



PART III: SOUTH KOREA'S ECONOMIC RELATIONS WITH NORTHEAST ASIA

PROGRESS AND IMPLICATIONS OF THE CHINA-KOREA FTA

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Abstract

The article focuses on the China-Korea FTA, analyzing the background of China-Korea bilateral economic relations, the characteristics of the China-Korea FTA and more importantly, the implications and future prospect of this free trade pact. So far, the China-Korea FTA is considered to be the most comprehensive compared with China's previous FTAs and may be the largest in trade terms among all the FTAs concluded by Korea and China, playing a positive role in advancing economic integration in the Asia-Pacific region. However, with lots of exceptions to tariff elimination and market access, as well as a 20-year transition period, the present version of the China-Korea FTA is far from the best in terms of the depth of liberalization and the scope of obligations on trade and investment rules. The recent bilateral diplomatic tensions due to the decision of deploying the THAAD missile system by the Korean government may also jeopardize bilateral economic ties between China and Korea, and further increase uncertainties of the China-Korea FTA. It remains to be seen whether the Chinese and Korean governments will handle this issue smoothly under the present sensitive political atmosphere and achieve substantial progress in follow-up FTA negotiations on services and investment.

Introduction

The Chinese and Korean economies are highly complementary and enjoy a favorable cooperation foundation. In June 2015, China and Korea officially signed the bilateral free trade agreement (FTA), sharing views that this free trade pact will serve as an all-round cooperative platform for both governments and companies to seek new growth engines.¹ In December 2015, the FTA came into effect and tariff elimination was realized for the first time.

Undoubtedly, the China-Korea FTA will have significant impact on the economy of both countries, considering that China has become Korea's largest trade partner and largest destination of overseas investment, while Korea has become China's third largest trade partner and fifth largest source of overseas investment. The FTA is considered to involve "the largest trade value and most comprehensive areas" among China's FTAs² and may be the largest in trade terms among all the FTAs concluded by Korea with its major trade partners.

Taking into account the growing importance of bilateral economic relations between China and Korea, this article focuses on the recent China-Korea FTA and sheds light on the implications of the FTA on bilateral economic relations between China and Korea, as well as on the broader Asia-Pacific economic integration. The first section of this article describes the background of the China-Korea FTA in the context of bilateral economic and trade relations between China and Korea. The second section reviews the negotiation process of the China-Korea FTA. The third section sheds light on the key achievements and diverging concerns of the China-Korea FTA, particularly addressing areas of trade in goods, trade in services, investment, electronic commerce, and competition. The fourth section analyzes the implications of the China-Korea FTA from bilateral and regional perspectives, and addresses prospects and uncertainties of the FTA under present complex political and economic situations. The fifth section provides the conclusion.

The Background of the China-Korea FTA

Economic Relations Between China and Korea

In the last decade, the trade and economic relationship between China and Korea has realized considerable development. When both countries began researching the FTA in 2004, the two-way merchandise trade between China and Korea was only \$90 billion, but this number jumped to \$276 billion in 2015 (Figure 1). At present, China is the biggest trade partner, the largest export market, the biggest source of imports, and the largest overseas investment destination for Korea. Korea is one of the most important trade and investment cooperation partners of China as well. However, the unbalanced trade between China and Korea has been expanding, with China's trade deficit with Korea reaching \$73 billion in 2015 (Figure 1). Specifically, Korea has comparative advantages in high-end manufacturing, a huge trade surplus in electrical and electronic equipment (HS code 85), optical apparatus, etc. (HS code 90), organic chemicals (HS code 29), plastics and articles thereof (HS code 39), and pearls, precious stones, etc. (HS code 71). While China is more specialized in labor-intensive industries, obtaining a trade surplus in iron and steel (HS code 72), articles of apparel, accessories (HS code 61 and 62), furniture and lighting equipment (HS code 94), and articles of iron and steel (HS code 73).

With regard to trade in services between China and Korea, although it remains much smaller than merchandise trade, the growth has been significant over the last decade. From 2004 to 2015, total two-way trade in services between China and Korea rose from \$10.6 billion to \$35.8 billion, growing on average 11.7 percent a year (Figure 2). However, the unbalanced trade in services between China and Korea has been expanding since 2012, reaching \$36.7 billion in 2014 and slightly down to \$35.8 billion in 2015.

