

Prospect for FTA between CER and Korea

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Abstract

This policy paper examines the prospect for the FTA between CER (Australia and New Zealand) and Korea (the FTA, hereafter). We first review of the main issues surrounding the FTA and conclude that its overall effects can be beneficial to both regions, at large. The recent completion of the FTA negotiation between Korea and the US substantially lowers the negotiation cost of the FTA for Korea. The degree of resistance to FTA by potentially injured industries may determine the negotiation (political) cost of FTA. Our investigation indicates that the number of potentially injured industries from the FTA is scanty given the completion of the Korea-US FTA. Moreover, if the FTA can induce the facilitations of service trade and FDI, then both regions become better off.

Keywords: FTA, negotiation cost, injured industries, service trade, and FDI

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