

International Symposium
“*FTAs as a Growth Strategy for Asia*”

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Session 2:

Changes in the Political and Economic Environment Which Affect FTAs in Asia

Presenter:

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a. Overview: Analysis and assessment of factors influencing FTAs and other free trade systems

A) FTAs tend to generate the Domino effect.

Evidences

- 1) China-ASEAN FTA negotiations provoked Japan’s approach to ASEAN for Japan-ASEAN FTA
- 2) Korea-EU FTA provoked Japan to approach the EU for Japan-EU FTA
- 3) Japan’s indication of its interest in joining TPP negotiations prompted China to agree to launch negotiations for CJK FTA
- 4) Japan’s indication of its interest in joining TPP negotiations prompted the EU to agree to launch Japan-EU FTA negotiations.

B) Political tensions discourage FTA negotiations.

Evidences

- 1) Territorial issues between Japan and China delayed the launching of the CJK negotiations
- 2) Territorial and historical issues between Japan and Korea delayed the restarting of the Japan-Korea FTA negotiations as well as the CJK FTA negotiations.

b. Focused discussions

i. Impact of the EU currency crisis on the economy of the Asia-Pacific region

Negative impacts of the EU currency crisis on the Asian economies encouraged cooperation among the Asian economies, in order to reduce their economic dependence on the EU and to increase intra-regional dependence in Asia. To meet this objective, East Asian countries have increased their interest in establishing a region-wide FTA, that is, RCEP.

ii. How to evaluate the impact of recessionary fears on the global economy and on the economy of the Asia-Pacific region

Recessionary fears in developed countries, i.e. the EU, the US, and Japan, have been reduced, thanks to appropriate policies adopted by these countries, although possibility of economic problems, either recession or stagflation, still remains. With an improved future economic outlook of the developed regions, future prospects of developing Asia-Pacific economies have turned favorable.

iii. How to evaluate the impact of recent changes in the international political situation involving Japan, China, and South Korea on trade and the economy

The impacts of recent changes in the international political situation involving Japan, China, and South Korea on trade and economy are very negative for the three countries. Goods' trade, service trade (particularly tourism), and foreign direct investment declined between Japan and China declined. Bilateral trade between China and Japan declined by 3.4% in 2012 from the previous year (according to China's customs). Japan's FDI to China in October 2012 declined by 32.4% from the previous year. The number of Chinese tourists to Japan declined by 34.2% in December 2012 from the previous year. Surrounding countries gained benefits. Japan's FDI to countries such as Vietnam increased, as many Japanese MNCs have shifted their FDI from China to neighboring countries. Chinese and Japanese tourists to Thailand and other Southeast Asian countries increased sharply.