Figure 1 Bilateral Merchandise Trade Between China and Korea, 2004-2015 (\$ millions)

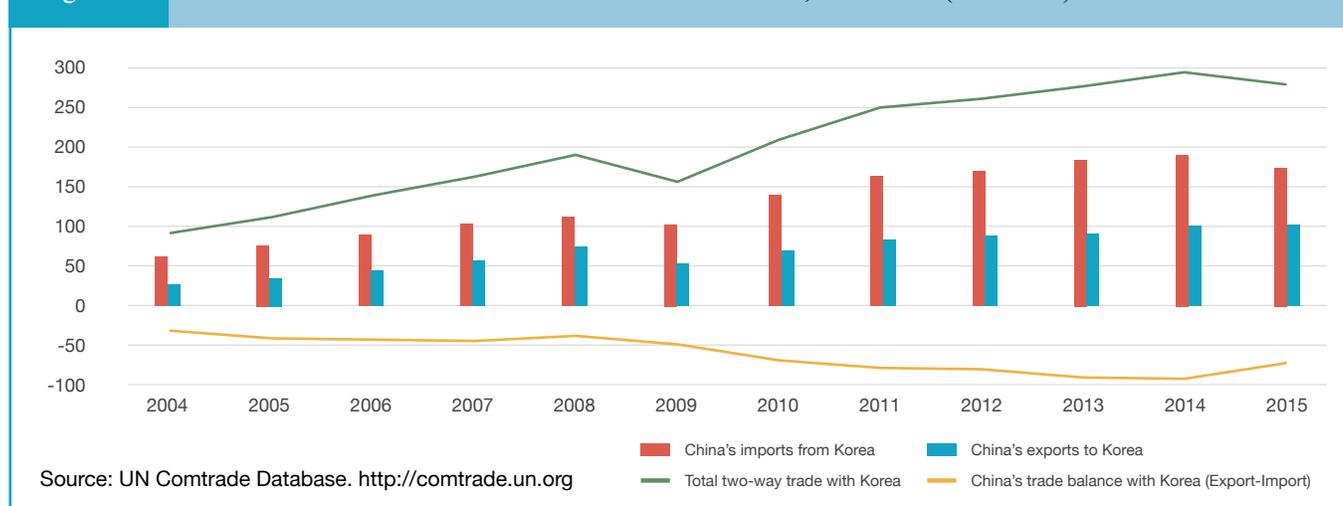
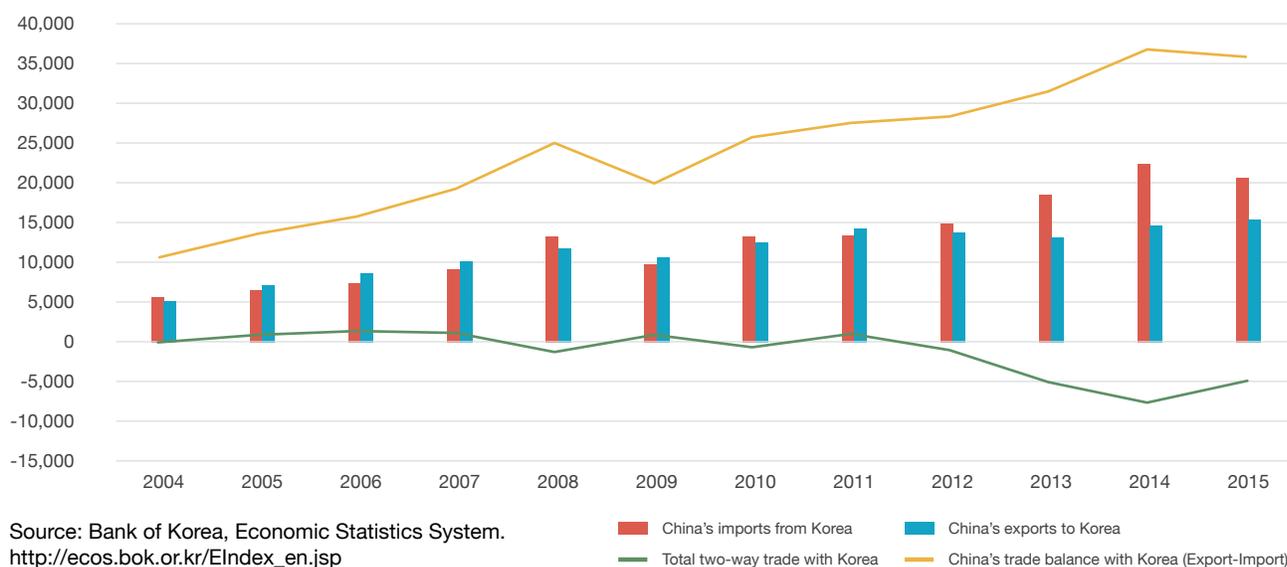


Figure 2

Bilateral Services Trade Between China and Korea, 2004-2015 (\$ millions)



During 2004-2015, Korea's outward direct investment to China's rose from \$7.5 billion to \$67.8 billion, mostly going to China's manufacturing sector. By contrast, China's outward direct investment to Korea remained limited to \$5.3 billion in 2015 (Figure 3). The unbalanced bilateral trade and investment gave both countries impetus for the bilateral FTA construction that could not only expand markets in China but also promote Chinese investment in Korea.

