The Inevitability to Resume Korea-GCC FTA Negotiation and Some Policy-Proposals for Realizing It

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Abstract

5 years have passed since Korea-GCC FTA Negotiation was stopped. This paper aims at fostering Korea-GCC FTA Negotiation, which began the 1st negotiation in 2008 but unfortunately was not reopened until present (August 2014) since the 4th negotiation in 2009. The 1st negotiation was opened from 3rd ~10th July, 2008 in Seoul, S. Korea, 2nd negotiation on March 2009 in Riyadh, 3rd negotiation July 2009 in Seoul, and lastly 4th negotiation 17th ~19th November 2009 in Dubai. The history of Korea’s free trade agreement (FTA) began when the Korean government decided to actively pursue FTAs and chose Chile as its first FTA partner. As Korea continued to expand its FTA activities, its FTA strategies, procedures and policies grew more advanced, both in terms of quantity and quality. As a result, Korea became a key FTA nation, which has an extensive FTA network across 9 regions and 47 countries. In fact, Korea has received global attention for simultaneously entering into free trade agreements with the US, ASEAN and the EU. Although Korea has achieved many accomplishments in the past decade, its FTA activities began relatively late. From 1995, free trade agreements were expanding globally with the launch of the WTO, but Korea was about ten years behind, considering how its first agreement with Chile took effect in 2004. In order to overcome this late start, Korea created an FTA roadmap and refined its FTA strategies. Korea initiated negotiations on multiple FTAs to catch up, as well as finalize trade pacts that were high in quality and would also help raise its economic status, such as the Korea-US and Korea-EU FTA. Korea’s successful pursuit of FTAs was made possible by the government’s strong drive, along with consistent policy and industrial support. In fact, the industrial sector made a significant contribution to Korea’s FTA activities and ratification process. Over the years, there has been public opposition against Korea’s FTA activities, but legislations were accordingly enacted, such as the Rules on FTA Negotiations, Signing and Trade Procedure Act (TPA) to integrate diverse opinions throughout the ratification process. Moreover, Domestic Compensatory Measures were also put in place to protect domestic industries that can potentially be negatively impacted by FTAs. Today, a new movement is now taking form a decade after Korea’s first FTA implementation. The global trade environment is drastically changing with increasing regional economic integration and FTAs among developed nations. In response to this change, the Korean government established a New Trade Roadmap in June 2013, with the Korea-US and Korea-China FTA serving as a foundation for East Asian economic integration. Korea is also strengthening ties between trade policymakers and the industrial sector by developing a communication channel via its Trade Industry Forum. Since Korea has a small domestic market and is highly dependent on trade, it is necessary to continuously adopt open trade policies, such as FTAs, in order to gain advantage in the global market and foster a more favorable trade environment.
1. Introduction

5 years have been passed since Korea-GCC FTA Negotiation was stopped. The 1st governmental negotiation of Korea-GCC FTA was begun in 2008 and the 4th negotiation was opened in 2009. But since then, Korea-GCC FTA Negotiation unfortunately has not been resumed at this time (September 2014). The 1st negotiation was opened from 3rd~10th July, 2008 in Seoul(S. Korea), the 2nd negotiation on March 2009 in Riyadh, the 3rd negotiation on July 2009 in Seoul, and the latest negotiation on 17th~19th November 2009 in Dubai.

As we know well, GCC(The Gulf Cooperation Council) is consisted of six countries in the Middle East Region- Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates, which now hold around 40% of the world’s oil reserves, concluded already FTA with EFTA(2008), New Zealand and Singapore(2009). And GCC now negotiates with Australia, China, EU, India, Japan, MERCOSUR, Pakistan, Turkey, and S. Korea. Allegedly, GCC’s FTA negotiation with EU is near at hand as of end of 2013 but is still not concluded as of September, 2014.

In addition, GCC’s FTA with Azerbaijan, Cambodia, COMESA, UEMOA, Georgia, Hong Kong, Indonesia, Malaysia, Peru, Philippines, Thailand, Ukraine, and Vietnam are on negotiation-preparation stage.

USA, which competes with EU for the initiative in GCC market, concluded FTA with Bahrain by country base on September 2004 and signed Framework Agreement for Trade, Economic, Investment and Technical Cooperation, which is correspondent with pre-stage of USA-GCC FTA on September 2012.

GCC’s FTA with Australia, on negotiation at present, made considerable progress in ‘dispute settlement and government procurement field’, but they need further talks on ‘goods, intellectual rights, and investment field’. In case of FTA negotiation with India, serious different opinions remain in the chemicals and petroleum refining industry which because India has very prime comparative advantage, India wants to make sure the competiveness in India market.

As economic structure between GCC and S. Korea mutually complements, it is sure that GCC-S. Korea FTA will become one of very effective methods to fill their lacks. The basic principle of Free trade representing FTA is that according to the theory of comparative advantage, if trade partners eliminate all trade barriers such as tariff and/or non-tariff barriers and export its comparative goods to trade counterpart instead of importing disadvantage goods from trade counterpart, it will ensure that both countries certainly can get gains from trade (GFT).

Though GCC has plenty of oil and natural gas resources, as GCC is excessively biased or lopsided in energy industry, and due to lacks of diverse work-chair and increase of discontent
power against society, GCC’s society is not future-oriented. It became best urgent project that GCC has its unbalanced industry balanced. Namely, it is demanded that GCC should develop oil and gas related high-technology industry by usage of abundant oil dollars and /or foster GCC as a Mecca of MICE encompassing financing, insurance, education, convention, tourism, and trade exhibition etc.

