New Opportunities for Advancing Regional Economic Integration in East Asia

Chulsu Kim
Institute for Trade and investment (ITI)

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1. East Asian FTAs

- As of July 2011
  - 167 Concluded
  - 87 Under negotiation
  - 83 Proposed
    (ADB Database)

- Region-wide FTAs have been under discussion.
  - EAFTA (East Asian Economic Integration)
  - CEPEA (Comprehensive Economic Partnership in East Asia)
  - TPP (Trans-Pacific Partnership)
  - Korea-China-Japan FTA
2. Korea-EU FTA

- Implemented in July 2011.
- FTA with the largest economy in the world.
- Significant economic impact as comprehensive and high level of liberalization.
- Also likely to impact upon the dynamics of the on-going economic integration of East Asia.
3. Impending Ratification of Korea-U.S. FTA

- Impact of Korea-EU FTA to be magnified by Korea-U.S. FTA.
- Korea-U.S. FTA seems to stand a good chance of passing the Korean and the U.S. legislatures within this year.
- Korea will soon have FTAs with the two largest economies in the world, the EU and the U.S.
- The EU and the U.S. are also important trading partners of other East Asian economies.
4. Impact on East Asian Economic Integration

- Two FTAs have competitiveness and trade diversion implications for other East Asian countries.

- Some might seek new FTAs, or try to accelerate FTAs with Korea, the EU or the U.S.

- Impact may be most immediate in Northeast Asia.

- The process of Korea-China, Korea-Japan FTAs will be expedited.
5. Economic Integration in Northeast Asia

- As preponderant economies in East Asia, trilateral FTA among Korea, China and Japan will have significant impact on nature and architecture of East Asian economic integration.

- The chances for beginning and resuming Korea-China and Korea-Japan FTAs have improved.

- Likelihood of launching China and Japan FTA is still limited.

- Northeast Asian economic integration by way of bilateral FTAs between three countries is therefore difficult.
6. Trilateral FTA in Northeast Asia (1)

- Discussed since 2008 among Leaders of Korea, China and Japan
- Joint study is mandated to be completed in 2011.
- Trilateral Cooperation Secretariat was established in Korea in September this year.
- Expected that Leaders will make a decision on how to proceed soon.
7. Trilateral FTA in Northeast Asia (2)

- May be more complex and difficult to negotiate than bilateral FTAs.

- Under trilateral FTA, however, three countries could better avoid non-economic issues such as historical legacies, territorial disputes and the regional rivalries.

- Negotiations could proceed more on economic issues in trilateral context.

- Also, sensitive issues such as agriculture could be better diffused through give and take among the three countries.
8. Conclusion

- Trilateral FTA among Korea, China and Japan is a key step toward wider regional integration such as EAFTA, CEPEA and TPP.

- Will also help overcome the rivalry, tensions and confrontations among the three countries.

- Makes good sense, economically and otherwise, to launch trilateral FTA negotiations soon.

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