The Negotiation Process of the China-Korea FTA

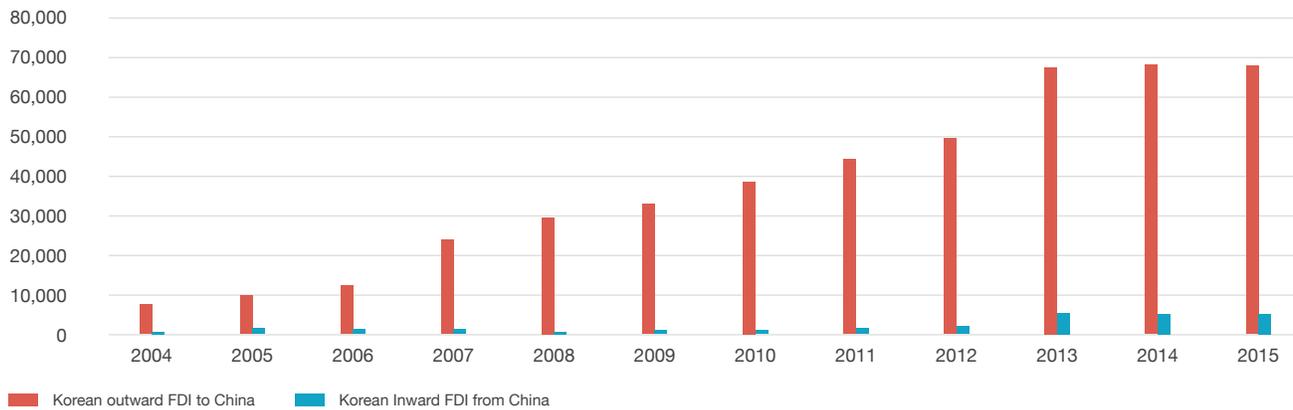
Since the establishment of diplomatic relations between China and Korea, trade relations between the two countries developed rapidly. In September 2004, China and Korea began joint research on the feasibility of the China-Korea FTA at the private level, investigating the macroeconomic benefits expected from the bilateral FTA. From 2007 to 2010, a joint industry-academy-government analysis was conducted, focusing on impacts to industrial sectors such as agriculture

and manufacturing industries, and discussing how to deal with sensitive products. Between May 2012 and November 2014, fourteen rounds of negotiations were held between both sides (Table 2). The China-Korea FTA was officially signed on June 1, 2015 and took effect on December 20, 2015.

In order to facilitate negotiations, the FTA talks were conducted in two stages. In the first stage, China and Korea negotiated the modalities for trade in goods, services, investment and other areas. In the second stage, both sides provided their offers and discussed details in main areas. During the negotiations, China and Korea had "large differences" on key issues, and both sides tried the best to reach a compromise. The main differences came from the list of products to be liberalized or protected under the proposed free trade deal. Korea had requested an early removal of import tariffs on industrialized goods, while China had been seeking greater access to Korean markets for food and agricultural products, which are often considered as the most sensitive issue in Korea's FTA negotiations with other countries.³

Figure 3

Bilateral FDI Between China and Korea, 2004-2015 (\$ millions)



Source: Bank of Korea, Economic Statistics System. http://ecos.bok.or.kr/EIndex_en.jsp

