

Paper title: The Impact of Non-Tariff Trade Barriers in the European Union on Korea's Exports

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Abstract:

The global trend both in regionalism and multilateralism reduces the tariff barriers to trade among the countries significantly. This tends to stimulate the increases in non-tariff barriers (NTBs) as the tools of protectionism. The standards and technical regulations related to human health and animal are growing extensively and have emerged as a critical issue on the international trade agenda (Iacovone 2005). The trade flows are becoming increasingly sensitive to NTBs currently.

Korean economy has depended heavily on international trade. In particular, Korea has reinforced an outward-looking development strategy through the free trade agreement (FTA) after the economic crisis in 1998 when it examined a Korea-Chile FTA as its first FTA. The Korea-European Union (Korea-EU) FTA has also been implemented since July 2012 by aiming at promoting volume of trade between each other. However, the existing barriers to trade, especially the non-tariff barriers (NTBs), may obstruct the goal. Therefore, understanding the impact of NTBs on trade is crucial, especially the impact of NTBs in the EU market on Korea's exports since the EU is one of the Korea's major export destinations.

The Sanitary and Phytosanitary Measures (SPS) and the Technical Barriers to Trade (TBT) agreements *per se*, promote harmonization chiefly to allow exporters to reduce adaptation costs in importing markets (Maskus *et al.*, 2001). However, these measures may come at the costs (Moenius, 2004). The impact that NTBs have on trade therefore remains unclear and needs an

empirical study. The previous empirical literatures imply that the NTBs may have an ambiguous effect on trade: they can have no impact on trade, they may facilitate trade or they may restrict trade (Schlueter *et al.*, 2009). Therefore, understanding the impact of NTBs on Korea's exports is particularly interesting because it is a highly trade dependent, non-agriculture based economy with high export concentrations in terms of products. To the best of the author's knowledge, there is limited empirical research on this issue for the EU-Korea case. This paper basically contributes to the body of knowledge on the effects that NTBs have on trade from the perspective of the Korean exporter by focusing on the EU market.

The study adopts an ex-post approach by employing a gravity-based econometric model to analyze the overall impact of NTBs in the EU market on Korean exports by separating the impacts by product group. The primary data on trade flows are compiled at the 2-digit level from the UN COMTRADE database: agricultural products (HS01-24) and manufacturing products (HS25-99). The period of data covers 1999 to 2010. The related data are compiled through various sources: the UNCTAD, the TRAINS, the WITS, Eurostat databases, etc.

The study aims at understanding the barriers to trade in the point of view of Korea's exporter by focusing on the NTBs issues in the EU market. This may contribute to determine the right direction of Korean trade strategy with respect to the EU.

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