On the other hand, S. Korea has learned many lessons from negotiating and implementing FTA for last decade. S. Korea became high-income nation of U$26, 000 per capita as of the end of 2013 from the least less development nation of U$ 84 per capita, a member of OECD in 1995, at last grantor of aid for developing countries as a Development Assistance Committee (DAC) member under OECD, drive Knowledge Sharing Program (KSP) in about 40 developing countries all over the world.

However, a country of S. Korea is located on narrow land, almost no natural resources as well as any capital and technology from birth. As S. Korea scarcely has oil and natural gas resources, if S. Korea is not able to be supplied stably oil and natural gas from GCC, S. Korea is not able to be guaranteed bright, prosperous and sustainable future.

The inevitability for further close economic collaboration and cultural exchange between GCC and S. Korea gradually increases.

This paper aims at emphasizing the inevitability that both countries should resume Korea-GCC FTA Negotiation ASAP to become effective within tenure of current Korean government at least. With the advent of the president Geun-Hae Park of S. Korea, who is very familiar with both FTA and GCC, the time is ripe to continue the unfinished discourse concerning the arrangement of a FTA. As of 2013 bilateral trade between GCC and S. Korea has reached U$ 112.7 billion, an impressive advancement ever since the first economic contact. This clearly that a FTA will have positive effects on both markets.

2. Lessons from Decade Experience in Korea’s FTA Implementation

2.1 Historical Progress

The history of Korea’s free trade agreement (FTA) began when the Korean government decided to actively pursue FTAs and chose Chile as its first FTA partner. As Korea continued to expand its FTA activities, its FTA strategies, procedures and policies grew more advanced, both in terms of quantity and quality. As a result, Korea became a key FTA nation, which has an extensive FTA network across 9 regions and 48 counties including Croatia as a new member of EU. In fact, Korea has received global attention for simultaneously entering into free trade agreements with the US, ASEAN and the EU.

Although Korea has achieved many accomplishments in the past decade, its FTA activities relatively lag lately. From 1995, FTA has been expanded globally with the launch of the WTO, but Korea was about ten years behind, considering first agreement with Chile took
effect in 2004. In order to overcome this late start, Korea created an FTA roadmap and refined its FTA strategies. Korea initiated negotiations on multiple FTAs to catch up, as well as finalize trade pacts that were high in quality and would also help raise its economic status, such as the Korea-US and Korea-EU FTA.¹

2.2 Developing FTA related Organization, Procedures, law and Strategies

Korea’s successful pursuit of FTAs was possible by the government’s strong drive, along with consistent policy and industrial support. In fact, the industrial sector made a significant contribution to Korea’s FTA activities and ratification process. Over the years, there has been public opposition against Korea’s FTA activities, but legislations were accordingly enacted, such as the 『Rules on FTA Negotiations, Signing and Trade Procedure Act(TPA)』 to integrate diverse opinions throughout the ratification process. Moreover, 『Domestic Compensatory Measures』 were also put in place to protect domestic industries that can potentially be negatively impacted by FTAs.²

2.3 Establishing New FTA Roadmap

Today, a new movement releases a decade after Korea’s first FTA implementation. The global trade environment is drastically changing with increasing regional economic integration and FTAs among developed nations. In response to this change, the Korean government established a New Trade Roadmap in June 2013, with the Korea-US and Korea-China FTA serving as a foundation for East Asian economic integration.

Korea is also strengthening ties between trade policymakers and the industrial sector by developing a communication channel via its Trade Industry Forum. Since Korea has a small domestic market and is highly dependent on trade, it is necessary to continuously adopt open trade policies, such as FTAs, in order to gain advantage in the global market and foster a more favorable trade environment.

Korea has nine FTAs in effect with 48 countries including Croatia became a new member of the EU in July 2013. Over the past 10 years, Korea’s FTA network worldwide has expanded not only quantitatively in terms of the number of partner countries, but also qualitatively by encompassing all the major regions and economic blocks in the world. Korea has signed and ratified FTAs with Chile, Singapore, the European Free Trade Association (EFTA), the Association of Southeast Asian Nations (ASEAN), India, the EU, Peru, the United States, and Turkey, having worked hard to conclude FTAs with various states worldwide over

¹More details on it, please refer the followings : Institute International Trade(IIT), Korea International Trade Association(KITA), The Decade-Long Journey of Korea’s FTAs, IIT Working Paper 14-01, Trade Focus Vol. 13, No.18, 2014
the last decade since 2004.

Korea is now the only country in the world to have FTAs in effect with not only major and advanced economies, such as the EU and the United States, but also with developing and emerging economies, including the ASEAN. Korea is now about to ratify a new FTA with Colombia, having recently concluded negotiations for the FTAs with Canada and Australia. It is also in the process of negotiating an FTA with China, a new center of the world economy, Korea–China–Japan FTA, RCEP, Indonesia(CEPA), Vietnam, New Zealand.

S. Korea is looking forward to negotiations with Japan, Mexico, and GCC and under review or in joint research with TPP, Malaysia, Central America, Thailand, MERCOSUR, and Israel.

Korea has rapidly expanded its network of FTAs, but the country’s share of trade with its FTA partners in its total trade stood at a mere 13.8% as of 2009, far behind those of China, Japan, and other rivals. In 2009, the shares of Korea’s, China’s and Japan’s trade with their respective FTA partners were 13.8%, 20.7% and 17.7%. With the FTAs concluded with the EU and the United States, however, Korea’s figure has dramatically increased to 35.3% as of the end of 2013, surpassing those of rival economies. The figures for the three countries were 35.3%, 21.2%, and 18.9%, respectively, as of the end of 2013.