Table 1

Rounds of the China-Korea FTA Negotiations

Date	Details
May 2, 2012	Official negotiations began
July 2012	Second round of negotiations
August 2012	Third round of negotiations on negotiating modality and scope of trade in goods and services
October 2012	Fourth round of negotiations
April 2013	Fifth round of negotiations on trade in goods and services, investment and other issues
July 2013	Sixth round of negotiations on negotiating modality, reaching consensus on the liberalization level of trade in goods, as well as on the draft of modality of services, rules of origin, customs formality, trade remedies and intellectual property rights
September 2013	Seventh round of negotiations, during which the two Parties reached agreement on the coverage of FTA rules. The first stage of negotiations on the modality or basic guidelines for the China-Korea FTA is concluded.
November 2013	Eighth round of negotiations to further discuss the level of liberalization for goods, exchanging initial offers of trade in goods (general items and sensitive items) between the two sides
January 2014	Ninth round of negotiations to exchange all the tariff reduction schedules (highly sensitive items included) between the two sides
March 2014	Tenth round of negotiations on a wide range of issues, including trade in goods and services, investment, rules of origin, trade remedies, technical barriers to trade (TBT), sanitary and phytosanitary measures (SPS), as well as intellectual property rights
May 2014	Eleventh round of negotiations to further discuss the remaining issues of the FTA
July 2014	Twelfth round of negotiations to further discuss the remaining issues of the FTA
September 2014	Thirteenth round of negotiations to further discuss the remaining issues of the FTA, achieving progress in trade in goods and services, investment and rules. In terms of trade in goods, the two parties exchanged views on tariff schedule, and narrowed divergences in services, investment and rules.
November 2014	Fourteenth round of negotiations
November 10, 2014	Effective conclusion of the FTA (at the APEC summit)
June 1, 2015	The Chinese and Korean government officially signed the China-Korea FTA
December 20, 2015	The FTA came into effect

Source: China FTA Network, available at: <http://fta.mofcom.gov.cn/topic/enkorea.shtml>

Key Achievements and Concerns of the China-Korea FTA

To a certain extent, the China–Korea FTA is a high level one compared with China’s previous FTAs, showing characteristics of expanded coverage that has gone beyond tariff liberalization and further included areas of services and investment, increased non-trade concerns of competition and environment, and topics such as telecommunications, electronic commerce, and government procurement. It is noteworthy that some rules were included in China’s FTAs for the very first time. Two separate chapters on financial and telecommunication services, as well as the electronic commerce are incorporated into the pact, showing China’s increased focus on services and investment. In addition, the FTA contains a stand-alone competition chapter, which is not even in the most recent China-Australia FTA and only in China’s other FTAs with Switzerland and Iceland.⁴

However, in comparison with FTAs signed by Korea with the U.S. and the EU, the outcome of the China-Korea FTA is limited.⁵ Although both sides agreed to liberalize a large share of bilateral trade within 20 years, extensive exceptions to basic tariff reforms and market access are underlined. While many new rules are in their initial stage, the two countries committed to conduct subsequent negotiations on services and investment within two years after the FTA came into effect.

Trade in Goods

The two countries have reached an agreement that Korea will eliminate tariffs on 92.5 percent of all Chinese products and China will abolish tariffs on 91.5 percent of all Korean goods within the next two decades. Upon the FTA’s entry into force, Korea and China will fully eliminate 49.9 percent and

20.7 percent of tariff lines, respectively. Although the two countries agreed to remove tariffs on more than 90 percent of tax items by stages, the degree of the market opening under the China-Korea FTA will be relatively less than FTAs signed by Korea with the U.S. and the EU, considering the longer transition period of 20 years and lower level of tariff cuts. In the Korea-US FTA, Korea and the U.S. agreed to eliminate tariffs on 98.3 percent and 99.2 percent of products within 10 years, respectively.⁶ In the Korea-EU FTA, Korea and the EU agreed to remove tariffs on 93.6 percent and 99.6 percent of products within five years, respectively.⁷ Obviously, the pace and scope of tariff liberalization in the China-Korea FTA is much less ambitious (Table 2).

Specifically, the China-Korea FTA excludes a very large number of tariff lines from full liberalization. Korea has a keen interest in how to liberalize the agricultural sector because most negative impacts of the FTA will be felt in that sector.⁸ Korea has excluded rice and its products (16 tariff lines) from the obligations of the FTA and finally listed 596 tariff lines as exceptions of agricultural products (27.2 percent of total tariff lines).⁹ In contrast, China has more liberalized concessions on the agricultural sector, finally listing 104 tariff lines as exceptions of agricultural products (7.3 percent of total tariff lines).¹⁰ On the other hand, China recorded huge trade deficits in the manufacturing sector including automobiles, chemical, and electronics with Korea. For that reason, China has placed many manufacturing tariff lines in the sensitive and highly sensitive lists, and excluded automobiles and auto parts from full tariff liberalization. The two countries also agreed to exclude several electronic products that are not covered by the expanded WTO Information Technology Agreement (ITA).

