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## ASEAN-Korea Free Trade Area (AKFTA)

The Republic of Korea (Korea) is the second dialogue partner with whom ASEAN has forged a free trade agreement. In 2005, ASEAN and Korea signed the Framework Agreement on Comprehensive Economic Cooperation (Framework Agreement), and subsequently, signed four (4) more agreements that form the legal instruments for establishing the ASEAN-Korea Free Trade Area (AKFTA).

The ASEAN-Korea Agreement on Trade in Goods (AK-TIG), signed on 24 August 2006, sets out the preferential arrangement trade in goods between the ten (10) ASEAN Member States and Korea, which principally, involves tariff reduction and elimination for all tariff lines over a transition period. Under this Agreement, ASEAN exports would enjoy greater market access to Korea starting from 2006 and have free market access (subject to meeting the ASEAN-Korea rules of origin) in 2010 as Korea eliminates tariffs for all tariff lines under the Normal Track. On a reciprocal note, the ASEAN 5 (Brunei Darussalam, Indonesia, Malaysia, the Philippines and Singapore) imports from Korea will be enjoying zero tariff rates as well for all tariff lines in the Normal Track subject to limited flexibility. By 2012, tariffs imposed by ASEAN for all Korean products under the Normal Track would be eliminated. For the newer members of ASEAN, namely, Viet Nam, Cambodia, Lao PDR and Myanmar, a longer transition period for tariff reduction and elimination had been agreed in recognition of their development status. Under this scheme at least 50% of tariff lines under the Normal Track will enjoy a 0-5% tariff rate not later than 1 January 2013 for Viet Nam, and not later than 1 January 2015 for Cambodia, Lao PDR and Myanmar (CLM). Tariff lines enjoying the reduced tariffs rates of 0-5% will reach 90% coverage by 2016 for Viet Nam and 2018 for CLM. By 2017 and 2020 products under the Viet Nam and CLM's Normal Track, respectively would have full market access that is zero tariff. Thailand, which acceded to the AK-TIG in 2007, has a different schedule. Tariffs for products in the Normal Track would be reduced over a transition period and will be eliminated by either 2016 or 2017.

The ASEAN-Korea Agreement on Trade in Services (AK-TIS), signed on 21 November 2007, provides the platform for further opening up or greater market access for ASEAN and Korean service providers. Building on their existing commitments in the WTO under General Agreement on Trade in Services (GATS), ASEAN and Korea both improved their levels and depth of commitments through the addition of new sectors/subsectors in the list of commitments and easing up of restrictions on entry and treatment on a wide range of service sectors including business, construction, education, communication services, environmental, tourism services, and transport services.

The ASEAN-Korea Agreement on Investment (AK-AI), signed on 2 June 2009, aims to provide for a transparent, facilitative and a more secure environment for ASEAN and Korean investors and their investments. Major components of the AK-AI are the protection elements which include provisions on fair and equitable treatment and full protection and security of covered investments; transfers of funds relating to covered investments; and compensation in the event of nationalisation or expropriation of covered investments. However, work on the AK-AI continues as ASEAN and Korea pursue the completion of built-in-agenda items which include the development of market access commitments or schedules of reservations. ASEAN and Korea will commence and conclude discussions on these agenda item within five years from entry into force of the Agreement.

The ASEAN-Korea Agreement on Dispute Settlement Mechanism (AK-DSM), signed on 13 December 2005, provides the mechanism for any disputes that may arise between Parties from the interpretation, implementation or application of all the above cited Agreements including the Framework Agreement.

**For more information:**

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