3 There are only a handful of countries that have signed the FTAs with both the US and the EU: namely, Israel, Mexico, Jordan, Chile, Korea, Peru, Colombia, and the six countries of Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama). Of these, Korea and Mexico have comparative advantages in the manufacturing sector.


7 The 1st round launched in May 2012. The 7th held in September 2013, with parties agreeing to the first phase of negotiations on modality. The 8th round held in November 2013 with the second phase of negotiations. The 10th round held in May 2014.

8 The 1st round launched in March 2013, followed by the 2nd round in July 2013 and the 4th and latest round in March 2014.

9 The 1st round launched in May 2013, followed by the 2nd round in January 2014.

10 The 1st round launched in July 2012 and the 7th and latest round held in February 2014.


12 Negotiations launched in June 2009, but stalled since the 4th round in May 2010. Negotiations resumed (5th round) in February 2014.
As Korea continues to conclude FTAs with an ever-increasing number of states, it will likely maintain its lead over the other two Asian countries. Once the FTAs with Colombia, Australia, and Canada take effect, the share of Korea’s trade with FTA partners will increase to 39.5%. China’s share may rise to 21.9% when its FTAs with Iceland and Switzerland are concluded. Japan has not signed any new FTAs recently.\textsuperscript{13} in Table 1.

Table 1: Comparison with Korea-China-Japan of Trade Volume Share in the FTA Partner

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>한국</td>
<td>13.8</td>
<td>15.6</td>
<td>25.2</td>
<td>34.8</td>
<td>35.3</td>
</tr>
<tr>
<td>중국</td>
<td>20.7</td>
<td>21.0</td>
<td>21.2</td>
<td>21.2</td>
<td>21.2</td>
</tr>
<tr>
<td>일본</td>
<td>17.7</td>
<td>17.7</td>
<td>18.7</td>
<td>18.9</td>
<td>18.9</td>
</tr>
</tbody>
</table>

If Korea’s FTA with Columbia, Australia and Canada will put in effect in near future, S. Korea’s trade volume share in the FTA will increase to 45~50%. In case of concluding FTA awaiting negotiations to resume and under review or joint research, Korea’s trade volume share in the FTA will increase to about 85%.

Based on this FTA roadmap of S. Korea, if S. Korea, which energy and strategic resources endowment is extremely poor, can ensure those from GCC, it will ensure S. Korea’s bright future. Or not, S. Korea would fall into underdeveloped country group.

It proves the fact that GCC and S. Korea need each other for mutual and common prosperity in the promising future.

2.4 Raising FTA Utilization Ratio

Korean SMEs are getting better at making use of FTAs, with strong support from the government. While representing 66.9% and 69.0% of exports and imports in the vast majority of all Korea’s imports and exports, respectively, in 2013. However, the utilization rate of the Korea–ASEAN FTA and the Korea–India CEPA yet remain relatively low because of low-level market opening and cumbersome customs procedures.

In general, the larger a business, the better and more actively, business enterprises used to utilize FTAs in exports than its smaller counterparts. However, an increasing number of small and medium enterprises (SMEs) in Korea are also making use of FTAs in exports. The utilization rate of Korea’s large corporate exporters in the Korea–US FTA increased from 74.8% in 2012 to 84.1% in 2013. The figure for the SMEs also increased from 59.4% to 69.2% over the same period. The utilization rate of the Korea–EU FTA among large corporate exporters in Korea remained high, at 85.1% in 2012 and at 84.1% in 2013. The figure for the SMEs also increased from 73.5% to 76.3% over the same period.

2.5 Domestic Compensatory Measures

The Korean government has devised and implemented a number of policy measures to

\textsuperscript{13}IIT Working paper, 2014, pp.13~14
compensate industries for losses they suffer directly as results of FTAs, and also to help those industries enhance their competitiveness. The major objectives of these measures are to make direct compensations for losses caused by market opening and to provide measures to secure competitiveness of corporations hurt by imports.

They are extended not only to the relatively weaker primary industries of agriculture, dairy farming, and fishery, but also the manufacturing and service sectors. Measures of direct compensation include: the direct financial compensations for losses suffered by agriculture, livestock, and fishery; support for business closure; and trade adjustment assistance for manufacturers and service providers. Measures for enhancing competitiveness involve modernizing agricultural, livestock, and fishery facilities; improving distribution channels; fostering the seed industry; promoting agricultural and food exports; facilitating investment in research and development and exports by manufacturers and service providers.

3. Stepping Stone and Obstacles in Korea-GCC FTA Negotiation

3.1 Current Macro Economy and FTA Negotiation Situations of GCC

3.1.1 Features and Future of GCC block

The Cooperation Council for the Arab States of the Gulf, originally (and still colloquially) known as the Gulf Cooperation Council (GCC)\(^\text{14}\), is a regional intergovernmental political and economic union with many economic and social objectives involving six Arab states of the Persian Gulf, except for Iraq.\(^\text{15}\) Its member states are the Islamic monarchies of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

![Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE](image)

GCC’s objectives are as follows: 1) Formulating similar regulations in various fields such as religious, finance, trade, customs, tourism, legislation, and administration. 2) Fostering scientific and technical progress in industry, mining, agriculture, water and animal resources. 3) Establishing scientific research centers. 4) Setting up joint ventures. 5) Unified military presence (Peninsula Shield Force). 6) Encouraging cooperation of the private sector. 7) Strengthening ties between their peoples. 8) And establishing a common currency by 2010.