Table 2 Tariff Schedules of China and Korea

Product Categories	Tariff Schedule	China's Concessions	Korea's Concessions
General Items	Tariff elimination within 10 years	72.38% of the total trade items (5931 items)	79.57% of the total trade items (9733 items)
Sensitive Items	Tariff elimination within 20 years	91.51% of the total trade items (7498 items)	92.48% of the total trade items (11312 items)
Highly Sensitive Items	Excluded from concessions (exceptions, tariff rate quota, partial tariff elimination)	Some agricultural products, chemical products, equipment, household appliances, automobiles, etc.	Major agricultural products, including sweet peppers, garlic, onions, apples, pears, pork, etc., some chemical products, etc.

Source: Author's calculation based on the China-Korea FTA

Trade in Services

Increased concerns on services are reflected in the current rules of the China-Korea FTA. In the services chapter, legal services, architecture, construction, distribution, and entertainment are included in the concessions. The services chapter involves national treatment with respect to market access for service providers under certain scheduled exceptions. It is noteworthy that the financial and telecommunication services are dealt with in two separate chapters containing sector-specific rules, which is a distinction of the China-Korea FTA. In China's previous FTAs, financial and telecommunications services are subject to general rules of trade in services, but in the China-Korea FTA, these two issues have attracted special attention.

Overall, the China-Korea FTA has balanced the interests of both countries. China has solved the key concerns of Korea about co-production on film, TV drama, documentary, and animation for broadcasting purposes, as well as the tourism and environment; while Korea has satisfied the key offers of China on delivery services, construction, and medical care. Both sides committed to expand the initial stay from one year to two years with regard to investors and staff employed in companies from each other's country. Multiple entry visas valid for one year and for a stay not exceeding thirty days each time to eligible applicants is also guaranteed.

However, although China and Korea have made great efforts in the liberalization of services sectors, the present level of market access remains low. Out of 155 sub-sectors in total, China specified only six sub-sectors for full liberalization, 84 sub-sectors for partial liberalization and 65 sub-sectors for protection; while Korea specified 39 sub-sectors for full liberalization, 67 sub-sectors for partial liberalization, and 49 sub-sectors for protection.¹¹ The FTA does not establish MFN (most-favored nation) treatment, which is a common feature of Korean FTAs but less common for China.¹² Instead, the two countries agreed to consider MFN treatment in follow-up negotiations, and change the negotiating modality from the positive list approach¹³ to the negative list approach.¹⁴ The negative list approach is usually perceived as more comprehensively liberalizing than the positive list approach, as all services sectors will be subject to full liberalization unless otherwise stipulated. Also, if China is admitted to the plurilateral negotiations on the Trade in Services Agreement (TiSA), in which Korea is already a participant, further liberalization of services sectors will be promoted forcefully in follow-up negotiations.

Investment

Investment liberalization is a key priority for Korea given the sizable flows of FDI to China in recent years as well as the significant potential of the Chinese market for Korean service industries. The China-Korea FTA contains an investment chapter and an annex to the chapter on people mobility. The investment

chapter highlights the promotion and protection of investment. To establish a favorable and stable investment environment, the chapter includes national treatment, MFN treatment, and minimum standard of treatment, as well as the contents of access to the courts of justice, prohibition of performance requirements, and transparency. The two countries agreed to incorporate the ISDS (investor-state dispute settlement) clauses into the investment chapter to protect investors and set contact points at the level of central and local governments to help solve the difficulties faced by Chinese and Korean companies. Furthermore, in contrast to the separation between investment and services rules in other FTAs, the investment chapter of the China-Korea FTA inserts a clause on services-investment linkage to bridge investment and services. Investment rules "shall apply to any measure affecting the supply of service by a service supplier of a Party through commercial presence in the territory of the other Party pursuant to the Chapter 8 (Trade in Services)," but only under the circumstances that "they relate to a covered investment."

Together with the services chapters, the two countries promised to subsequently negotiate investment rules on the basis of a negative list approach covering the pre-establishment phase of investment. More progress could be made through further talks and based on China's ongoing investment treaty negotiations with the U.S. and the EU.

Electronic Commerce

It is notable that China has brought electronic commerce into FTA for the first time. Realizing the economic growth and opportunity that electronic commerce can provide, the chapter of electronic commerce deals with electronic authentication and electronic signatures, protection of personal information in electronic commerce, paperless trading, and cooperation on electronic commerce. In the event of any inconsistency between this chapter and other chapters, the other chapters shall prevail to the extent of the inconsistency. In addition, the dispute settlement (Chapter 20) does not apply to any matter regarding electronic commerce.

