reduced Tariff Rate	Reduced Tariff amount ⁴⁾ (1,000 USD)	Remarks
1	PET (Indonesia)	74,251 (2013)	Final determination 4.1~12.2% After reaction 0%	9,059	Cancellation of the anti-dumping duty as the measure does not correspond to the public interest
2	PVC (India)	297,923 (2013)	Others, Before review 8% Final determination 0%	23,833	The Indian government decided to exclude Korean products from the anti-dumping duty due to the responses from our government authorities and industries
3	Wire Rod (Malaysia)	24,000 (estimate)	DaehanSteel Before review 25.20% Final determination 0%	6,048	DaehanSteel was excluded from the investigation on the basis that its export product is not in the scope of investigation
4	Newsprint (Malaysia)	18,000 (estimate)	Before review 43.24% Final determination 0%	7,783	Determined that extending the 10-year- long anti-dumping measure does not correspond to the public interest, and the sunset review was closed
5	Coated Papers (South Africa)	549	Preliminary determination 17.25% Final determination 0%	95	17.25% of dumping margin was estimated in the preliminary determination, but the final determination was 0%, with the responses of the government and the industry
6	Wire Ropes and Cables (South Africa)	7,747	Before review 50.33~79.76% Final determination 0%	6,179	Determined not to extend anti-dumping duties
7	Steel Ropes and Cables (EU)	85,088	Before review 60.4% Final determination 0%	51,393	Excluded from the anti-dumping duty the responses of the government and the industry, with the determination that Korean companies did not join the circumvent dumping of the Chinese origin steel ropes and cable

4) These figures have been calculated by multiplying the difference in tariff rates before and after the tariff reduction to the annual export quantity of each product. Although these tariffs are not actually refunded, these numbers refer to the customs duties that could have been levied, but were not.

8	Polysilicon (China)	327,554 (2013)	48.77% Final determination 2.4%~12.3%	159,748	Some of the Korean companies were given 2.4~12.3% of dumping margins, which were far lower than the alleged margins (48.77%)
9	Painted Hot Dip Galvanized of Cold Rolled Steel (Thailand)	46,440 (2013)	13.82% Review 0%	6,418	UnionSteel was excluded from the anti-dumping duties
10	Rubber Chemicals (India)	3,325 (2013)	25% Review 0%	831	Investigations were terminated without any safeguard duties
11	Polyvinyl Chloride (Pakistan)	2,569 (2013)	Investigation terminated	-	Terminated on the basis that the injury on the domestic industry is negligible
12	Steel Plate (US)	47,537 (2013)	Before review 1.64% Final determination 0%	780	Determined with de minimis (0.11%) to Dongkuk Steel at the final report of the review
13	Coated Paper Board (Pakistan)	90 (2013)	Final determination 22.24% Expiry of the duty	20	The final determination became invalid since one of the commissioners was found to expired
14	i-octyl-phthalate (Colombia)	7,033 (2013)	Preliminary determination 18.93% Final determination 0%	1,331	Determined not to impose anti-dumping measures on the Korean products in the final determination
15	SDY (Indonesia)	25,580 (2013)	15.72% Final determination 0%	4,021	Determined not to impose anti-dumping measures due to miscalculation of the rate of dumping margin
16	Spandex (India)	12,587 (2013)	25% Final determination 0%	3,147	Investigations were terminated without imposition of safeguard measures in the final determination

