

# Japan-China-Korea Economic Integration in Pluri-lateral Context

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# *Outline*

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- ▶ China-Japan-Korea (CJK) integration in Mega (Plurilateral) pacts
- ▶ Specific issues for CJK:
  - (1) WTO+
  - (2) WTO extra
  - (3) Data trade
- ▶ Data trade issues for CJK
- ▶ Conclusion

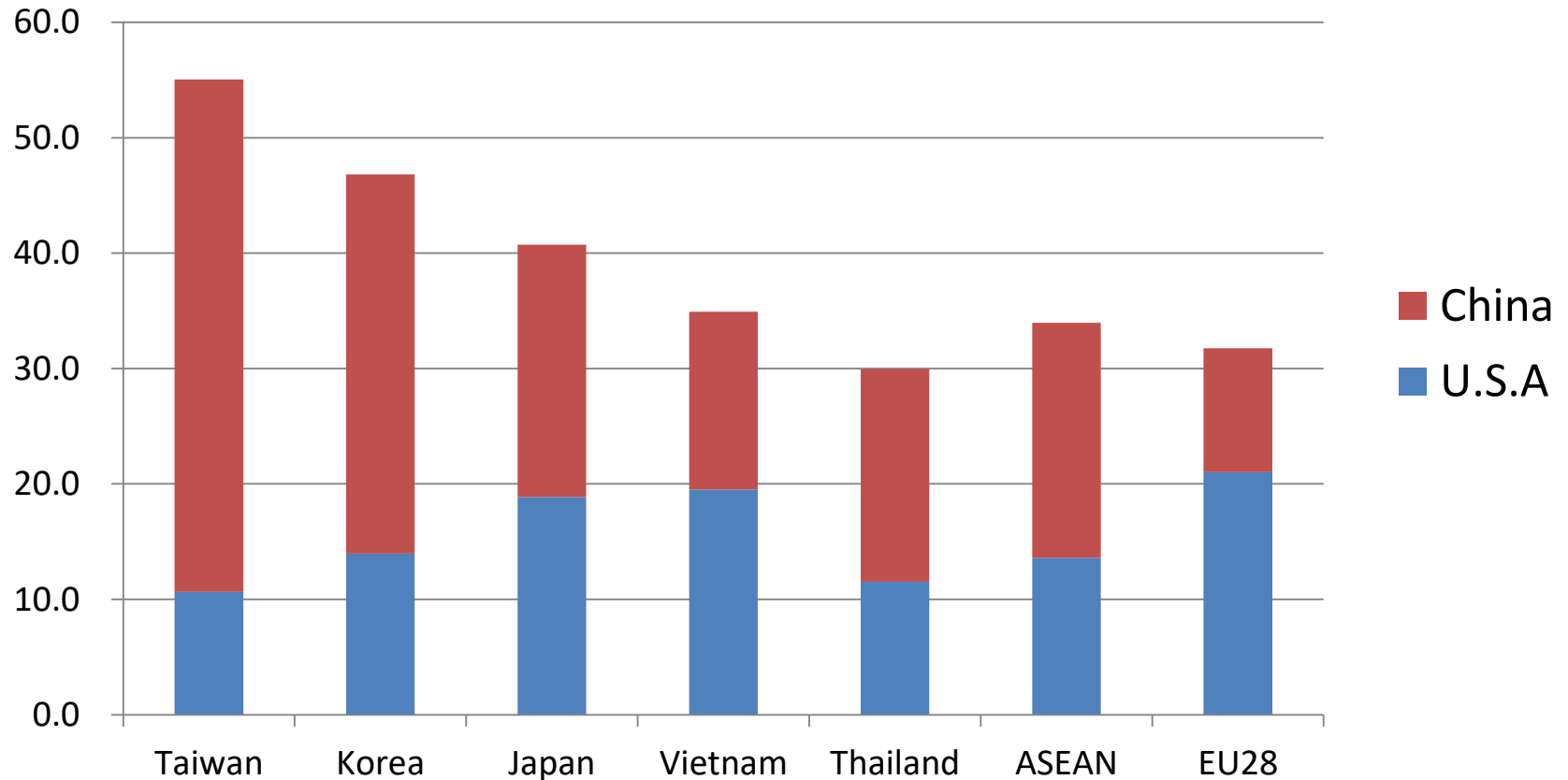
# Questions for JCK in Mega FTAs

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- ▶ Passive integration in Pluri-lateral context, or Positive, independent and strategic integration?
- ▶ What are the common interests: The interface with the growth strategies now?
- ▶ How to protect GVC in the U.S.-China trade war? (Industrial adjustment mechanism in the market?)
- ▶ How to mitigate sovereignty problems?

