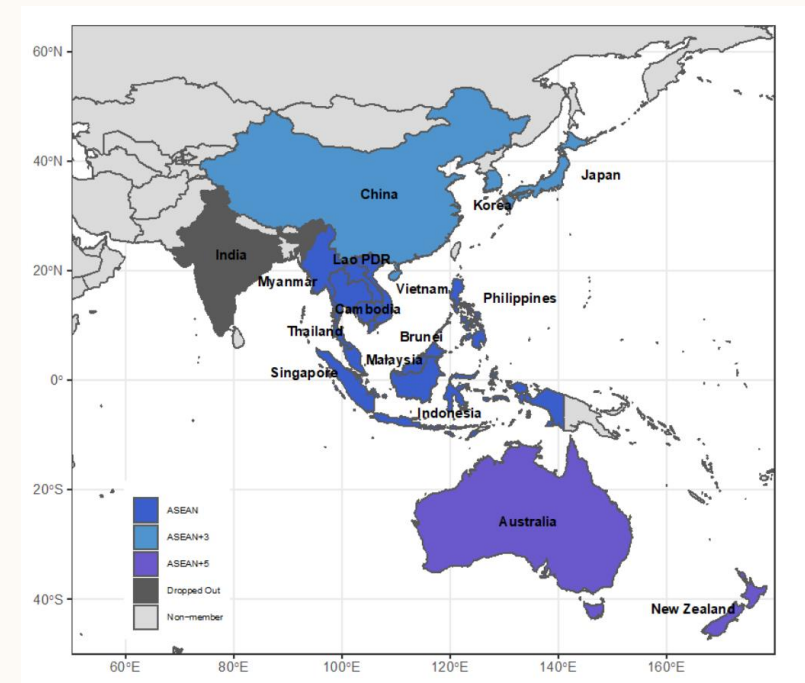


REGIONAL FRAGMENTATION OR INTEGRATION

- Soojong Kwak
- Oct.12, 2023



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1. Introduction
2. Annual Economic Growth
3. Economic Adjustment and Policy Direction
4. Economic Prospects
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1. INTRODUCTION

“Mega-regional” trade agreements in East Asia



2. ECONOMIC GROWTH

ECONOMIC GROWTH



First, Gross Domestic Product (GDP): ROK's GDP has grown significantly over the past few decades. As of 2022, the country's GDP was approximately 1.7342 trillion USD, making it the 13th largest economy in the world. However, recently, it is facing slow down of the economy. IMF expects its 2023 GDP growth rate would be 1.4%



Second, unemployment rate: ROK's unemployment rate has fluctuated over the years, but has generally remained relatively low. In March 2023, the unemployment rate was 2.7%.