Although the content of this chapter is brief, the expansion and development of the electronic commerce discipline is an important stepping-stone at least for the Asian trading system, which could be a precedent for what can be included in China's future FTAs. As electronic commerce is intrinsically connected with trade in services and goods, novel elements contained within the China-Korea FTA can be an interesting seed for new legal norms for electronic commerce to develop.¹⁵

Competition

The China-Korea FTA contains a stand-alone competition chapter, which is only the case in China's FTAs with Switzerland and Iceland. The competition chapter highlights trade liberalization, economic efficiency, and consumer

welfare as key objectives, covering a wide range of issues on competition laws and authorities, principles and cooperation in law enforcement, transparency, application of competition laws, and the non-applicability of the dispute settlement system. Competition law enforcement is a focus of competition rules of the China-Korea FTA. Specifically, the principles of transparency, non-discrimination, and procedural fairness are underlined. Persons of non-parties can be granted national treatment, and have the opportunity to present opinion or evidence for defense in the investigation process and seek review of the sanction or remedy through administrative reconsideration or litigation. Cooperation in law enforcement is encouraged. Early-stage notification of enforcement activity and consultation on competition issues are also required.

Furthermore, the China-Korea FTA addresses competition in other chapters as well. In the chapter of economic cooperation, the promotion of fair competitive environment in the steel market is highlighted.¹⁶ The telecommunications chapter also highlights competitive safeguards, including the prevention of anti-competitive practices by major suppliers of public telecommunications networks or services.¹⁷ The independence and impartiality of a telecommunications regulatory body is required,¹⁸ and the universal service obligation should be administered in a transparent, non-discriminatory, and competitively neutral manner.¹⁹ Competition concerns are also emphasized in the allocation of spectrum for non-government telecommunications services, such as the encouragement of competition among suppliers of telecommunication services.²⁰ Although the stand-alone competition chapter cannot resort to dispute settlement system of the FTA, these competition rules throughout the FTA can contribute to elaborate and strengthen bilateral trade and investment rules to some extent.

Implications of the China-Korea FTA

Positive Impacts of the China-Korea FTA

The China-Korea FTA will enable a market with a total population of 1.4 billion, a combined GDP of \$11 trillion and a trade volume accounting for nearly 30 percent of world trade, which is expected to provide economic and geo-political benefits for both countries. From the economic aspect, the FTA will inject strong vigor into China-Korea bilateral trade and economic cooperation, and create an easier, more open, and fairer trade and investment environment. According to the joint study report for the China-Korea FTA, under the static model the China-Korea FTA will boost the GDP of China and Korea by 0.4 percent and 2.44 percent respectively; while under the capital accumulation model, it is expected that the GDP of China and Korea will increase by 0.58 percent and 3.31 percent, respectively.²¹ According to KIEP, the China-Korea FTA is expected to increase China's GDP by 0.4-0.6 percent and Korea's GDP by 0.95-1.25 percent in five years.²²

Furthermore, the potential effects from service and investment liberalization are expected to be substantial, as long as further negotiations go well and effective implementation is ensured. Beyond economic benefits, the China-Korea FTA is also expected to contribute to stabilizing the diplomatic and geo-political relationship between China and Korea. It will provide a solid basis of common interest to comprehensively upgrade China-Korea strategic cooperative partnership and serve as an institutional framework for future cooperation.

To further upgrade the China-Korea FTA, there are several considerations. First, although China and Korea agreed to reduce tariffs on more than 90 percent of products step by step, the two countries have maintained protection on certain sensitive products. There is still plenty of scope for Korea to liberalize agricultural sectors and for China to further open up chemical and automobile markets. Second, it is important for both governments to continue their efforts to facilitate trade by simplifying documents and harmonizing HS codes, and to better utilize the China-Korea FTA so that firms in both countries tangibly benefit from the free trade pact. Several ways can be considered to promote the utilization of the China-Korea FTA: (1) unifying administrative procedures of customs administration in both countries and curtailing high administrative costs entailed in FTA utilization; (2) simplifying the certificate of origin; (3) spreading FTA-related information in both countries, especially for small and medium sized enterprises (SMEs). In this context, both governments could continue their considerable efforts to increase exports and imports, along with further negotiation to reflect major industrial interests and overcome the limits of the China-Korea FTA. Third, as investment is becoming a large component of bilateral expansion of services markets, the two countries should propose a more aggressive agenda to further remove investment barriers in follow-up negotiations and thus to maximize the investment-driven effects on trade. Fourth, considering the high external dependence of the Korean economy and successful conclusions of FTAs signed by Korea with ten out of twelve Trans-Pacific Partnership (TPP) initial members including the U.S., it is very possible for Korea to join the TPP to pursue higher trade and investment standards in the foreseeable future, while continuing to work with China on other regional trade initiatives. It is necessary for China to adopt active strategies to deal with bilateral economic relations with Korea, and diversify FTA partnership in a broader regional basis.