# Domestic Value Added in Gross Export for the U.S. and China

(%)(Source:TiVA, 2016)



# Specific issues for JCK

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- ▶ WTO plus: Tariffs, Facilitation, SPS, SoE, Government procurement
- ▶ WTO extra: Competition policies, Environment, IPR protection, Investment
- ▶ New: Data trade and “TPP-3”, Capital/Service sector regulations (ex. Cryptocurrency)
- ▶ Political issues: Hong Kong and Taiwan

# CJK in other Plurilateral pacts

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- ▶ China: Hardware orientation but the initiative for E-commerce and Telecom
- ▶ Korea: Common interests with Japan, Pluri-pacts for overcoming nationalism

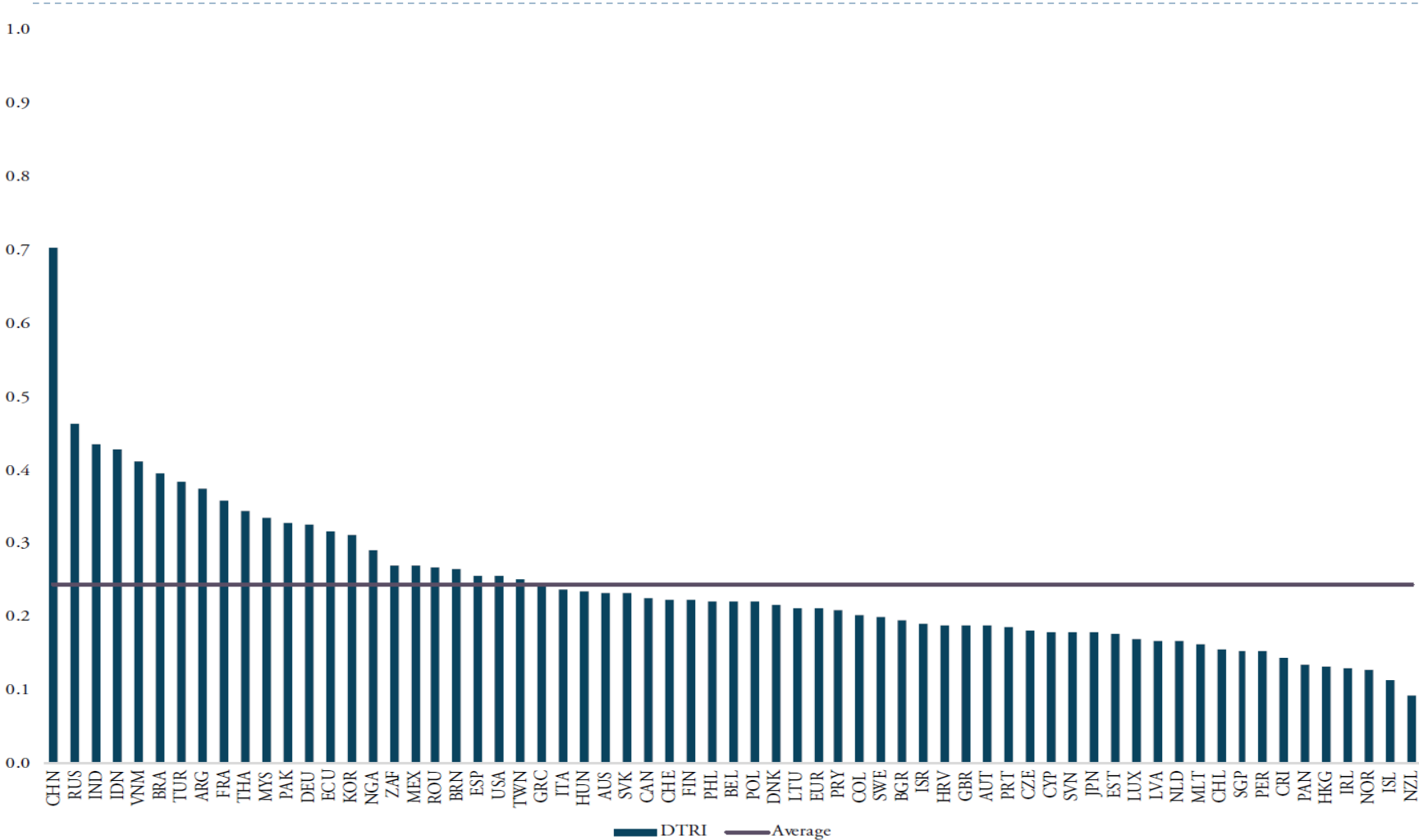
	Japan	China	Korea
GPA	○	△	○
ITA	○	○	○
TiSA	○	×	○
ACTA	○	×	○