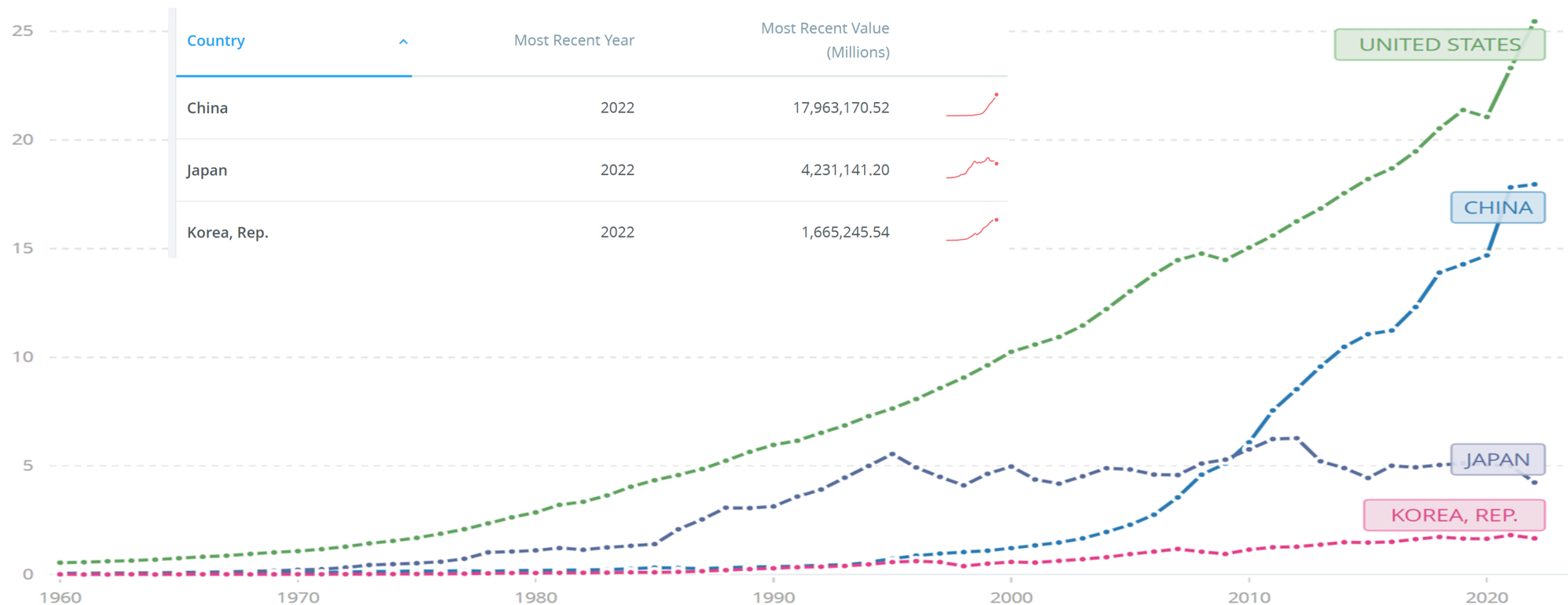


Third, the domestic consumer price inflation rate has continued a noticeable slowdown since the second half of last year, recording 2% in June and July. The core inflation rate also shows a relatively mild decline compared to consumer prices. Nevertheless, the Bank of Korea (BOK) diagnosed a significant level of uncertainty regarding the future direction of prices.

