

ASEAN-Korea Services FTA - Fillip to Regional Trade, says Singapore Company Setup Specialists

By Rikvin Consultancy Pte Ltd

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ASEAN-Korea FTA Trade in Services Agreement was signed on 20 November 2007 during the 11th ASEAN –Republic of Korea summit held here in Singapore. Korean president Roh Moo-hyun signed the agreement with leaders of the 10 member Association of Southeast Asian Nations (ASEAN) that will open up service markets in the bloc's member nations.

Korea and ASEAN signed a free trade agreement on goods in August of last year that took effect in June. The two sides are now planning to begin negotiations for a similar deal on investments, with a view toward finalizing the agreement next year. The ASEAN-Korea FTA Trade in Services Agreement is the second regional services agreement for ASEAN. The first one being, ASEAN-China FTA, signed in January 2007.

The new service agreement will free up the markets for computers, communications and shipping in the SEA region. It will be effective after ratification by each nation's parliament. With a combined population of 570 million, ASEAN is Korea's fifth largest trade partner after China, the U.S., Japan and the European Union. South Korea is the 3rd largest economy in Asia, and the 11th largest in the world, based on GDP as of 2006, with one of the lowest unemployment rates in the world at 3.4 percent (2006) The country's main industries include electronics, automobile production, chemicals, shipbuilding, steel, textiles, clothing, footwear and food processing.

South Korea and Singapore are major trading partners. The two countries implemented a FTA in March 2006 which took their trading relationship to the next level. Under this FTA Singapore had also granted preferential tariff treatment to products manufactured in certain SEZ of North Korea as well. From January to September this year, total bilateral trade reached US\$17.3 billion, an increase of around 9.8 per cent over the same period last year. In addition, South Korea's investments in Singapore had surged more than four-fold from US\$134 million in 2005 to US\$602 million in 2006. Just as South Korea is a hub for Northeast Asia, Singapore is a gateway into ASEAN, India and the Middle East. To date, over 500 Korean companies have set up offices in Singapore. Major Korean companies such as Samsung, LG, and CJ have established their regional headquarters here. Recently Korean Product Show 07 showcasing Korean made products ranging from household, IT, Telecommunications etc was concluded successfully.

Commenting on the new FTA Ms. Ragini Dhanvanthray says "Korean products have taken the world by storm. Starting as contract manufacturers companies like LG, Samsung etc have established themselves as world renowned brands. Now the time is ripe for the Korea and the ASEAN bloc to graduate to the next level of the relationship, and this FTA in services will definitely help both the parties to capitalise on the economic boom in the region. Singapore being business friendly and all-ready infrastructure and the existing strong ties will be the best transit point for the traders to locate and grow their business and investment. Singapore as a gateway to ASEAN can be catalyst to the economic relationship between the bloc and Korea. Korean trade promotion agencies like KOTRA (Korea Trade-Investment Promotion Agency) and KITA (Korea International Trade Association) are present in Singapore. Korean companies can tap on these agencies to facilitate their entry into Singapore, and use Singapore as a staging base to

expand into other parts of Asia and the Middle East”.

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