# Digital Economies in JCK

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- ▶ Korea for ICT (Communication/ Matching services), Japan for IT (AI, Robots, Big Data and IoT) but China tries both
- ▶ China for B to C, C to C (E-Commerce, Transportation, Settlement and Fintech....), but Japan for B to B (IoT, CASE) , Korea??
- ▶ China's Business seeds/ free environment: Solution-oriented services, Smaller legacy cost in regulations, Entrepreneurship for start-ups, Young customers for new technologies
- ▶ The flat world: Different from “catch-up” period in industrialization (Interactive innovation)
- ▶ End of “export-oriented” growth for Korea? Or coming back of “Infant industry protection”?

# Digital Trade Restrictive Index (DTRI)



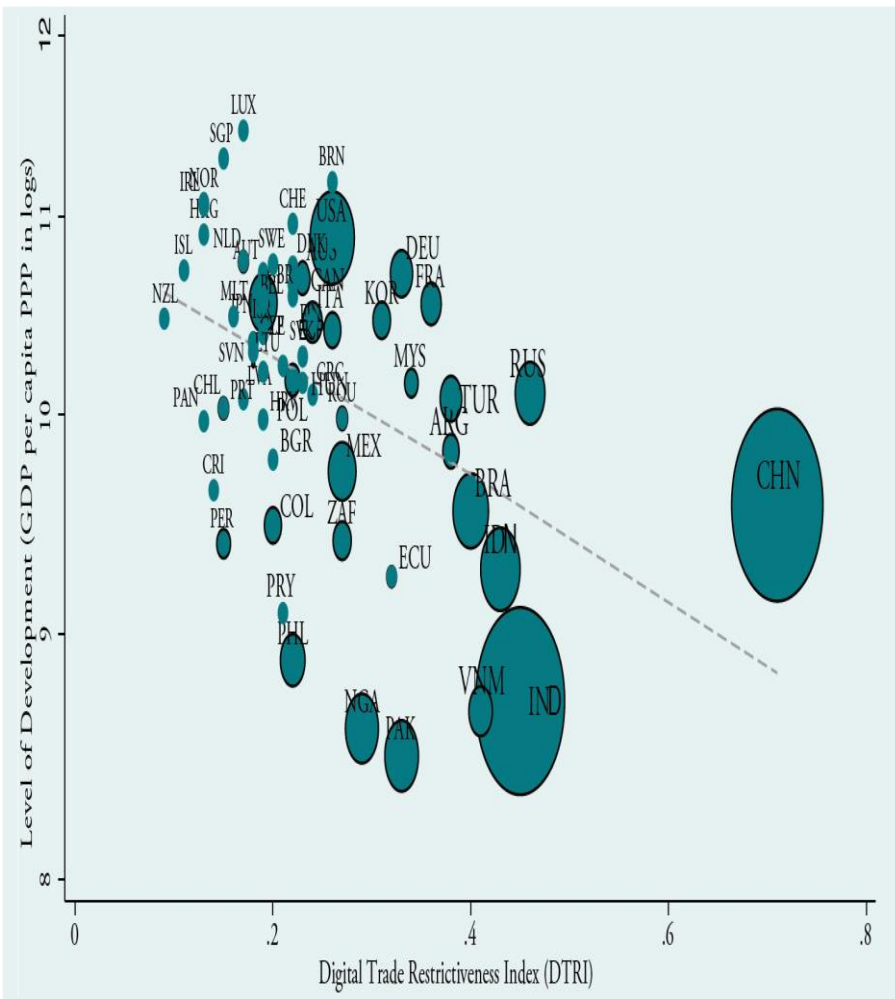
Source: ECIPE.