17	Non-Oriented Electric Steel (US)	4,000 (2013)	Preliminary determination 0.59% Final determination 0.65%	-	Maintained the same rate of de minimis in the final determination of SCM *also favorable duty rate (6.8%) was imposed in the anti-dumping investigation
18	Oil Country Tubular Goods (Canada)	5,069 (2013)	Preliminary determination 0.1~0.7%	-	Investigations were terminated with the preliminary determination of SCM of de minimis *Anti-Dumping investigation is ongoing
19	Tires for Bus and Truck (Brazil)	80,624 (2013)	67.88% Final determination 7.1%	49,003	Anti-dumping duties in the preliminary determination were lowered than in the final determination
20	Rebar (Canada)	31,261 (2013)	Preliminary determination 0.3~3.8% Final determination 0%	-	Determined de minimis in the final determination of the SCM due to the insignificant volume of subsidy *Relatively higher duty rate (13.3%) in the anti-dumping investigation
21	Grain-Oriented Electric Steel (US)	4,687 (2013)	Department of Commerce determination 5.34% ITC determination 0%	250	Determined that there was no injury to the domestic industry in the final determination of AD and SCM
22	Power Transformers (Australia)	7,991 (2013)	30.7% Final determination 0%	2,453	Determined not to impose anti- dumping duties on Korean products in the final determination
Total				332,392	

3. Diplomacy to Promote Economic Cooperation

1) High-Level Economic Diplomacy and Support for Creating Jobs Overseas

The Ministry of Foreign Affairs (MOFA) has been strengthening its diplomatic efforts to promote economic cooperation with emerging economies that have governments that play a strong role. In 2014, Korean diplomatic missions helped Korean companies to take large-scale overseas projects of \$38.2 billion (USD) including Kazakhstan Balkhash thermal power plant on the occasion of summit diplomacy. Moreover, they supported our companies to win projects of \$6.4 billion (USD) including Algeria gas restoring facility (\$0.8 billion (USD)). In short, the MOFA and Korean diplomatic missions contributed to win overseas construction contracts of \$66 billion (USD) directly or indirectly in 2014. To assist Korean companies conducting overseas business in such areas as Central Asia, the Middle East, and Central and South America, MOFA is providing them with information on foreign markets and projects abroad. Moreover, on the occasion of state-visits, the Ministry hosts events such as a business round-table to attract and promote foreign investment.

MOFA is also promoting specific business fields such as medical business and the defense industry. MOFA signed an MOU with the Ministry of Health and Welfare of the Republic of Korea (MOHW) in September 2013 and through policy consultation the two organizations worked to strengthen cooperation in medical fields. MOFA also provides Korean companies abroad with information on as local laws and regulations related to medical business of the respective countries, especially countries in the Middle East. With regards to the defense industry, MOFA is helping

companies that sell defense equipment in South-East Asia and Latin America by providing information and cooperating with other government agencies.

Creating jobs overseas is also the Ministry's job. MOFA is making efforts to ameliorate conditions for employment of Koreans in foreign countries by working with respective countries to enhance local rules and regulations. In Cooperation with KOTRA, MOFA is hosting job fairs in many countries and providing a list of mentors around the world. Moreover, MOFA is encouraging young people to expand employment experience in foreign countries by signing Working Holiday Programs and dispatching Junior Professional Officers (JPO) to international organizations.

2) Supporting Overseas Business Activities

The Ministry of Foreign Affairs (MOFA) has been strengthening its diplomatic efforts to assist Korean companies facing difficulties in conducting overseas business and exploring new markets abroad. It provides information on foreign markets, helps companies to cope with difficulties abroad, provides Legal Advisory Services, and unfolds Corporate Social Responsibility (CSR) activities.

To this end, Task Forces that support business activities have been established in all overseas Korean diplomatic missions and one officer in every mission is designated as a business supporter who helps companies cope with difficulties they face when conducting overseas business and promoting economic cooperation. In 2014, companies saved about \$35 million (USD) in costs as a result of government support with overseas business activities such as withdrawing unpaid account, cutting down on customs, and exploring new markets abroad.

In order to help Korean companies enter new markets and diversify their

export routes, MOFA has dispatched Economic Cooperation Delegations to major, emerging markets. Since 1998, more than ten delegations have been sent every year in close consultation with economic organizations, including the Korea Importers Association (KOIMA), The Korea Chamber of Commerce & Industry (KCCI), Korea Federation of Small and Medium Business, and local governments. In 2014, 10 delegations were dispatched to 13 countries.