Beyond strengthened cooperation between the two countries, the China-Korea FTA has broader implications for the economic integration in the Asia-Pacific region. As the first FTA in the Northeast Asian region, the China-Korea free trade deal may be considered to be a potential alternative template for Asian countries, especially for the trilateral China-Japan-Korea FTA negotiations. But we should be aware that the trilateral FTA

is much more difficult to reach a compromise due to several reasons. First, the three countries have different anticipations for the progress of trilateral FTA negotiations. China and Korea are active in promoting trilateral talks, while Japan has invested more efforts and political capital in joining the TPP. Since the TPP has concluded, Japan will possibly switch its focus to China-Japan-Korea FTA talks, considering its potentially huge economic benefits. Second, the three countries have divergent concerns on sensitive sectors, such as agriculture, automobiles, and chemicals, which will limit the possible outcome of the trilateral talks in the short term. Thirdly, the political frictions among the three countries may deter other aspects of economic relations and restrict the negotiation process. However, the good news is that the trilateral FTA talks continue to advance,²³ albeit slowly, and it remains to be seen whether China, Japan, and Korea could reach fruitful outcomes on the basis of the China-Korea FTA. Furthermore, the China-Korea FTA has reflected the confidence of both sides to promote regional economic integration, which will play a positive role to advance larger regional talks, such as the Regional Comprehensive Economic Partnership (RCEP) and the future Free Trade Area of the Asia-Pacific (FTAAP).

Prospect and Uncertainties of the China-Korea FTA

Although the achievements of the China-Korea FTA need to be cherished, there are still uncertainties with China-Korea economic ties. From January to June 2016, bilateral trade between China and Korea experienced almost double-digit decline, with China's exports to Korea dropping by 8.7 percent and its imports from Korea decreasing by 10.1 percent,²⁴ which is in contrast to most expectations for the conclusion of the China-Korea FTA. On the other hand, the bilateral investment between China and Korea has increased sharply. From January to May 2016, Korean outward investment to China reached \$2.2 billion, up 12.2 percent year-on-year; while in the first half of 2016, Chinese outward investment to Korea jumped to \$710 million, growing 79.5 percent year-on-year.²⁵

It can be observed that the bilateral economic cooperation between China and Korea reveals a mixed picture, even after the FTA came into effect. The shrink of bilateral trade between the two countries can be partly due to the collapse in global commodity prices and the fluctuations of foreign exchange rates. But more importantly, China and Korea are experiencing a period of economic closeness yet political estrangement at the present stage. The decision made by the Korean government to deploy the THAAD (Terminal High-Altitude Area Defense) system²⁶ has undermined the China-Korea bilateral relationship²⁷ and further increased uncertainties of China-Korea economic cooperation. China considers the THAAD system as a considerable threat to its legitimate security interest and has strongly opposed this decision made by the Korean government. Undoubtedly, such diplomatic tensions

will jeopardize the foundation of the positive economic relations between the two countries. In response, China has imposed restrictions on visas and in the entertainment and tourism sectors, as well as considered a range of measures such as limiting imports of Korean goods and services, and suspending some investments and acquisitions in Korea.²⁸ The Korean entertainment and tourism industries have already experienced a downturn in recent months, as China is Korea's largest entertainment market and major source of tourists. The companies who are engaged in trade and investment in the two countries also expressed their concerns that the THAAD deployment would strain relations between the two countries and thus trigger a downturn in specific industry sectors. All these worries would weaken the achievements of China-Korea free trade deals and create uncertainties for future China-Korea economic cooperation.

Conclusions

China and Korea have made significant progress in bilateral trade liberalization through the conclusion of the China-Korea FTA. The FTA is more advanced compared with China's previous FTAs and is the largest in trade volumes among all the FTAs signed by China and Korea. It contains widespread contents including "new topics in the 21st century" like electronic commerce, competition, government procurement and environment, and has introduced the content of local economic cooperation for the first time.²⁹ The successful conclusion of a free trade pact between China and Korea in a short period of two-and-half years is because the two countries agreed to include lots of exceptions that are not subjected to tariff liberalization and other market access requirements. Korea selected major agricultural products as highly sensitive products that are excluded from tariff elimination, while China requested automobiles and some chemical products to be excluded from FTA concessions.

