

Shaping the New Chapter of Korea-Vietnam Trade through FTAs

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1. Digital Trade between Korea and ASEAN/Vietnam

■ Bilateral digitally trade between Korea and ASEAN was approximately USD 34.8 billion in 2023, nearly tripling since 2016.

■ Digital trade volumes grew faster than that of conventional trade, demonstrating the increasing importance of digital trade.

- CAGR of Digital Trade Exports(2016-22): 16%(Korea), 14%(ASEAN)
- CAGR of Conventional Trade(2016-22): 9%(Korea), 10%(ASEAN)

ASEAN's digital exports to the ROK almost tripled between 2016 to 2023, driven by faster growth in digitally ordered exports

Exports of digitally ordered goods and services (Component 1) and trade in digitally deliverable services (Component 2) from ASEAN to the ROK, 2016 to 2023

Gross export value, USD billion

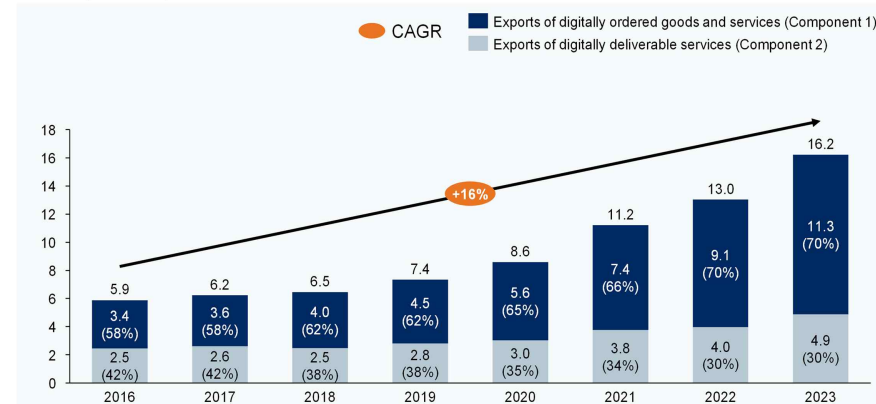


Source: Euromonitor, WTO-OECD Balanced Trade in Services (BaTiS), CEPII BACI, OECD Bilateral Trade in Goods by End-Use (BTiGE)

The ROK's digital exports to ASEAN almost tripled between 2016 to 2023, driven by faster growth in digitally ordered exports

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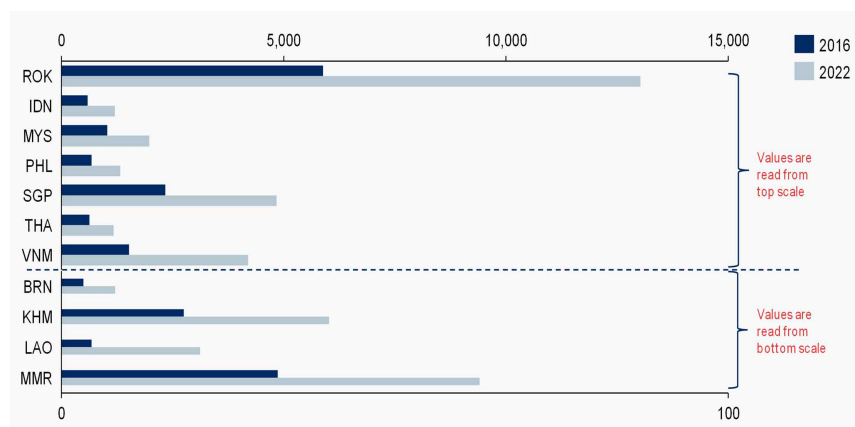
■ Among AMS, Vietnam is the largest exporter of digitally ordered goods and services to the ROK.

- Vietnam is the largest ASEAN exporter of digitally ordered goods and services to the ROK, accounting for 41% of ASEAN's total digitally ordered exports to the country.
- This highlights the strong trade linkages between the two economies and underscores the importance of the ROK as a key destination for Vietnamese goods.