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\(^{14}\)Established in Abu Dhabi on 25 May 1981. The unified economic agreement between the countries of the Gulf Cooperation Council was signed on 11 November 1981 in Abu Dhabi. These countries are often referred to as "the GCC states". For more details about GCC, please refer the URL(http://www.gcc-sg.org/index64c.html?action=GCC)

\(^{15}\)There have been discussions regarding the future membership of Jordan, Morocco, and Yemen. Asma Alsharif (10 May 2011). "1-Gulf bloc to consider Jordan, Morocco Membership".(Reuters. Retrieved 10 May 2011). Yemen hopes to join GCC by next year(2015)
Objections have been raised against the proposal by the other countries. There have been discussions regarding the future membership of Jordan, Morocco, and Yemen. Since the creation of the council in 1981, its membership has not expanded, with all members being Arab monarchies. Some GCC countries have land borders with Iraq, Jordan, and Yemen, and sea borders with Egypt, Somalia, Iran, Pakistan and India.

Its member states are some of the fastest growing economies in the world, mostly due to a boom in oil and natural gas revenues coupled with a building and investment boom backed by decades of saved petroleum revenues.

A GCC common market was launched on January 1, 2008. The common market grants national treatment to all GCC firms and citizens in any other GCC country, and in doing so removes all barriers (tariff and non-tariff) to cross-country investment and services trade. A customs union was declared in 2003, but practical implementation has lagged behind. Indeed, shortly afterwards, Bahrain concluded a separate Free Trade Agreement with the United States, in effect cutting through the GCC’s agreement, and causing much friction.


3.2 FTA Negotiation Situation of GCC with other countries

Yemen is currently in negotiations for GCC membership, and hopes to join by 2015. Although it has no coastline on the Persian Gulf, Yemen lies in the Arabian Peninsula and shares a common culture and history with other members of the GCC. The GCC has already approved Yemen's accession to the GCC Standardization Authority, Gulf Organization for Industrial Consulting (GOIC), GCC Auditing and Accounting Authority, Gulf Radio and TV Authority, GCC Council of Health Ministers, GCC Education and Training Bureau, GCC Council of Labour and Social Affairs Ministers, and Gulf Cup Football Tournament. The Council issued directives that all the necessary legal measures be taken so that Yemen would have the same rights and obligations of GCC member states in those institutions.

Iraq is the only Arab country bordering the Persian Gulf that is not a member of the council. The associate membership of Iraq was discontinued in 1990 after its invasion of Kuwait in the Gulf War. In 2009, it was reported that Iraq was set to join the cartel of the GCC Chambers of Commerce. In 2012, Iraqi Defence Minister Saadoun al-Dulaimi stated that Iraq wants to join the GCC. Kuwait supports Iraq joining the GCC.

In May 2011, Jordan's request to join the GCC, which had been first submitted 15 years earlier, was accepted and Morocco was invited to join the union. In September 2011 a five year economic plan for both countries was put forward after a meeting between the foreign ministers of both countries and those of the GCC States, the first GCC meeting since May which included the Jordanian and Moroccan ministers. Although a plan for accession was being looked into, it was noted that there was no timetable for either's accession, and that discussions would continue. As Jordan and Morocco are the only two Arab monarchies not currently in the council, the current members see them as strong potential allies. Jordan borders member Saudi Arabia and is economically connected to the Persian Gulf States. Although Morocco is not near the Persian Gulf, the Moroccan foreign minister Taieb Fassi Fihri notes that "geographical distance is no obstacle to a strong relationship".

The Economic Agreement Between the GCC States Adopted by the GCC Supreme Council (22nd Session; 31 December 2001) in the City of Muscat, Sultanate of Oman contains nine chapters, chapter 1 (trade) reads article 1 (The Customs Union), article 2 (International Economic Relations), chapter 2 (GCC Common Market), and chapter 3 (Economic and Monetary Union) etc.
There are 2 FTAs (GCC-EFTA and Singapore) put in effect as of now and others under negotiation. Among those, it is known that the conclusion of GCC-EU FTA is near at present.

### 3.2.1 GCC-EU FTA

In 1991 the EU Council authorized the Commission to negotiate a Free Trade Agreement with GCC. The conclusion of such agreement was made conditional upon the establishment of a customs union among the GCC member states. In December 2001 the GCC Heads of States decided to advance the entry into force of a GCC Customs union to January 2003 and to simplify the Common External Tariff (CET) into two groups: products that are exempted of duties and products with 5% duty. This decision encouraged both parties to proceed more rapidly in the negotiations. The CET is in effect since 1st January 2003 with some exceptions (linked to transitional periods and to a list of prohibited products). The intention is for the agreement to cover all areas of trade relations; notably industrial, fisheries and agricultural goods.

The GCC is the EU’s fifth largest export market (€95 bn of exports in 2013), and the EU is the grouping's biggest trading partner, with trade flows total €152 billion, or 13% of the GCC's global trade.\(^1\)

The 1988 Cooperation Agreement contained a commitment from both sides to enter into negotiations on a free trade agreement. Negotiations have started and been suspended several times since 1990. Negotiations resumed in March 2002, but were suspended by the GCC in 2008. Further informal contacts have taken place ever since. The EU remains committed to concluding the agreement.