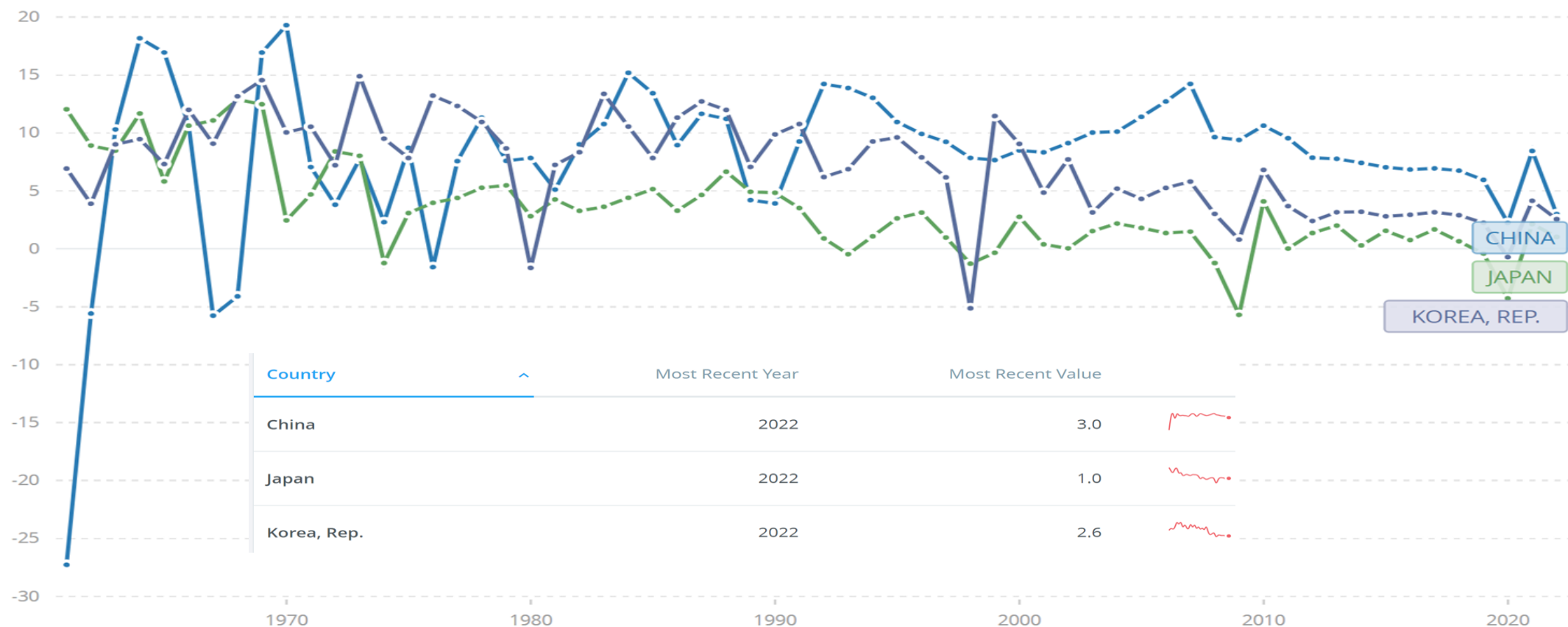


Fourth, Export-oriented economy: The monthly trade balance has been in deficit for 15 consecutive months from March last year to May this year, but it returned to surplus from June. Monthly exports have decreased year-on-year for 12 consecutive months since October last year. This is the longest export decline since December 2018 to January 2020 (14 months). The trade balance in September is also analyzed as a downturn surplus due to a greater decrease in imports than exports.