Bilateral digital trade has increased across all ASEAN member states and the ROK

Digital trade volumes between ASEAN member states and the ROK, 2016 and 2022

Gross export value, USD millions

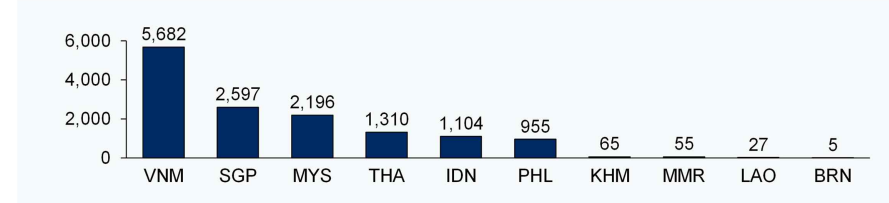


Source: Euromonitor, WTO-OECD Balanced Trade in Services (BaTiS), CEPII BACI, OECD Bilateral Trade in Goods by End-Use (BTiGE)

Viet Nam exports the most digitally ordered goods and services to the ROK, while Singapore leads in digitally delivered trade exports

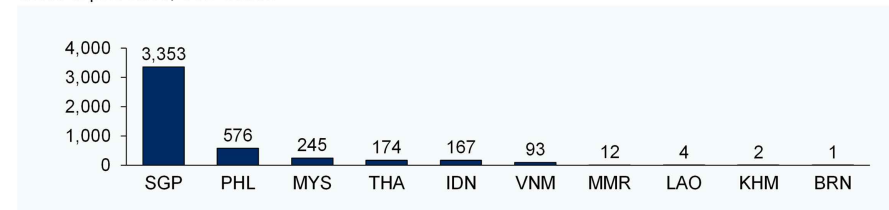
ASEAN's exports of digitally ordered goods and services to the ROK, 2023

Gross export value, USD million



ASEAN's exports of digitally deliverable services to the ROK, 2023

Gross export value, USD million



Source: WTO

2. Impact of digital trade provisions on digital trade

■ The rapid growth of digital trade between Korea and Vietnam-particularly in digitally ordered goods and services-underscores the importance of clear, enabling digital trade rules.

- As cross-border digital transactions become more integral to regional trade flows, digital trade provisions embedded in FTAs, DEAs, and DTAs play a critical role in facilitating these exchanges.

■ Recent literature highlights the trade-enhancing effects of such provisions.

- Herman and Oliver (2023); Gonzalez, Sorescu and Kaynak (2023); Kim et al. (2023)
- Digital trade facilitation provisions in trade agreements have significantly increased trade for high-income exporters, especially for services trade.
- RTAs with digital trade chapters can potentially double the effect of trade agreements.
- Digital trade agreements generate positive effects on exports, imports, production, and welfare, and may even reduce trading costs globally, benefiting non-participating economies through domestic reforms.


























2. Impact of digital trade provisions on digital trade

■ While digital trade provisions are important, not all provisions deliver the same level of impact.






- Provisions that enhance consumer trust-such as online consumer protection and measures against unsolicited commercial communications-have a long-run impact on digitally ordered trade.
- Provisions that lower transaction costs and market entry barriers-such as e-invoicing and market access for ICT services-are associated with growth in digitally deliverable trade.

Impact of individual digital trade provisions on components of digital trade

Impact of digital trade provisions on digital trade components in the long-run¹

Provision	Digitally ordered	Digitally delivered	Provision	Digitally ordered	Digitally delivered
 Cybersecurity		25.0%	 E-authentication and e-signatures	18.8%	21.3%
 Privacy protection	11.2%		 Domestic electronic transactions framework		
 Online consumer protection	21.4%		 E-invoicing		44.0%
 Measures against unsolicited commercial communications	32.5%		 Prohibition of data localisation		
 Participation in digital trade for small businesses	24.6%		 Cross-border transfer of information		
 Market access and national treatment for ICT services	19.9%	29.1%	 Paperless trading		17.0%

Impact² | **A%** Strong statistical significance ($p < .05$)  Weak statistical significance ($p < .1$)  No statistical significance