Every year, MOFA hosts an event called 'Business Consultations with Ambassadors' in collaboration with the four economic organizations in Korea. Ambassadors and Consul-Generals hold one-on-one meetings with business people, provide information on foreign markets, listen to their views on difficulties of doing business abroad, and help solve such difficulties. Since its inception in 2008, this has become an annual event that draws the support and keen interest of the participants, and the number of meetings and participating enterprises is continuously on the rise.



Business Consultation with Ambassadors (April 3, 2014)

In 2011, Business Diplomacy was launched to reinforce the role of Korean diplomatic missions in assisting Korean companies with their overseas businesses, especially with matters they have difficulty in tackling individually. In 2014, 57 Korean missions carried out 57 projects that supported bids for national projects,

supported exports of defense articles, and helped solve business difficulty factors. Also, as part of Business Diplomacy, the Korean diplomatic missions establish local consultative groups for overseas Korean companies and promote business. A representative case of this project is the establishment of the Korean Chamber of Commerce and Industry (KOCHAM), in Brazil by the Korean mission in Brazil in 2012, which continues to give support for the stabilization of KOCHAM.

Since 2011, MOFA has been providing support for the Corporate Social Responsibility (CSR) activities of Korean companies doing business overseas via diplomatic missions abroad. Through such efforts as enhancing CSR awareness of

the Korean companies, reaching out to local governments and media for wider publicity of such CSR activities by the Korean companies, and establishing a cooperative network with the authorities in the host countries, such as the local governments and CSR relevant institutions, Korean missions are aiming to provide better support for better CSR activities by the local Korean companies. In 2014, 36 missions conducted CSR activities and MOFA will further develop and expand CSR-supportive policies by building a comprehensive network with international organizations and countries with advanced CSR policies.



2014 Korea-Indonesia CSR Forum
(Jakarta, December 16, 2014)

Legal Advisory Services are provided for Korean small and medium sized enterprises (SMEs) conducting business overseas. The service began as a pilot project in six overseas missions in 2008 and expanded to 21 missions by 2014. Korean missions abroad are providing legal advice on issues that range from establishment and liquidations of companies to labor laws through contracted local law firms.

Since 2004, MOFA has been expanding cooperation through MOUs with its working partners, including the Federation of Korean Industries (FKI), KITA, the Korea Chamber of Commerce and Industry, the Korea Federation of Small and Medium business, the International Contractors Association of Korea, and the Korean Women Entrepreneurs. In order to boost the export of agricultural products that face difficulties with entering into new foreign markets on their own, the Ministry signed an MOU with the Ministry of Agriculture and Forestry in April 2007. Korean overseas missions to increase the export of Korean agricultural products.

Lastly, MOFA has facilitated the entry of Korean businesses into the UN procurement market. Since 2007, 15 rounds of UN procurement seminars have been held, in which the Director of the Procurement Division explained about the UN procurement market and vendor registration procedures, and held one-on-one consultations with companies. MOFA will continue to strengthen efforts for assistance in this area.



UN Procurement Seminar (October 22, 2014)

3) Providing Information on Foreign Markets

MOFA has been operating an e-mail service, which e-mails relevant economic organizations and local governments information on Government procurement, bidding projects, and other important data collected from diplomatic missions abroad. MOFA has also added new sections to its web-site: "Current market Issues" and "Information on Overseas Tenders."

Furthermore, every diplomatic mission has been operating a Cyber Business Services on its web-site since December 2001 with a view to providing individually customized consultation for Korean companies regarding their queries on the market situation of the countries in which they operate business. In 2014, 167 missions have consulted 1,128 cases.