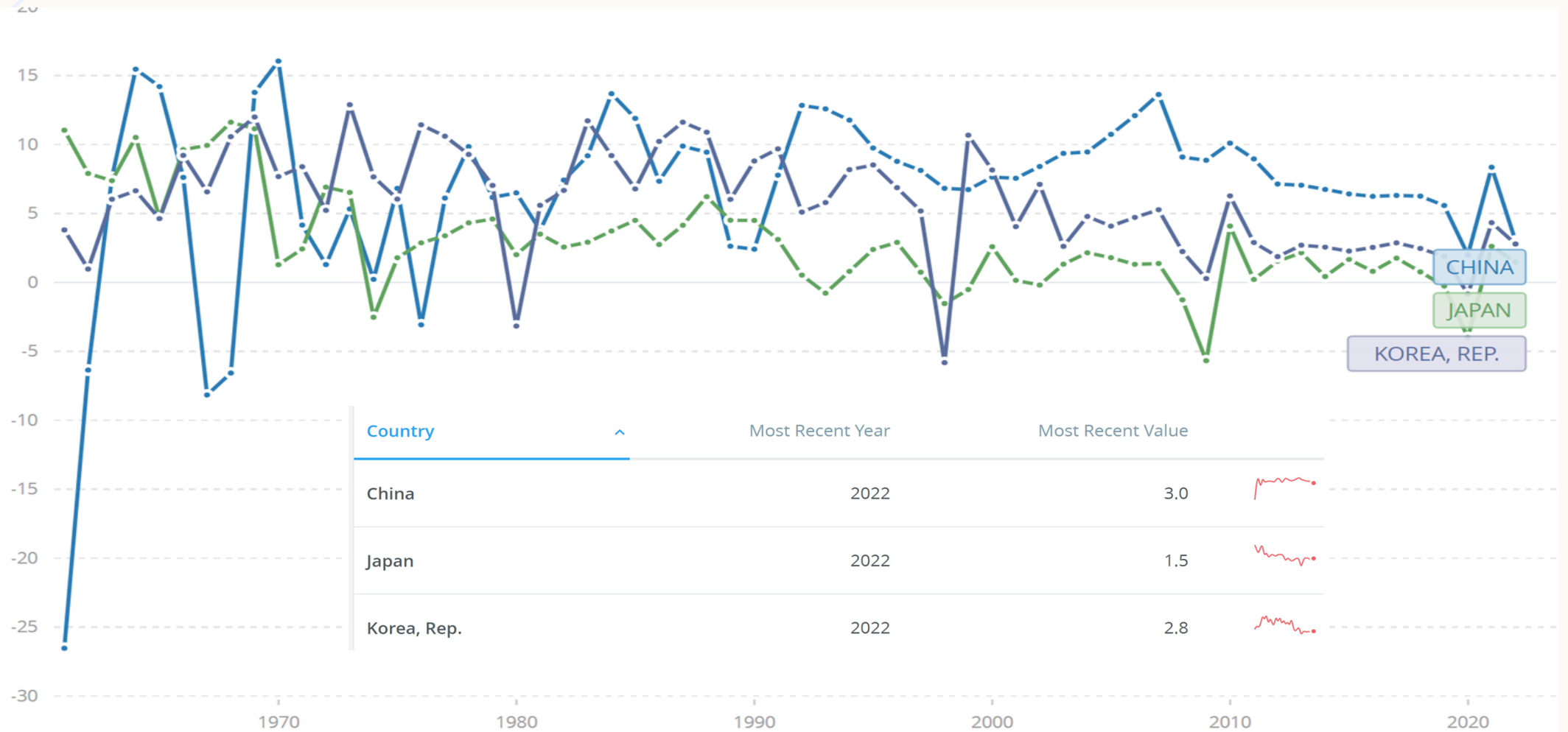
ECONOMIC GROWTH PERFORMANCE



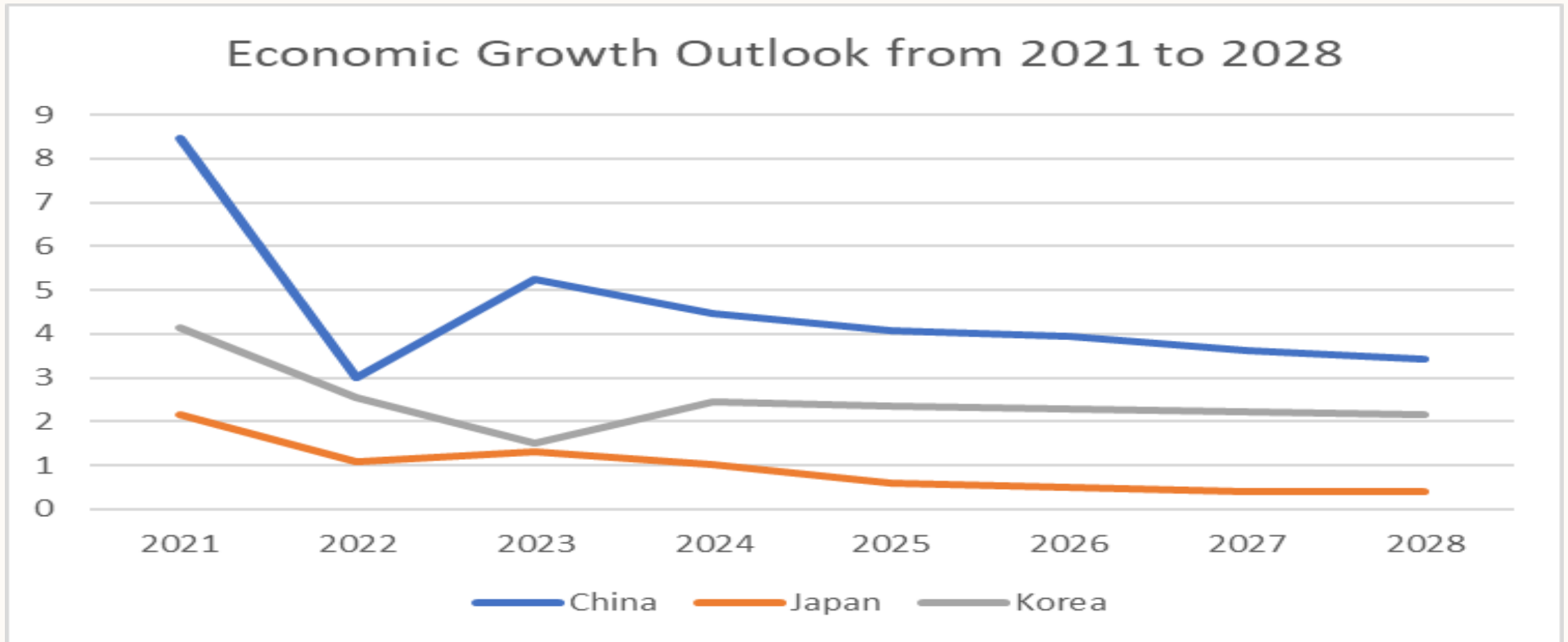
GDP GROWTH (ANNUAL %) - CHINA, JAPAN, KOREA



