

**Panel:** China's Economy (Lilac & Tulip Room)  
**Date/Time:** Wednesday, December 12, 2012 / 13:45-15:00  
**Talking Points for:** Ku Ki-bo, Professor, Soongsil University

Economic Relations between Korea and China

1. The effect on Chinese economy that Korean investments in China bring about

- ✓ Contributing to various ways including employment, export increase, economic growth etc in the beginning.
- ✓ Contributing to industrial structure development except the above mentioned in the present

2. A trade imbalance between Korea and China

- ✓ Korea's trade surplus with China continues to increase.
- ✓ The rate of Korea's trade with China amounts to 20.5 % ( U.S.A. 9.7%, Japan 10.4%) in 2009. The rate of Korea's export to China amounts to 23.8% in 2009.(25.1% in 2010, 24.2% in 2011)
- In conclusion, Korean economy's dependence with China is deepening.  
 (the rate of dependence on exports amounts to 25%, the rate of dependence on imports 20%, the rate of ODA over 20% in 2010)

<표 1> Transition of trade between Korea and China(\$ 100million)

	year	2005	2006	2007	2008	2009	2010	2011
statistics of China	trade volume	1119	1343	1601	1860	1557	2068	
	exports to China	351	445	561	739	536	688	
	imports from China	768	898	1040	1121	1021	1380	
	trade balance	-417	-352	-479	-383	-485	-692	
statistics of	trade volume	1005	1180	1450	1682	1410	1883	2206
	exports to China	619	694	819	913	867	1168	1342

\* The views expressed herein do not necessarily reflect the views of the Asan Institute for Policy Studies.

Korea	imports from China	386	485	630	769	542	715	864
	trade balance	232	209	189	144	345	453	478

Data: [www.kita.net](http://www.kita.net)

### 3. Most FDI flows into China from Korea

(Less FDI flows into Korea from China)

- ✓ Korea's FDI into China decreases in recent years
- The reasons are as follows: the rise of labor costs and taxes, reduction of positive support with foreign-funded enterprises, global financial crisis etc.

### <表 2> Mutual FDI between Korea and China(\$ 100million)

year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
China's FDI into Korea	2.5	0.5	11.6	6.8	4.0	3.9	3.8	1.5	4.1	6.5
Korea's FDI into China	27.2 (26.4%)	44.9 (65%)	62.5 (39.8%)	51.7 (-17.3%)	38.9 (-24.6%)	36.8 (-5.9%)	31.4			

Data: [www.kita.net](http://www.kita.net)

### 4. Korean enterprises need the support of the local government when they withdraw

- ✓ The procedures for Korean enterprises into China is completed within about two weeks. But it takes one or two years when they withdraw. And the unexpected taxes amount to a enormous scale.
- Helping the withdrawal of enterprises contributes to the attraction of Korean new investment into China

\* The views expressed herein do not necessarily reflect the views of the Asan Institute for Policy Studies.

5. Change of investment purpose

- ✓ The purpose of the previous Korean enterprises in China mainly focuses on manufacturing bases.
- ✓ The purpose focuses on entry into Chinese domestic market in recent years.

6. FTA between Korea and China

- ✓ FTA between Korea and China should contribute to mutual benefits.
- ✓ China should consider sensitive items including agricultural and marine products to draw the agreement between the two countries.

---

**\* The views expressed herein do not necessarily reflect the views of the Asan Institute for Policy Studies.**