Mechanism of impact |  General  Increase consumer trust  Lower market entry barriers
 Reduce business transaction cost  Reduce business trade cost

Source: APEC

3. Way Forward for Digital Trade for Korea and Vietnam

■ Upgrade the E-commerce Chapter of VKFTA

- A set of provisions which can be included in a VKFTA upgrade, balancing the existing ASEAN consensus observed in recent agreements signed, as well as leading agreements such as the CPTPP.
- Potential provisions which can be discussed in the VKFTA upgrade include:
 - Non-discriminatory Treatment of Digital Products; Domestic Electronic Regulatory Framework;
 - Electronic Contracts; Electronic Invoicing; Electronic Payments; Paperless Trading
 - Cross-Border Transfer of Information by Electronic Means; Location of Computing Facilities;
 - Open Government Data; Data Innovation; Source Code; ICT Products that Use Cryptography;
 - Unsolicited Commercial Electronic Messages;
 - Principles on Internet Access and Use for E-commerce;
 - Digital Inclusion; and
 - Cooperation across Cybersecurity, Financial Technology, Artificial Intelligence, Competition Policy.

Recommendation of provisions to be included in an VKFTA upgrade

Provisions	RCEP	ASEAN E-commerce Agreement	AANZFTA Upgrade	WTO JSI E-Commerce	VKFTA	VKFTA Upgrade
Customs Duties on Electronic Transmissions	0	-	0	0	0	
Non-discriminatory Treatment of Digital Products	-	-	-	-	-	
Domestic Electronic Transactions Framework	0	0	0	O(Soft)	-	
Electronic Contracts	0	-	-	0	-	
Electronic Authentication & Signature	0	0	0	0	0	
Electronic Invoicing	-	-	O(Soft)	0	-	
Electronic Payments	-	O(Soft)	-	O(Soft)	-	
Paperless Trading	O(Soft)	0	O(Soft)	0	O(Soft)	
Online Consumer Protection	0	0	0	0	0	
Personal Data Protection	0	0	0	0	0	
Cross-Border Transfer of Information by Electronic Means	0	0	0	-	-	
Location of Computing Facilities	0	0	0	-	-	
Open Government Data	-	-	O(Soft)	O(Soft)	-	
Data Innovation	-	-	-	O(Soft)	-	
Source Code	-	-	-	-	-	
ICT Products that Use Cryptography	-	-	-	-	-	
Unsolicited Commercial Electronic Messages	0	-	0	0	-	
Principles on Internet Access and Use for E-commerce	-	-	-	O(Soft)	-	
Digital Inclusion	-	-	O(Soft)	-	-	
Cooperation	0	0	0	0	0	
· Cybersecurity	0	0	0	0	-	
· Financial Technology	-	-	-	-	-	
· Artificial Intelligence	-	-	-	-	-	
· Competition Policy	-	0	-	0	-	

3. Way Forward for Digital Trade for Korea and Vietnam

■ Engage in complementary activities to foster digital trade

- To support the implementation of digital trade provisions, Korea and Vietnam could also consider undertaking complementary activities to foster digital trade.
- Examples of areas across the complementary activities that are relevant for digital trade include facilitating cross-border digital trade, cooperating on broader digital economy and data topics, and fostering digital inclusion.

1) Cross-border Digital Trade Facilitation

- Building Capacity: Build domestic export readiness through targeted capacity building programmes.
- Supporting Innovation: Establish a joint Korea-Vietnam digital trade promotion platform to support greater digital exports.
- Increasing Dialogue: Promote greater consensus on trade digitisation and data exchange systems.

2) Digital Economy and Data

- Increasing Dialogue: Facilitate alignment on cross-border data protection policies.
- Building capacity 1: Facilitate sharing of best practices on digital public infrastructure.
- Building capacity 2: Facilitate knowledge sharing workshops on IP enforcement and protection for enforcement authorities or MSMEs.

3) Digital Inclusion

- Building capacity: Enhance capacity building efforts for MSMEs in cybersecurity to support greater compliance with global standards.
- Supporting Innovation: Explore regional MSME trade financing solutions such as credit information sharing and new types of credit instruments.