GDP PER CAPITA GROWTH (ANNUAL %) - CHINA, JAPAN, KOREA



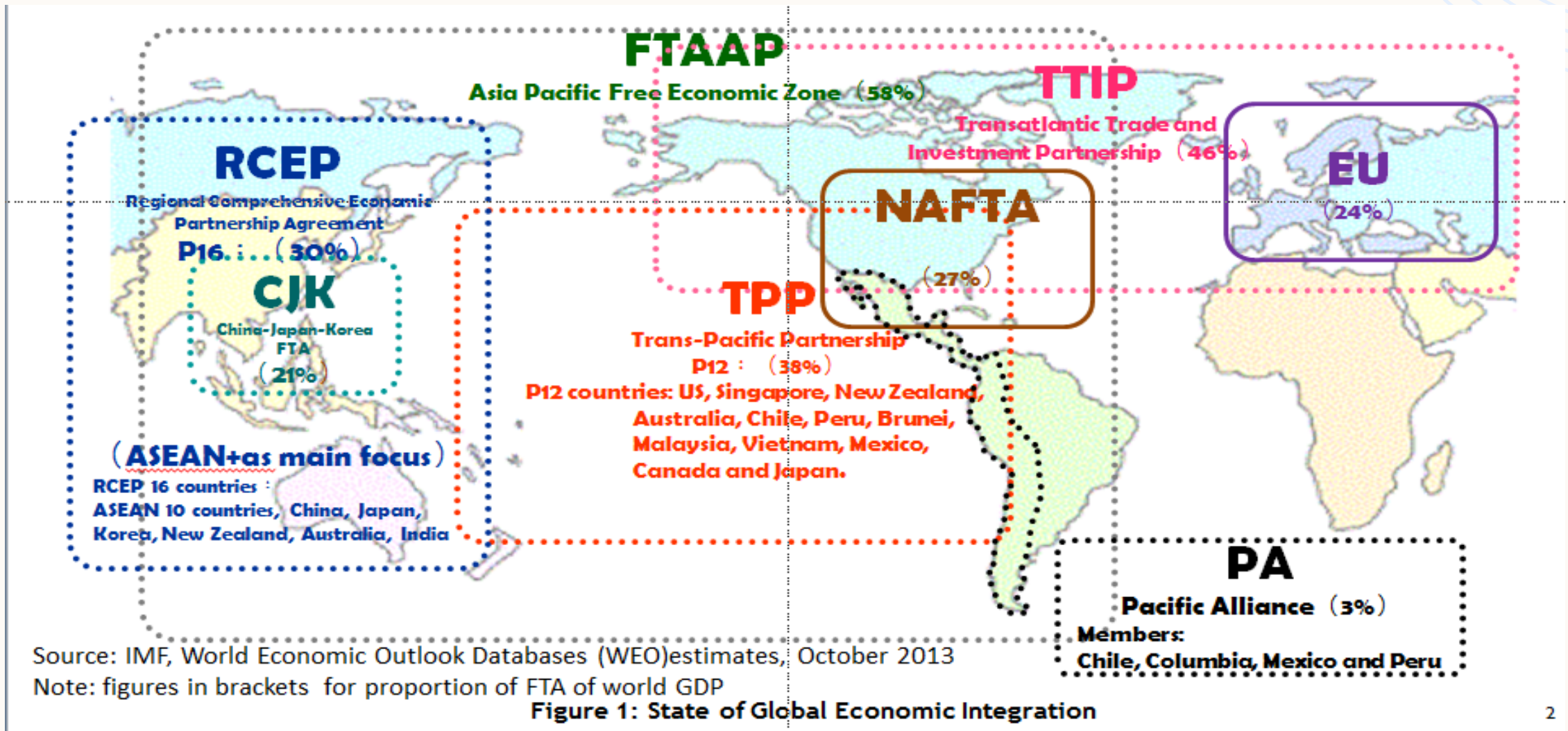
IMF, EGO



3. ECONOMIC ADJUSTMENT AND POLICY DIRECTION

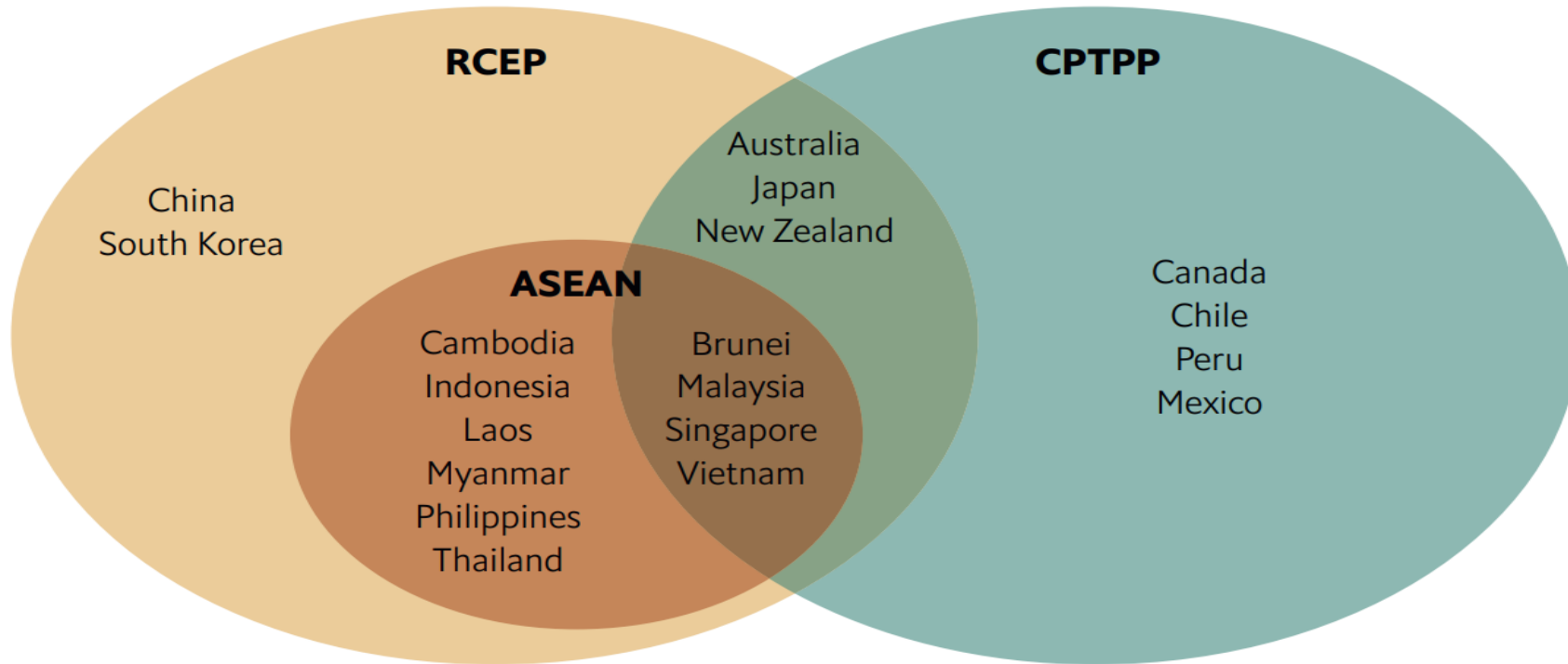
It is a free trade agreement between
ASEAN and +5 countries.

FRAGMENTATION OR INTEGRATION



SET TO STRENGTHEN ASIAN SUPPLY CHAINS ?

Asia-Pacific trade groupings



Source: The Economist Intelligence Unit.

INTEGRATION

- It involves 15 countries – 10 from Asean and 5 countries who are Asean's Free Trade Area (FTA) partners: Australia, China, Japan, Korea, New Zealand
- The 15 countries make up 29.7% of the global population, or 2.2 billion people, and have a combined Gross Domestic Product (GDP) of US\$24.8 trillion (RM101 trillion).

4. ECONOMIC PROSPECTS

RCEP: Asia-Pacific
countries form
world's largest
trading bloc

The Peterson Institute for International Economics estimates the deal could increase global national income by \$186bn annually by 2030 and add 0.2% to the economy of its member states. Some analysts think the deal is likely to benefit China, Japan and South Korea more than other member states.

The existing FTAs can be very complicated to use compared to RCEP. Under RCEP, parts from any member nation would be treated equally, which might give companies in RCEP countries an incentive to look within the trade region for suppliers.

The new free trade bloc will be bigger than both the US-Mexico-Canada Agreement and the European Union.



TRADE AGREEMENTS BETWEEN RCEP MEMBERS

	Australia	China	Japan	Republic of Korea	New Zealand
ASEAN	AANZFTA	ACFTA	AJCEP	AKFTA	AANZFTA
Australia		ChAFTA	JAIPA, CPTTP	KAFTA	ANCERTA, CPTTP
China			-	CKFTA	NZCFTA
Japan				-	CPTTP
Republic of Korea					NZKFTA

WTO

The World Trade Organization (WTO) is not functioning effectively.