### 3.2.2 Australia-GCC Free Trade Agreement negotiations

The GCC-Australia FTA was commenced in July 2007, already signed on 8 April, 2014 and they are now waiting to be put in force soon. Australia and the GCC share a significant economic relationship, encompassing trade and investment across a broad range of goods and services. For example, the GCC is an important market for exports of live animals and other agricultural and food products, valued at around A$2 billion in 2013, and passenger motor vehicles, taking 80 per cent of passenger vehicle exports or around A$1.4 billion. There are further opportunities in mineral commodities, and services (particularly education, engineering and construction).

With a large proportion of world petroleum resources and a rapidly growing population, the GCC’s prospects for continued economic growth are strong. This fact, along with a plurilateral FTA, will help sustain growth in Australia’s trade and investment relations with the region.

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\(^{1}\)For European Union’s Trade in goods flow 2013 with GCC, please refer the following URL (http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113482.pdf)
Australia is one of a number of countries negotiating FTAs with the GCC, however, the GCC Ministerial Council has stopped its trade negotiations with all partners pending a review of its trade agreement policy. In March 2014, the GCC Ministerial Council approved the resumption of FTA negotiations, but made no announcement on when negotiations would resume and with which countries. The Australian Government is advocating strongly for a resumption of the Australia-GCC FTA negotiations. <Table 2>

<table>
<thead>
<tr>
<th>Table 2: Key interests and benefits in view of Australia</th>
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<tbody>
<tr>
<td>1. The GCC is a key market for agricultural exports such as livestock, meat, dairy products, vegetables, sugar, wheat and other grains. The agreement provides an opportunity to address a range of tariff and non-tariff barriers related to our food exports.</td>
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<tr>
<td>2. The negotiations can address market access barriers related to the provision of services, including in the areas of construction, engineering, architecture, health care, hospitality, education and financial services.</td>
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<tr>
<td>3. Provisions on investment would both encourage inward investment from the GCC, as well as enhancing security for Australian investments in GCC countries themselves, including in such areas as mining or the development of educational campuses.</td>
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<tr>
<td>4. Maintaining a level playing field for Australian passenger motor vehicle exports to the GCC market, including on GCC tariffs, will be important for the Australian automotive industry.</td>
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Resource: Australia Government(Department of Foreign of Affairs and Trade)

On 6 April 2006, both sides welcomed the decision to launch formal negotiations on FTA covering trade in goods and services between Japan and the GCC comprising six countries and to hold a preparatory meeting. Japan formally announced the launching of the negotiations with the GCC.

Japan and the GCC held the Preliminary Meeting for JGFTA in Riyadh, Saudi Arabia. Both sides adopted the Framework of the Negotiations. The first meeting of JGFTA of Chief Delegate-Level was held in Tokyo. Negotiations were conducted on areas, including trade in goods, trade in services, customs procedures and the request and offers on trade in goods and services from both sides were discussed.

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23 On May 20 (Sat) and 21 (Sun) in Saudi Arabia (Riyadh), Japan will hold a preliminary meeting for Free Trade Agreement (FTA) with the Gulf Cooperation Council (GCC) comprising six countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The Japanese delegation includes Mr. Shinsuke Sugiyama, Deputy Director-General of the Middle Eastern and African Affairs Bureau, Ministry of Foreign Affairs, and Deputy Director-General-level officials of the bureaus of each ministry, as co-chair of the meeting. For early beginning of the official negotiations, the participants will discuss the framework of the negotiations and will coordinate the future schedule. The meeting will also include the exchange of views on wide-ranging matters pertaining to trade in goods and services.
24 The first meeting of the Free Trade Agreement talks between Japan and the Gulf Cooperation Council (GCC), composed by six countries, the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates, will be held in Tokyo on September 21 (Thu) and 22 (Fri). Mr. Mitoji Yabunaka, Deputy Minister for Foreign Affairs,
Level was held in Riyadh. Negotiations on trade in goods and services were held. The second round of the negotiations for JGFTA by Chief Delegates was held in Riyadh. Their key negotiation issues are as follows: A broad array of exchange of views and consultations on such areas as trade in goods and services, rules of origin, customs procedures were held with a view to reaching an early conclusion of the negotiations.25 The second round of inter-session meeting of the Working-Level was held in Riyadh.

Japan and the GCC confirmed their will to achieve liberalization consistent with WTO and an early conclusion of the negotiations.

The third round of inter-session meeting of the Working-Level was held in Tokyo. Exchange of views and consultations on such areas as trade in goods, trade in services, rules of origin, customs procedures, preamble, general and final provisions, as well as dispute settlement were held. The fourth round of inter-session meeting of the Working-Level was held in Riyadh. Exchange of views and consultations on such areas as trade in goods, trade in services, the establishment of investment, rules of origin, customs procedures, preamble, general and final provisions, as well as dispute settlement were held.

3.2.3 New Zealand – GCCFTA

New Zealand – GCC FTA Negotiations was successfully concluded on 31 October 2009 following six rounds of negotiations. The FTA is a significant achievement for New Zealand and secures new and improved access into some of our most important Middle East markets. Exports to GCC - made up of Bahrain, Oman, Kuwait, Saudi Arabia, the UAE and Qatar - totaled NZ$1.3 billion in the year to June 2009, an increase of 218% since 2000. The group now ranks as our seventh largest trading partner with bilateral trade worth $3.85 billion.

