

PART III. Scope of the JKFTA

Small and Medium Enterprises (SMEs)

136. The Joint Study Group noted that, taking into account the fact that more than 99.7 percent and 99.8 percent of the businesses are SMEs respectively in Japan and Korea, creating a sound framework for the growth of small and medium enterprises (SMEs) is crucial to the development of the two economies.

137. The Joint Study Group also agreed that cooperation between SMEs of the two countries would bring about growth of SMEs in both countries. In this respect, the Joint Study Group shared the view that both governments should explore effective ways to support business cooperation among the SMEs of the two countries so that SMEs can fully exploit the business opportunities created by the JKFTA. The Joint Study Group recognized that cooperation in SMEs sector would adhere to the principle of market economy and should be effectively conducted to ensure economic soundness.

138. Referring to the survey conducted by the Korea Small Business Institute, the Korean side pointed out that the Korean SMEs expected the expanded business opportunities by the JKFTA in general. However, the Korean side also pointed out that the survey also showed the grave concern among the Korean SMEs that the tariff elimination might cause too much damage to them, and claimed that appropriate measures should be considered to mitigate drastic and severe changes among SMEs. In response, the Japanese side pointed out that such concerns would be also found among Japanese SMEs in several sectors.

139. In this respect, the Korean side emphasized that the two countries should seek ways to ensure mutual development of SMEs in both countries and called for reinforcement of industrial cooperation and technology transfer between SMEs of the two countries, and increased investment by Japanese SMEs in Korea. To this end, the Korean side proposed various programs to promote cooperation among the SMEs in the two countries, including tax benefits for joint investment between the SMEs of both countries and the establishment of a mechanism for technology cooperation. In addition, the Korean side suggested that two governments should explore ways to introduce

²⁰ source : Reed Electronics Research, 2002

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a mechanism that can help Korean SMEs to hire retired technician from Japan. Furthermore, given that both countries established supporting institutions to help respective SMEs, which could be a gateway for successful cooperation in the SMEs sector, the Korean side suggested to enhance cooperation between these institutions.

140. In response, the Japanese side emphasized that cooperation among the SMEs of the two countries should not be one-sided assistance but a horizontal cooperation, and commented that both governments should make utmost efforts to create a favorable environment to promote business interaction.

Trade and Investment Promotion

141. The Joint Study Group concurred on the importance of expanding cooperation in the areas of trade and investment between the two countries in order to facilitate trade and investment. The Joint Study Group shared the view that further efforts should be taken to enhance existing trade and investment relations as well as to explore new business opportunities by forming strategic alliances among companies of the two countries.

142. The Joint Study Group acknowledged the various measures that were implemented to promote bilateral trade and investment between the two countries, including the conclusion of the JKBIT and establishment of the Japan-Korea Industrial Technology Co-operation Foundation (JKF) and the Korea-Japan Cooperation Foundation for Industrial Technology (KJC). Both sides shared the view that "Joint Committee" under JKBIT should work effectively and that the supporting projects carried out by the JKF and KJC have been constructive and are necessary for fortifying bilateral cooperation. The Joint Study Group also noted that the partnership between the trade promotion agencies of the two countries, namely the Japan External Trade Organization (JETRO) and the Korea Trade-Investment Promotion Agency (KOTRA) has effectively contributed to the development of the trade and investment between the two countries and should be further intensified. However, the Joint Study Group also observed that there is still great room for strengthening bilateral

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cooperation between the two countries, considering the economic size and the geographical proximity of the two economies.

143. The Korean side made specific proposals in this respect. The Korean side emphasized that, despite the conclusion of the JKBIT, more specific programs might be necessary to actually increase the volume of investment between Japan and Korea and asked for Japan's cooperation in promoting the public awareness of the BIT and vitalization of the business network. In addition, the Korean side emphasized that Japanese investment in Korean parts and materials sector should be further expanded in order to improve the trade imbalance between the two countries. The Korean side also proposed to strengthen the activities of the recently established Japan-Korea Joint Investment Promotion Committee. In addition, the Korean side underlined the importance of industrial and technological cooperation, mainly in the industries of parts and materials. In this context, the Korean side proposed various forms of cooperation, such as production and sales cooperation, joint investments and technology transfer between the companies located in the parts and material manufacturing clusters of Japan and Korea, including Korea's Namdong Industrial Complex and Japan's Otaku.

144. The Japanese side pointed out that the industrial technology development levels are not substantially different between Japan and Korea. The Japanese side stressed that meaningful technology transfers are conducted, not by assistance of government programs, but when private firms find mutual benefits from such transactions. The Japanese side also expressed its view that large Korean firms could have a huge potential to induce investment from Japanese firms, because Japanese small and medium enterprises often make investment decisions when large Korean firms show business opportunities in Korea. The Japanese side emphasized that the two governments should rather focus on fostering more transparent and liberalized business environments.

Science and Technology

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145. The Joint Study Group noted that the importance of science and technology in pursuing knowledge-based economies cannot be emphasized enough. Continuous development of science and technology is crucial to the promotion of bilateral trade, investment and other economic activities.

146. In this regard, the Joint Study Group confirmed that science and technology cooperation would be mutually greatly beneficial, and noted that current bilateral cooperation in the field of science and technology between the two countries is active, as both countries regularly hold “Committee on Scientific and Technological Cooperation” and science and technology forum under ‘the Agreement between Japan and Korea on Cooperation in the field of Science and Technology’ concluded in 1985. The Korean side emphasized that technology cooperation between the two countries is essential in maximizing the benefits of the FTA and that both countries should make joint efforts to this end.

147. With a view to reinforcing current cooperative partnership, the Korean side made following specific proposals: the establishment of joint research fund for promotion of joint studies in common interested areas of both countries such as bio-technology and nano-technology; establishment of exchange programs to expand the exchange of human resources in the science and technology sector; and promotion of programs for joint use of large-sized expensive research facilities in both countries. In addition, the Korean side proposed to elevate the Joint Committee, which is currently being held at the senior officials’ level, to the ministerial level in order to facilitate aforementioned cooperation.

148. In response, the Japanese side agreed on the importance to advance bilateral cooperation in the field of science and technology, but expressed its view that those proposals made by Korea could be discussed within the existing framework of cooperation between the two countries and it is important and necessary to identify issues that could not be dealt with within the existing framework.

Transportation

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149. The Joint Study Group noted that the JKFTA would increase bilateral trade, investment and tourism flows and that transportation cooperation would be essential to increase the exchange of personnel and goods between the two countries. The Joint Study Group concurred that cooperation in this field would be further expanded to this end.

150. The Korean side proposed to foster liberalization in the maritime and air transportation sectors between the two countries. In particular, the Korean side pointed out that it would be necessary for the respective air and sea transportation authorities of both sides to expend efforts to liberalize the present transportation regimes.

151. The Joint Study Group welcomed the Joint Statement of the Summit meeting of June 2003 in which the leaders shared the view concerning the introduction of flights between Gimpo and Haneda airports, creating a one-day life area between the two countries.

Broadcasting

152. The Joint Study Group recognized that it is important to advance broadcasting cooperation with a view to promoting friendship and mutual understanding between the two countries.

153. Emphasizing the importance of digital broadcasting in a knowledge-based economy, the Korean side proposed several programs for cooperation between institutions related to broadcasting, including broadcasting companies, government authorities and non-government organizations (NGOs).

154. Welcoming Korea's recent liberalization schedule on Japanese movie, disc and game, the Japanese side expressed its interest in Korea's plan for further liberalization in broadcasting sector.