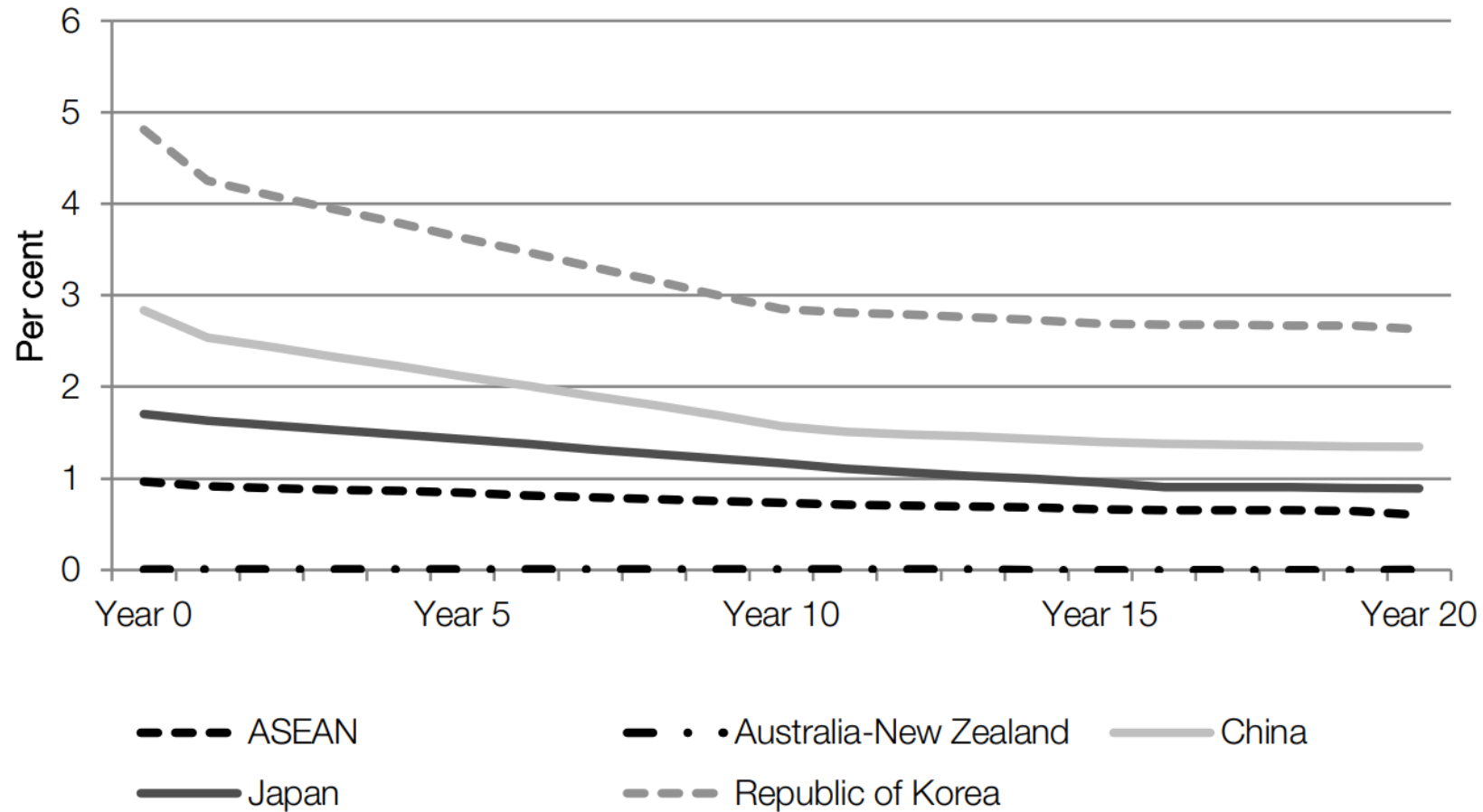
ASIA, THE WORLD'S FACTORY, AND THE RECONSTRUCTION OF ECONOMIC MODELS

AVERAGE EFFECTIVELY APPLIED TARIFFS ON INTRA-RCEP TRADE

	Overall	Agriculture	Natural Resources	Manufacturing
Australia	0.0	0.0	0.0	0.0
Brunei Darussalam	0.0	0.0	0.0	0.0
Cambodia	3.3	0.6	0.0	4.0
China	2.8	6.7	0.4	3.1
Indonesia	0.9	1.0	0.0	1.0
Japan	1.7	10.2	0.0	1.2
Lao People's Democratic Republic	0.2	0.2	0.0	0.2
Myanmar	0.6	0.2	0.0	0.7
Malaysia	0.9	0.1	0.0	1.1
New Zealand	0.0	0.0	0.0	0.0
Philippines	0.7	0.4	0.0	0.8
Republic of Korea	4.8	44.7	0.3	3.1
Singapore	0.0	0.0	0.0	0.0
Thailand	1.7	1.0	0.0	2.0
Viet Nam	1.2	1.1	0.1	1.3

Source: Author's calculation based on UNCTAD TRAINS. Note: tariffs are trade weighted averages and include preferences from existing trade agreements.