MOFA has also published several books on foreign markets to meet the needs of Korean companies. "A Comprehensive Survey of the Trade Environment," a compilation of information, research, and analysis on the trade environment of major trading partners, has been published every year since 1998 and distributed to economic organizations and companies. Moreover, since 2007, MOFA has been continuously publishing 「A Casebook on Business Difficulties and Resolution」 a record of successfully resolved trade irritants and various difficulties experienced by Korean companies in their business activities overseas. In 2014, a compilation of government support cases has been published as a book entitled 「A Casebook of Mission's support for companies abroad.」

Chapter 4

Multilateral Economic Diplomacy



1. APEC Economic Leaders' Meeting (AELM)

The 22nd APEC Economic Leaders' Meeting (AELM) was held in Beijing, China from November 10 to 11, 2014 and was joined by 21 economic leaders from the Asia-Pacific region including President Park Geun-hye. At the AELM, which commemorated the 25th anniversary of APEC, the economic leaders discussed such agenda items as "Regional Economic Integration," "Innovative Development, Economic Reform and Growth" and "Comprehensive Connectivity and Infrastructure Development" under the overarching theme of "Shaping the Future through Asia-Pacific Partnership." APEC economic leaders also discussed various regional economic issues with business leaders at the Dialogue with APEC Business Advisory Council (ABAC), which was held along with the AELM. Following the discussion, APEC economic leaders adopted the 22nd APEC Economic Leaders' Declaration and its four annexes as well as the Statement on the 25th Anniversary of APEC.

One of the key deliverables of the 22nd AELM is the endorsement of the Beijing Roadmap for APEC's Contribution to the Realization of the FTAAP. APEC economies agreed to launch a collective strategic study on the effects of the FTAAP, the result of which is to be reported to the APEC economic leaders by the end of 2016. APEC economies also agreed to initiate the second phase of FTAAP Capacity Building Needs Initiatives (CBNIs) in order to narrow the capacity gap in FTA negotiations among APEC economies.

APEC economic leaders have agreed to launch initiatives to help developing economies and small and medium enterprises (SMEs) to better participate in global value chains (GVCs), considering the rising importance of GVCs. In addition, APEC economic leaders agreed to support progress in the Doha Development Agenda (DDA) negotiations and extend their standstill commitments on protectionist measures until the end of 2018.

In order to strengthen physical, institutional and people-to-people connectivity in the Asia-Pacific region, APEC economic leaders agreed to undertake concrete measures by 2025. In the coming years, APEC economies will enhance their cooperation in such fields as energy, ICT, transportation, customs procedures, business mobility, studying abroad and tourism.

APEC economic leaders also sought ways to implement structural reforms, overcome the middle-income trap, promote the Internet economy, and pursue sustainable maritime development (blue economy) and environmental-friendly development (green economy). They agreed to increase cooperation in diverse areas such as transfer, dissemination, and commercialization of technologies, employment, health, food security, women's economic participation, disaster prevention, anti-corruption and urbanization.

President Park, as the lead speaker for the session of the "Advancement of

Regional Economic Integration," emphasized that accelerating the liberalization of trade and investment is the most effective way in developing new engines of growth in the Asia-Pacific region. President Park, expecting the FTAAP to be in a high-level and comprehensive FTA, supported the adoption of the Beijing Roadmap for APEC's Contribution to the Realization of the FTAAP. Furthermore, President Park announced that Korea is going to conduct the second phase of the Capacity Building Needs Initiative (CBNI) from 2015 to 2018, building upon the success of the CBNI first phase from 2012 to 2014. President Park also proposed launching the Research and Development Program for Promoting SMEs' Participation in the GVCs by Major Industrial Sectors, with a view to formulating an enabling environment where more SMEs can participate in GVCs. APEC economic leaders showed enthusiastic supports for her proposal.

President Park also supported the adoption of the APEC Connectivity Blueprint, emphasizing that enhancing regional connectivity is crucial in strengthening cooperation among APEC member economies that possess so much of diversity. As a concrete measure to promote regional connectivity, President Park proposed to introduce APEC Transport Card and to conclude more Authorized Economic Operator (AEO) Mutual Recognition Arrangements (MRAs) among APEC members that can provide mutual conveniences such as offering access to faster customs procedures to the government certified trade operators in the region.

Additionally, pointing out the importance of a comprehensive growth strategy to overcome the sluggish growth of the region, President Park made a speech to APEC economic leaders, highlighting the achievements of Korea's 3-year Plan for Economic Innovation as well as its Creative Economy policies, which have been launched by the Korean government to promote innovation and growth. President Park also elaborated on Korean government's efforts for regulatory reforms and

proposed that APEC economies share their best practices of regulatory reforms. APEC economic leaders greatly appreciated highlighting President Park's proposals.

