

New Opportunities for Advancing Regional Economic Integration in East Asia

**Chulsu Kim
Institute for Trade and investment (ITI)**

October 12, 2011

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.

-End-