Although the two countries have divergent concerns regarding specific sectors, the China-Korea FTA is expected to provide more benefits than potential costs under normalized bilateral relations. However, the recent dispute on the THAAD system between the two countries has made the situation complex, greatly increasing the uncertainties of China-Korea economic ties. Since economic cooperation is always intertwined with diplomatic relations, it remains to be seen whether the China-Korea FTA will go smoothly under the present sensitive political atmosphere.

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- ³ “Negotiations for S. Korea-China FTA close with little progress,” *The Korea Herald* (21 March 2014), <http://www.koreaherald.com/view.php?ud=20140321000784>.
- ⁴ Wang Heng, “The Features of China’s Recent FTA and Their Implications: An Anatomy of the China-Korea FTA,” *Asian Journal of WTO & International Health Law and Policy*, Vol.11, issue 1 (2016): pp.115-154.
- ⁵ *Asia Trade Update*, Mayer Brown Consulting (2015), <https://www.mayerbrown.com/files/Publication/fcfd8ba1-eb87-4515-bb4f-f5b71502a99c/Presentation/PublicationAttachment/99f4037f-a491-48fb-aa82-f9594ae9cc7a/MBC-AsiaTradeUpdate-Newsletter-FebMar2015.pdf>.
- ⁶ *Key Points of the KORUS FTA*, Korean Ministry of Trade, Industry and Energy (2012b), http://fta.go.kr/webmodule/_PSD_FTA/us/data/13/k_us_12.pdf.
- ⁷ 한-EU FTA 상세설명자료 [*Korea-EU FTA Guidebook*], Korean Ministry of Trade, Industry and Energy (2012a), www.ftahub.go.kr/webmodule/_PSD_FTA/eu/doc/1_description.pdf.
- ⁸ Choi Nakgyoon, *Impacts and Main Issues of the Korea-China FTA*, Korea Economic Institute of America (2012).
- ⁹ Korea’s agricultural products include 2252 10-digit tariff lines.
- ¹⁰ China’s agricultural products include 1434 8-digit tariff lines.
- ¹¹ Kim Jong Duk, *Korea-China FTA in Services: How Far Can We Go in the Follow-up Negotiations?* KIEP Opinions (12 June 2015).
- ¹² In the China–New Zealand FTA, the MFN provision is limited to environmental services, construction and related engineering services, computer and related services, and tourism and travel-related services.
- ¹³ A list on which each sector and mode of supply are explicitly listed on a schedule that indicates the type of access and treatment given to foreign services supplier.
- ¹⁴ All sectors will be liberalized unless specifically indicated in the list of exceptions.
- ¹⁵ Wang Heng, “The Features of China’s Recent FTA and Their Implications: an Anatomy of the China-Korea FTA,” *Asian Journal of WTO & International Health Law and Policy*, Vol.11, issue 1 (2016): pp.115-154.
- ¹⁶ China-Korea FTA, article 17.8.2(c).
- ¹⁷ China-Korea FTA, article 10.6.1.
- ¹⁸ China-Korea FTA, article 10.7.1, 10.7.2.
- ¹⁹ China-Korea FTA, article 10.8.
- ²⁰ China-Korea FTA, article 10.10.4.
- ²¹ *The Joint Study Report for China-Korea FTA*, China FTA Network (2010), http://fta.mofcom.gov.cn/enarticle/enkorea/enkoreanews/201006/2759_1.html.
- ²² *Macroeconomic Effects of Korea-China FTA*, Public hearing on the Korea-China FTA, Korea Institute for International Economic Policy (KIEP) (2012).
- ²³ On 27 June 2016, the tenth round of China-Japan-Korea FTA negotiations took place in Seoul, Korea.
- ²⁴ General Administration of Customs of People’s Republic of China, <http://www.customs-info.com/Trade/Commodity.aspx>.
- ²⁵ world.huanqiu.com. <http://world.huanqiu.com/exclusive/2016-07/9170388.html>.
- ²⁶ The THAAD system detects incoming missiles and intercepts them at long ranges and high altitudes by using its own hit-to-kill missiles.
- ²⁷ On 8 July 2016, Korea and the U.S. jointly announced the deployment of the THAAD system, despite continued strong objections from neighboring countries including China and Russia.
- ²⁸ “China Said to Consider Trade Pressure on Seoul over Missiles,” *Chicago Tribune* (12 August 2016), <http://www.chicagotribune.com/news/sns-wp-blm-china-korea-dba7a22a-6085-11e6-84e1-6d27287896b5-20160812-story.html>.
- ²⁹ China and Korea agreed to initiate pilot cooperation project by identifying Weihai and Incheon Free Economic Zone (IFEZ) as demonstration areas.