At the Dialogue with APEC Business Advisory Council, President Park elaborated on Korean government's efforts to make a favorable business environment through such policies as the 3-year Plan for Economic Innovation and various regulatory reforms. For the past 25 years, APEC has been striving to liberalize trade and investment and to advance regional economic integration, in order to promote regional growth and bring about prosperity in the Asia-Pacific region. In the 2014 AELM, APEC could achieve important milestones such as the adoption of the Beijing Roadmap for Realization of the FTAAP and APEC Connectivity Blueprint, which lays out specific measures to strengthen physical, institutional and people-to-people connectivity in the region. Korean government will continue to contribute to trade and investment liberalization as well as regional economic integration by enthusiastically participating in the discussion of APEC, which will in turn be conducive to securing the new growth engines of the Korean economy.

2. Building a Foundation for Cooperative Diplomacy in Various Economic Areas

Korea has been pursuing cooperation on a Creative Economy with major countries in order to successfully implement its creative economic policies. With its accession to the Arctic Council as an accredited observer in May 2013, Korea has been strengthening its activities related to the Arctic. Moreover, Korea has been laying a legal framework to help Korean firms enter overseas markets by concluding various economic agreements such as the investment protection agreement, avoidance of

double taxation agreement, and social security agreement.

1) Supporting the Realization of a Creative Economy

Having developed into the world's sixth most competitive nation in science, Korea's science and technology capacity has become a key resource in its economic growth. Recognizing the importance of science and technology, the Korean government has actively carried out various Creative Economy policies that create new markets and jobs through creativity and innovation. In pursuit of this, Korea has strived to strengthen cooperation with other leading countries in the field of ICT and science and technology.

Notably, on the occasions of various summit meetings, President Park Geun-hye agreed with her counterparts from the United States, Canada, Australia, France and Hungary on pursuing cooperation in the areas related to a Creative Economy. In April 2014 at the summit between Korea and the United States, the two leaders agreed to strengthen cooperation in promoting innovation and entrepreneurship. In May 2014, the Korea Innovation Center was established in Washington D.C., providing on-site support to Koreans starting businesses and forming networks. At the summit between Korea and Canada in March 2014, the two leaders agreed to establish a legal framework for scientific cooperation. As a result, the two countries have been negotiating on an agreement on science, technology and innovation. In addition, through the summit between Korea and France held in October 2014, the two countries agreed to strengthen cooperation in creating new industries. As a follow-up, the French New Industrial Technology Cooperation Forum was held in Seoul in November 2014.

In addition, Korea has also continued negotiations with the United States, Russia

and Turkmenistan to conclude or revise agreements on science and technology. The Korean government has made efforts to facilitate joint research projects by holding joint committee meetings on science and technology with the United States, China, Switzerland, Brazil, Vietnam and New Zealand.

Furthermore, the Korean government supported, through main embassies, networking among related experts by holding 24 Creative Economy forums to allow smooth cooperation among research institutions at home and abroad.

2) Strengthening International Cooperation on the Arctic

After joining the Arctic Council as an observer in May 2013, the Korean government adopted the Arctic Policy Master Plan in December 2013, in order to conduct Arctic-related activities in a more systematic way. Through this plan, Korea has enhanced its cooperation with the Arctic states and has actively strived to contribute to the Arctic Council's activities in environmental protection and scientific research.

In particular, Korean government sent its delegation to Arctic Council's Senior Arctic Officials meetings twice in 2014 to observe the Arctic Council's activities on scientific research in the Arctic. Korean experts participated in a total of 16 meetings, including six working groups and task force meetings, and explored ways to contribute to the Arctic Council.