Mr. Shinsuke Sugiyama, Deputy Director-General, Middle Eastern and African Bureau of the Ministry of Foreign Affairs, and other Deputy-Minister-class officials from ministries concerned, who will co-chair the talks, will participate in the talks from the Japanese side. On the GCC side, a delegation headed by Dr. Hamad Bin Sulayman al-Bazai, General Coordinator of the Negotiation, Head of the Delegation and concurrently Deputy Minister of Finance for Economic Affairs of the Kingdom of Saudi Arabia will attend. At the first meeting, there will be a wide-ranging exchange of views and consultations on trade in goods and services, aiming at reaching an early agreement on the negotiations.(http://www.mofa.go.jp/announce/event/2006/5/0519-4.html)25 The second round of the negotiations for the Free Trade Agreement between Japan and the Gulf Cooperation Council (GCC), composed of six countries - the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates - will be held in Saudi Arabia (Riyadh) on January 21 (Sun) and 22 (Mon). Mr. Masaharu Kohno, Deputy Minister for Foreign Affairs, Mr. Shinsuke Sugiyama, Deputy Director-General (DG), Middle Eastern and African Bureau of the Ministry of Foreign Affairs, and other co-chairs, Deputy-DG level officials from ministries concerned, will participate in the negotiations on the Japanese side. The GCC delegation will be headed by Dr. Hamad Bin Sulayman al-Bazai, General Coordinator of the Negotiation, Head of the Delegation and concurrently Deputy Minister of Finance for Economic Affairs of the Kingdom of Saudi Arabia. At the second round of the negotiations, there will be a broad array of exchange of views and consultations on such fields as trade in goods and services, rules of origin, customs procedures, aiming at reaching an early conclusion of the negotiations.(http://www.mofa.go.jp/announce/event/2007/1/0117-3.html)
3.2.4 EFTA-GCC FTA

The EFTA States (Iceland, Liechtenstein, Norway and Switzerland) signed a free trade agreement with the Gulf Cooperation Council (GCC) in Hamar, Norway, on 22 June 2009 and entry into force on 1 July, 2014. The Agreement covers a broad range of areas including trade in goods, trade in services, government procurement and competition. The EFTA-GCC Joint Committee, established by the Agreement, will supervise the application of the Agreement which also provides for dispute settlement through arbitration. In addition, bilateral arrangements on agricultural products between three individual EFTA States and the GCC form part of the instruments establishing the free trade area between both sides.

3.2.5 GCC-Singapore FTA Comes in effect

The GCC-Singapore Free Trade Agreement (GSFTA) is a comprehensive free trade of origin, customs procedures, government procurement, electronic commerce and economic cooperation. The FTA is Singapore’s second with the Middle East, after the Singapore-Jordan FTA in 2004. Japan’s benefit from the elimination of tariffs is telecommunications, and electronic equipment, petrochemicals, jewel, machinery and iron and steel-related industries. Singapore will grant-tariff treatment to all GCC imports with immediate effect.

GSFTA entered into force on 1 September 2013. Exporters whose goods qualify for the preferential tariff treatment for import into GCC and would like to claim preferential tariff status may apply for a Preferential Certificate of Origin from Singapore Customs.

Do note that the procedural requirements for claiming preferential tariff treatment are still not yet finalized. Nonetheless exporters whose goods meet the Rules of Origin requirements of the GSFTA can still choose to apply for a Preferential Certificate of Origin. Exporters must however be aware of the risk that you may encounter potential operational issues such as rejection of the Preferential Certificate of Origin when claiming preferential tariff rates with the GCC customs authorities. Exporters who face such issues are advised to keep all records of such trade and to share the relevant details with Singapore Customs at customs_roo@customs.gov.sg, or International Enterprise Singapore at enquiry@iesingapore.gov.sg. This will help us work more effectively with our GCC counterparts to resolve these issues as soon as possible.

The Gulf Cooperation Council-Singapore Free Trade Agreement (GSFTA) came into effect on 1 September, 2008. The agreement will further enhance Singapore’s growing economic relations and trade with GCC. The GSFTA is a comprehensive FTA covering trade in goods, trade in services, investments, rules of origin, customs procedures, government procurement, electronic commerce and economic cooperation. In addition, it covers the recognition of the Halal certification of Singapore’s Majlis Ugama Islam Singapura (MUIS).

Singapore is the first non-Middle East country to have an FTA with the GCC. The FTA is
Singapore’s second with the Middle East, after the Singapore-Jordan FTA in 2004. For the first time, the GCC countries have committed to recognize the Singapore MUIS Halal Standards (SMHS) as similar to and consistent with their domestic Halal Standards.

Four out of the six GCC countries have already committed to recognize SMHS and the remaining two (Bahrain and Saudi Arabia) will start negotiations shortly to do the same. This will open up more opportunities in Singapore’s export of Halal products to the GCC states.

Based on Singapore’s latest bilateral trade figures in 2012, S$3.98 billion worth of Singapore goods will qualify for immediate tariff-free treatment, while S$49.1 million worth of Singapore goods will qualify after 2018. Major sectors that will benefit from the elimination of tariffs are telecommunications, electrical and electronic equipment, petrochemicals, jewel, machinery and iron and steel-related industries. Singapore will grant zero-tariff treatment to all GCC imports with immediate effect.

3.2.6 GCC-S. Korea FTA Negotiation

Mar. 2007 Korea and the GCC reach consensus on the need for a Korea-GCC FTA during President Myung-bak Lee’s visit to the Middle East. Nov. 2007 Launch of the Korea-GCC FTA preparatory talks at Riyadh, Saudi Arabia. Jan. 2008 Public hearing on the Korea-GCC FTA was held according to Korean regulation.26 April 5~7, 2008 Working level talks to prepare for the 1st round of Korea-GCC FTA negotiations was held in Riyadh, Saudi Arabia. On July 9~10, 2008, 1st round of Korea-GCC FTA negotiations was begun in Seoul, Korea. On March 9~10, 2009 2nd round of Korea-GCC FTA negotiations was held in Riyadh, Saudi Arabia and On July 8~10, 2009, 3rd round of Korea-GCC FTA negotiations was held in Seoul, Korea. This 3rd round was recorded a last negotiation for concluding a Korea-GCC FTA.

