



## Talking Points

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1. Bilateral or plural-lateral FTAs are normally concluded among like-minded countries in terms of trade regime and economic management, let alone political system.
2. The question of assessing who wins or loses via free trade deals on a national level cannot be answered based on a few years impacts. Its full evaluation requires a long term passage of years after effectuation of any FTAs. However, on a micro-sector level such as agricultural sector or autos, one might be able to say winners and losers by looking at the depth and coverage of concessions stipulated under free trade deals.
3. In the absence of formal effectuation of any FTA deals among CJK yet, potential impacts therefrom must be assessed in terms of East Asian, Asia Pacific integration efforts, and WTO perspectives.
4. Since the Asian financial crisis, East Asian economies, basically ASEAN plus China, Japan, Korea has developed a concept of "East Asian Identity" by developing CMI and ABMI to avoid recurrence of financial contagion triggered by extra-regional shocks.
5. East Asia has not fully utilized its in-born potential for regional cooperation compared to the regional integration efforts achieved in the EU and NAFTA. The underutilization is clear from the fact the intra-regional trade ratio of East Asia has remained far lower than that of the EU and NAFTA. However, it is increasingly clear that East Asian economic dynamism has led world growth by a remarkable growth of emerging East Asia.
6. CJK's respective FTA strategy could be analyzed from three different perspectives: a) how economic and political hegemonic rivalry between China and Japan and for that matter between the U.D. and China evolves, b) how the U.S. crafts its pivot to Asia policy, and c) how Korea map out its trade strategy while taking into consideration its economic benefit and cost and Korea's unification agenda.

**7.** The economic landscape of the Asia-Pacific rim appears to be undergoing a rapid transition due to two ongoing, intra-regional, mega economic-bloc movements, namely the U.S. anchored TPP and China and ASEAN-led RCEP. The U.S.-anchored TPP has been designed to create jobs and serves as the economic plank of a U.S. "pivot" to Asia aimed at neutralizing the rise of China. From the onset of the talks in March 2010, TPP countries have sought to craft a "21st century" trade pact. Their goal is to make it comprehensive in scope, covering policies including a new set of trade rules that affect trade and investment in goods and services.

**8.** The RCEP is being negotiated by the ASEAN + C-J-K + Australia, India and New Zealand. ASEAN triggered the RCEP initiative after having bilateral FTAs with six other nations. China became very enthusiastic about the RCEP after seeing the TPP become enlarged and robust by U.S. leadership. China appears to pursue RCEP a counterweight against TPP.

**9.** While the TPP and RCEP might contain geopolitical objectives, their goals are different. The TPP aimed to create the next generation of trade rules, while the RCEP was trying to construct a unified market. The TPP and RCEP have their critics, but it is desired that they will pave the way for more comprehensive trade arrangements down the road in Asia. Eventually, they need to serve as building blocks toward a conclusion of the stalled Doha Round under the WTO and Free Trade Area of the Asia-Pacific (FTAAP). Both mega deals need to be crafted in an open regionalism in the Asia-Pacific.

**10.** However, the U.S. and China at the moment appear to race toward a conclusion of the mega-trade deals to balance each other economically and politically in the Asia Pacific region.

**11.** All the negotiating members, except India, of both the TPP and RCEP contain an intersection of seven economies and constitute the Asia-Pacific Economic Cooperation (APEC) entity. This body envisions a free trade-oriented Asia-Pacific community. In 1994, all the APEC leaders at Bogor, Indonesia adopted the Bogor goals, which aim for free and open trade and investment in the Asia-Pacific by 2010 for developed economies and by 2020 for developing economies. Although the APEC process has been slow, the U.S., China and Japan have been committed to APEC's goal, creating specifically a Free Trade Area of the Asia-Pacific.

**12.** A hegemonic rivalry view between the U.S. and China can be muted, given the fact that some Chinese opinion leaders expressed their interest in joining the TPP down the road and the U.S. also welcomes China's entry to the TPP when China is ready to join by meeting a basic entry standard. In recent years, China and the U.S. have become increasingly interlocked in terms of trade and China's purchase of the lion's share of U.S. treasury bills. The more the U.S. and China

play a zero-sum hostile game for the sake of hegemonic leadership, the more unlikely it is that the APEC goals in the Asia-Pacific rim economies will be realized.

**13.** It was formally announced on November 10, 2014 at a side line of the APEC leaders meeting in Beijing that Korea and China concluded an FTA deals while addresses liberalization in services, investment, origin, SPS, TBT, IPR, e-commerce, etc. While pursuing the bilateral FTA with China, Korea considered the fact that China is Korea's number one trading partner, bigger than Korea's combined trade volume with the U.S. and Japan, and most favored destination for outbound foreign direct investment. China is also a strategic and influential partner of Korea's security policy against North Korea for the prevention of its nuclear ambitions.

**14.** Through Korea-China FTA, China can establish a foothold to reinforce economic leverage against the U.S. in the Asia-Pacific region. China is likely to use the trade pact to gain momentum for early conclusion of RCEP. The Korea-China FTA might also provide a new momentum for CJK FTA. With Korea-China FTA, Korea could help facilitate a convergence process of the two mega trade deals by ensuring a strict implementation of trade rules.

**15.** Korea was also invited to join the TPP by the U.S. after the conclusion of the KORUS FTA. Given these various integration paths, Korea should have joined as a TPP founding member for not only its own national interest, but also the eventual integration of the TPP and RCEP toward the FTAAP.

**16.** Korea-China FTA should ensure an enforcement of IPR, labor standard, transparency of SOEs, investor protection, etc. To the extent that Korea and China have succeeded in upgrading both countries' economic system, especially China's market economic system on a level playing field, it would be beneficial for every country, including the U.S., which has deep trade and investment linkages with China. A more transparent market system of the Chinese economy would help lead China to join the TPP down the road. Although very slow in progress, the C-J-K FTA can also contribute new momentum for Asia-Pacific trade liberalization once it gains momentum to move forward.

**17.** Korea also expressed its interest in joining TPP and is now having consultation with individual "founding member country." Korea has already established effective bilateral FTAs or concluded bilateral FTAs with major economies of TPP except Japan. Therefore, Korea's interest in joining TPP would be the market opening of Japan's service sector, including government procurement and NTB matters. If the U.S. succeeds in liberalizing further Japan's "so called" sensitive sectors, such as agricultural products, service sectors including the government market and NTBs, it would be a good incentive for Korea to join the TPP more aggressively.

- 18.** Even in the absence of formal trilateral FTA, CJK needs to pursue an active cross-border FDI flows to strengthen on-going supply chains to strengthen their status as global manufacturing power house.
- 19.** CJK need to work out a peaceful resolution of the history issues and territorial disputes to build up mutual trust each other.
- 20.** Intra-regional tourism must be encouraged via an early version of open sky agreement and expanding low cost carrier flight and routes.
- 21.** The proposed AIIB needs to be institutionalized by following global standard in terms of its governance, equity shares, and transparency. It should also focus more on public infrastructures in entire Asia including Northeast Asia to attract more members.