Moreover, Korea has strengthened its bilateral cooperation with major member states of the Arctic Council. In 2014, President Park held summit meetings with her counterparts from Canada (in March and September 2014), the United States (in April 2014) and Denmark (in October 2014), agreeing to enhance cooperation on issues related to the Arctic. In September 2014, a meeting was held for the first time among the foreign ministers of the Republic of Korea and the five Nordic countries

(Norway, Sweden, Finland, Denmark and Iceland) which are Arctic Council member states and playing a role as the western gateway to North Pole Route.

The Korean government also actively participated in Arctic-related international forums. In particular, Korean delegates were sent to the eighth Arctic Frontiers Conference held in Tromsø, Norway in January 2014 and the second Arctic Circle Assembly held in Reykjavik, Iceland in October 2014 to introduce Korea's Arctic activities and seek ways to cooperate with participating nations. In September 2014, Cho Tae-yul, Vice Minister of the Ministry of Foreign Affairs was appointed as a member of the Global Agenda Council on the Arctic of the World Economic Forum (WEF). Since then, he has been participating in international discussions for the sustainable development of the Arctic.

The Korean government will continue to join in international efforts for the environmental protection and sustainable development of the Arctic by strengthening bilateral cooperation with Arctic Council member states and continuously attending various meetings of the Arctic Council.

3) Concluding and Revising Agreements Related to the Economy Including the Protection of Investments and Social Security

Korea has been striving to conclude investment protection agreements so as to support the business activities of Korean nationals and companies by protecting them from non-commercial risks (e.g. property loss caused by expropriation) that they may encounter when investing abroad. The Agreement on the Promotion, Facilitation and Protection of Investment among Korea, China and Japan entered into force in 2014. Korea also concluded the Agreement on the Promotion and Protection of Investment between Korea and Myanmar in 2014. In addition,

negotiations to conclude investment protection agreements took place with five countries including Ghana, Papua New Guinea, and Turkmenistan.

Korea has continuously pursued to conclude social security agreements in order to support expanding overseas investments of Korean companies and workers. In 2014, Korea signed a Social Security Agreement with Switzerland and concluded Understanding on Social Security with Finland and Quebec. Through these agreements, the double payments of social security taxes by the Korean companies or workers operating or residing overseas are prevented while the pension rights of Korean workers are guaranteed by allowing periods of their pension enrolment in Korea and other countries to be added to each other.

Also, Korea has been concluding double taxation avoidance agreements which adjust taxation rights between relevant nations so as to prevent double taxation on the corporate earnings of Korean companies operating abroad. In 2014, Korea-Peru Double Taxation Avoidance Agreement and Korea-Colombia Double Taxation Avoidance Agreement entered into force, and Korea also signed double taxation avoidance agreements with Hong Kong and Kenya.

Through the efforts of concluding and amending air services agreements with major countries, the Korean government has strengthened the foundation for exchanges of people and goods, promoting national airlines' operational efficiency and increasing consumer benefits. In September 2014, Korea officially signed its amended air transport agreement with Canada, which had been initialed in 2009. Moreover, Korea amended its air services agreements with Jordan and Hungary and finalized and initialed the texts of new air services agreements with Tajikistan and Serbia.

3. Responses to Preliminary Identification of a Non-cooperating Third Country by the US and EU on IUU Fishing

In 2013, the US and EU preliminarily identified Korea as a non-cooperating third country in fighting IUU (illegal, unreported, unregulated) fishing due to Korea's shortcomings in its fisheries monitoring, control and sanctioning systems. In response, Korea's relevant government authorities such as the Ministry of Maritime Affairs and Fisheries and the Ministry of Foreign Affairs have made collective efforts to combat and eradicate IUU fishing. In particular, Korea has successfully reformed the relevant domestic systems by amending the Distant Water Fisheries Development Act, and has actively informed the US and EU through Korean Embassies and bilateral consultations of its improvement measures. As a result, the US made a positive, although preliminary, assessment of Korea's reform efforts in October 2014. EU delayed its final decision on whether or not designating Korea as an IUU fishing country from the end of June, 2014 to early 2015 while positively assessing Korea's improved measures. The Korean government will make continued efforts so that the US and EU remove Korea from their preliminary list of IUU fishing countries.