It has been prospected that a FTA with GCC can increase Korea’s GDP by 0.54 percent.27

3.3 Stepping Stone in Korea-GCC Negotiation

5 years has passed since Korea-GCC FTA negotiation was stopped. S. Korea currently has free trade pacts with Chile, Singapore, EFTA, ASEAN, India, EU, Peru, USA, Turkey and Columbia and already concluded FTA with Canada and Australia respectively to wait putting

26 Please refer Article 12 of Regulation on FTA Conclusion Procedures in S. Korea.

27 Park Bok-young from the Korea Institute for International Economic Policy (KIEP) revealed on January 22 such projection during the “Necessity of FTA with GCC and its Economic Influence” presentation at the Korea-GCC FTA public hearing. Park Bok-young revealed that according to analysis of the static effect of the Korea-GCC FTA, which excludes the effect of capital accumulation, a Korea-GCC FTA is expected to increase Korea’s GDP by 0.04 percent while analysis of the dynamic effect including the effect of capital accumulation shows that a Korea-GCC FTA is expected to push Korea’s GDP by 0.54 percent. Meanwhile, annual employment growth was estimated at 8,384 jobs. Export to GCC was estimated to increase $260.00 million (4.9 percent) annually, and import from GCC to increase $700.00 million (2.4 percent) annually, yielding a $450.00 million decrease in annual trade balance. However, excluding various categories of oil, annual trade balance was prospected to increase $220.00 million.
in force.

The GCC region became an emerging hotspring for several events, including the 2006 Asian Games in Doha, Qatar. Doha also submitted an unsuccessful application for the 2016 Summer Olympic Games. Qatar was later chosen to host the 2022 FIFA World Cup. The region need stable security, peace and prosperity in the near future.

GCC and S. Korea launched their free trade negotiation in 2008 and their latest meeting was their third of free trade negotiations held in July 2009 in Seoul, S.Korea. 5 years has passed since last negotiation was held.

The GCC was South Korea’s second-largest trading partner after China in 2008, with two-way trade reaching $101 billion. Bilateral trade volume has increased sharply in the past few years, and called on both sides to redouble efforts to strike a free trade deal.

GCC and South Korea have taken big strides toward concluding free trade negotiations, although there are some remaining issues to be resolved.

GCC would help South Korea secure a stable supply of energy. S. Korea bought $53.5 billion worth of energy resources from the six nations last year, accounting for 72 per cent of its total energy imports. Last year two-way trade reached $66.1bn. The GCC nations are also a key market for South Korean builders who received construction orders totalling $14.4 bn last year.

Korea and GCC have long since maintained an increasingly interdependent economic relationship. With the advent of the new president, Park Geun Hae, the time is ripe to continue the unfinished discourse concerning the arrangement of a FTA. As of 2011, bilateral trade has reached $112.7 billion, an impressive climb ever since the first economic contact. This clearly proves that a FTA will have positive affects on both markets.

As a country that mainly derives energy from petroleum, Korea has maintained a steady demand for oil from GCC countries including Saudi Arabia, Kuwait, Arab Emirates and Qatar. Furthermore, Korea's reliance on GCC countries has increased after their assent to sanction Iran. Over time the energy bond linking the two regions will only increase over time. The FTA is the best approach to take that will demolish barriers and bolster a lively commerce

GCC and S. Korea need highlighted robust economic cooperation between the sides but called for deeper cultural exchange to move ties forward. Economic and trade relations between the sides are on track and moving forward. We can strengthen the relationship based on people-to-people and cultural exchanges and convergence of our societies.

Korea imports some 70 percent of its oil from the bloc. Meanwhile GCC member countries are a key in Korea’s overseas construction industry — accounting for over 60 percent of its orders.

The finalization of a GCC-Korea FTA between the sides, under negotiation since 2008, as
well as strategic dialogue would consolidate the ties. “It is very regrettable that despite ever-expanding economic cooperation, social and cultural exchanges are not as active.

Though growing interest in the Arab world and Islamic culture elsewhere, Koreans still have little opportunity to interact with people from GCC nations. Academics from the sides exchanged ideas on ways to foster cultural understanding including through tourism, education, and the role of women in sustainable development.

Several participants noted the potential for GCC counties to learn from Korea’s meteoric, export-driven rise from poverty in the wake of the Korean War (1950-53) to become host of the most recent host of a G20 summit. Both sides have to deal with geopolitical risks including nuclear threats as well as the influence of more powerful neighbors.

3.4 Obstacles in Korea-GCC Negotiation

In 2009, GCC a tariff concessions on automobiles, electronic goods, and other industrial goods and S. Korea have taken big strides toward concluding free trade negotiations in investment, service and rules of origin but there are some remaining issues to need more talks. Those are tariff concessions on automobiles, electronic goods, and other industrial goods as the stickiest ones in their free trade negotiations.

3.5 Necessity to re-open Korea-GCC FTA Negotiation

It is time for both sides to yield one step to conclude negotiations on some sticky issues at an earlier date. GCC and South Korea needs to show flexibility on tariff concessions in sticky issues called automobiles, electronic goods, and other industrial goods.