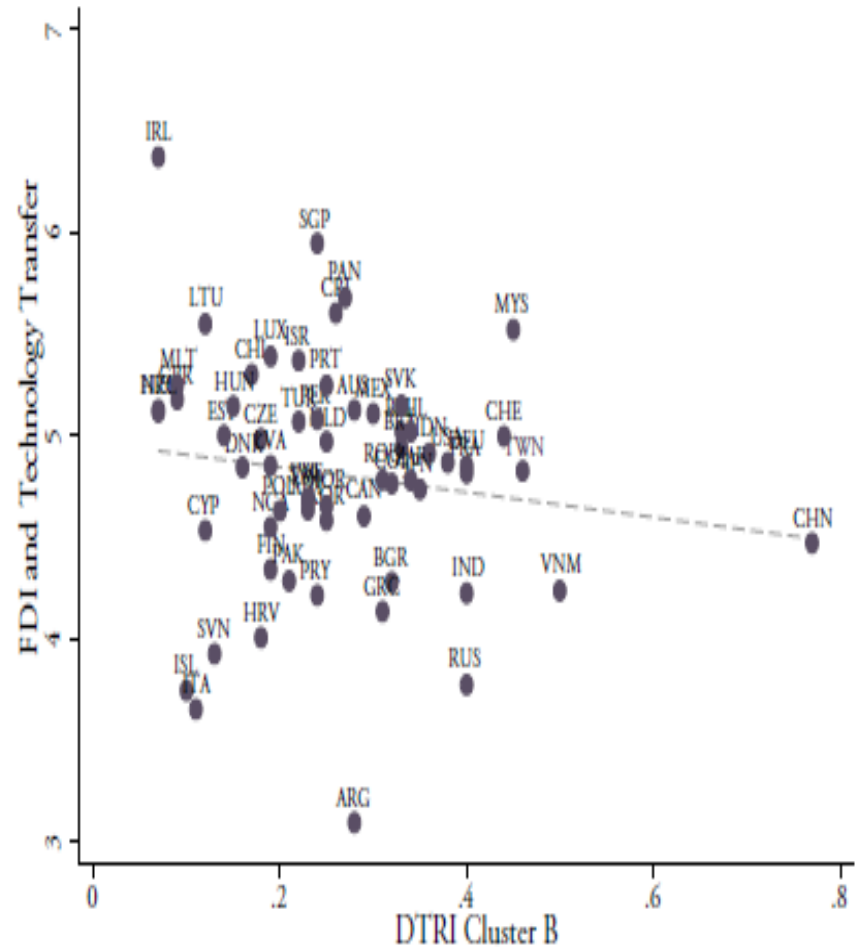
# China as the single outlier

(Source: Same as Figure 1.)

## DTRI and development



## FDI and Technology transfer



# Policy discussions for Data flows

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- ▶ Data flow rules based on trades in goods:
  - (1) No tariffs/ Restrictions (including NTB, Trade related services, Standardization) and Facilitation → *Free flows*
  - (2) Complementary policies to cover market failures (Externalities, Public goods, Economy of scale, Imperfect competition, information asymmetry...) → *Consumer protection, IPR protection, Competition policies*
  - (3) Non-economic values (Public health, Environment, Security...) → *Data/ Privacy protection, Cybersecurity*
  - (4) Internal/ External adjustment → *Taxation, Settlement, Information opening measures for platformers*

# Discussion 1: Is data the same as goods in nature?

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- ▶ The policy balance of (1) to (4) should be/ could be the same? : Principle (1) + Complementary (2), (3), (4)
  - “Comparative advantage” exists in data trade or data-driven business/ services?
  - How to “re-design” FDI and service liberalization? (Conventional Modes or “National treatment” will work?)
    - China + (Large) developing economies vs. Matured economies (Different regulations framework based on security vs. privacy)
- ☞ *Flexible rules feeding back the technology changes?*
- ☞ *Multi or Pluri-lateral approach?: EU, CPTPP, USMCA.....*

# Discussion 2: How to deal with China?

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- ▶ Privacy protection: 8 principles for privacy protection (OECD), General Data Protection Regulation (GDPR by EU), Cross Border Privacy Rules (APEC, but only 6 participants)
- ▶ Data localization control: Asymmetric relation (China (Restriction on personal and “crucial” data) vs. U.S./ Japan (Free))
- ▶ Security standard and Source code opening requirement: Market power as the leverage (China vs. Matured economies)
- ▶ Competition policies against the mega platform firms: Incentives for “the rest” for infant industry protection (China vs. “The rest”)
  - What will motivate China to join/ lead the global rules?
  - Relations with WTO reforms? (Reforming S&D status?)

## Discussions 3: Liberalization and cooperation among JCK for Asia?

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- ▶ IT/ ICT capacity building: Narrowing the gap between China and “the rest”
- ▶ FDI/ service sector liberalization for data driven business: Protection and incentives for different categories (B to B, B to C, C to C....)
- ▶ Targeted cooperation for social business for credit building? (Beyond E-commerce: Environment, Medical service, Nursing care, Education....)
- ▶ Data pool/ archives for evidence-based policies and data-driven social business

# Conclusion

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- ▶ Mega/ Pluri-lateral pacts works for JCK
- ▶ Emerging issue for JCK (1) : Still under the de-route approach, or independent approach?
- ▶ (2): Promoting globalization of China in Plurilateral pacts
- ▶ (3): Tackling Data trade and other new issues related the growth strategies