AVERAGE TARIFFS ON INTRA-RCEP TRADE DURING 20YEAR IMPLEMENTATION



Source: Author's calculation based on the Annex I "Schedules of Tariff Commitments" of the RCEP agreement.

Note: tariffs are trade weighed

ECONOMIC AND TRADE-RELATED CHARACTERISTICS OF RCEP PARTIES AS OF 2021

Country	GDP	Total trade	PTAs	BITs	PTA with EU	CPTPP member	Income level
Australia	1450.50	492.57	22	15	no	yes	High Income
Brunei	14.01	12.14	11	6	no	yes	High Income
Cambodia	20.92	35.42	6	16	no	no	Lower Middle Income
China	11537.48	4577.84	18	107	no	no	Upper Middle Income
Indonesia	1204.48	338.96	15	25	no	no	Lower Middle Income
Japan	6210.70	1426.52	18	29	yes	yes	High Income
Laos	13.20	12.02	10	21	no	no	Lower Middle Income
Malaysia	398.95	443.19	19	54	no	yes	Upper Middle Income
Myanmar	86.93	36.72	6	8	no	no	Lower Middle Income
New Zealand	191.73	81.88	17	2	no	yes	High Income
Philippines	360.86	183.84	12	32	no	no	Lower Middle Income
Singapore	335.54	750.03	27	38	yes	yes	High Income
Vietnam	200.86	518.18	15	48	no	yes	Lower Middle Income
South Korea	1482.76	1045.58	21	89	yes	no	High Income
Thailand	452.67	482.53	15	36	no	no	Upper Middle Income

Notes: GDP and trade are in billions of United States Dollars (USD). GDP, trade, and income level from the World Bank's World Development Indicators 2019. Information on Trade Agreements are from the Design of Trade Agreements (DESTA) data (Dür et al., 2014). Information on bilateral investment treaties (BITs) is from the Electronic Database of Investment Treaties (EDIT) (Alschner et al., 2021). Only BITs in force included. Income levels are based on standard World Bank categorization.

Source: Policy Department for External Relations Directorate General for External Policies of the Union

REVISITING DAVID RICARDO

**THE TARIFF REDUCTIONS BETWEEN CHINA, JAPAN
AND SOUTH KOREA ARE MORE SIGNIFICANT,
ALTHOUGH THESE SCHEDULES WILL BE
INTRODUCED GRADUALLY AND WILL
EXTEND INTO THE LATE 2020S**

REFER TO THE DEVELOPMENT OF THE EU

The political and economic integration organization of 27 European countries is collectively referred to as the 'European Union (EU)'.



It originated from the European Economic Community (EEC) established by the signing of the Treaty of Rome in March 1957.



In 1965, the European Economic Community merged with the European Coal and Steel Community and the European Atomic Energy Community, forming the 'European Communities (EC)' which encompassed the three communities.



Then, in accordance with the Maastricht Treaty, which came into effect in November 1993, it was renamed the European Union (EU).



Since then, additional member countries have joined, and several treaty revisions have taken place. With the implementation of Brexit, the declaration of the United Kingdom's withdrawal from the European Union in January 2021, it consists of 27 member countries.

VISION 2050



- Before and After: Scale, Scope & Density
- Back to the Future, Asian versus Caucasian race
- Promote the Homogeneity as well as the Heterogeneity in terms of overall size, level of development, economic structures, and resources
- Comprehensive as well as Specific roles of the High, the middle and the low income
- E-Commerce & I 4.0
- Regional Key Currency issues, CBDC, ACB, etc
- Philosophy, Education, Migration and Assimilation

5. POLICY RECOMMENDATION FOR REGIONAL ECONOMIC INTEGRATION



Firstly, the development of philosophy and ideology must establish the logic of history, economic growth and distributive justice.



Secondly, there should be empathy and consensus formation regarding production, mobility, and assimilation.



Thirdly, stability, efficiency, and reliability in the supply chain and demand market, which are sufficient conditions for industrial development and economic growth, should be established.



Fourthly, the establishment of the institute of mutual respect and cooperative mechanisms for economic policies and systems is necessary.



THANK YOU

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