The world is now paying more attention to the Middle East and Asia. Korea is a rising country in Asia, and GCC is doing the same in the Middle East. We can serve as a bridge between emerging economies in Asia and Europe.

It is called for more Korean language programs in GCC countries and vice versa, as well as more translation of literature between the two. The sides can draw upon Korea’s long yet little-known history with the Islamic world.

The two groups’ mutual dependency rate is high as Korea has depended 72 percent ($53.5 billion) of its overall gas and crude oil imports last year on GCC while its six member nations ordered $14.4 billion worth plant projects from Korea, enthusiastically promoting construction projects with their “oil dollars.”

GCC’s six nations exported $55.2 billion to Korea last year, mostly crude oil and natural gas. On the other hand, Korea exported total $10.9 billion worth industrial goods to GCC.

Once the FTA is concluded and effectuated, Korea will be able to expand into various business areas such as construction thanks to relatively favorable business sentiment in the field, and industrial goods exports can also be boosted by tariff cuts.

The time is ripe to continue the unfinished discourse concerning the arrangement of a
FTA. As of 2013, bilateral trade has reached US$ 112.7 billion, an impressive climb ever since the first economic contact. This clearly proves that a FTA will have positive affects on both Markets. < Figure 1 > < Figure 2 >

4. Some Policy-Proposals to reopen Korea-GCC FTA Negotiation

The relations between the GCC and S. Korea are wide and comprehensive and encompass all fields of cooperation. GCC and S. Korea cultural exchange events will considerably increase the communication between the GCC and S. Korea in particular and its ties with the Asian continent in general as well as enhance the mutual understanding between the two sides through a constructive dialogue and promoting the relations between the two sides in all
spheres.

GCC should nations maintain good economic cooperation relations with Korea. Each side can search for more chances to expand economic cooperation. This can be done through the increase of trade exchange and diversifying of exports and imports as well as the expansion of existing joint investments and entering new ones.

The GCC market is estimated at US$1 trillion, and South Korean companies will have good business opportunities in the member states through a free trade deal.

4.1 Agricultural Sector

First, agricultural trade is likely to be of little interest between the two partners considering present states of agricultural structure and trade balance. Second, it suggests that Korea follow a minimalist approach to making market access commitments given the nature of agricultural sensitivity within the country and relatively weak potential gains expected from both sides. Third, since increases in market access will be mostly beneficial to processed and preferential food or products, attention should be warranted in these areas during negotiations. Fourth, the rule of origin must take into account the fact that Korea exports a number of value added food using imported ingredients. Besides, it needs to focus attention on prevailing re-export practices by the GCC countries. Finally, securing safeguard is important only when the resulting compensation is not beyond the reach of the government.

4.2 By country’s FTA with Oman

The GCC is South Korea’s second largest trading partner, just after China. The FTA is expected to result in a 400% increase in South Korean investments in the UAE, with similar increases expected in Oman.

Oman and South Korea have enjoyed particularly strong ties over the last several years and the FTA will bring great benefits to both countries. Oman exported $5 billion in oil and gas to Korea every year, while importing $350 million in Korean products and services every year.

Further evidence of the strengthening relationship between Oman and Korea can be found in last month’s launch of the Oman-Korea Friendship Association (OKFA). The OKFA will promote friendship and social ties between Oman and Korea. The founding members of the OKFA include senior members of the Suhail Bahwan Group, Oman Trading Establishment, Oman Oil, and TOWELL Auto Centre, among others.

The FTA will enable both Oman and Korea to further their existing strong relationship and will likely result in greater Korean investment in Oman.

4.3 Petroleum

As a country that mainly derives energy from petroleum, Korea has maintained a steady demand for oil from GCC countries including Saudia Arabia, Kuwait, Arab Emirates and
Qatar. Furthermore, Korea's reliance on GCC countries has increased after their assent to sanction Iran. Over time the energy bond linking the two regions will only increase over time. The FTA is the best approach to take that will demolish barriers and bolster a lively commerce.

1. Tariff concessions on Automobiles
2. Electronic goods and other industrial goods

**5. Conclusion**

If S. Korea, which energy and strategic resources endowment is extremely poor, can ensure those from GCC, it will ensure S. Korea’s bright future. Or not, S. Korea would fall into underdeveloped country group. It proves the fact that GCC and S. Korea need each other for mutual and common prosperity in the promising future.

As you know well, as economic structure between GCC and S. Korea mutually complements and the inevitability for further close economic collaboration and cultural exchange between GCC and S. Korea gradually increases, both countries should resume Korea-GCC FTA Negotiation as soon as. Accordingly if both countries conclude GCC-S. Korea FTA, it is sure that the FTA will become one of very effective methods to fill their lacks. The basic principle of Free trade representing FTA is that according to the theory of comparative advantage, if trade partners eliminate all trade barriers such as tariff and/or non-tariff barriers and export its comparative goods to trade counterpart instead of importing disadvantage goods from trade counterpart, it will ensure that both countries certainly can get gains from trade (GFT).

Furthermore, with the advent of the president Geun-Hae Park of S. Korea, who is very familiar with both FTA and GCC, the time is ripe to continue the unfinished discourse concerning the arrangement of a FTA. As of 2013 bilateral trade between GCC and S. Korea has reached US$ 112.7 billion, an impressive advancement ever since the first economic contact. This clearly that a FTA will have positive effects on both markets. The current time is the best one. If both fail to getting this bus, it is sure that many time need to get next bus.

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