

# Consolidating Sub-Regional initiatives The EAFTA as Catalyst

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# **C**ontents

**1/ Region-wide FTA in East Asia**

**2/ Economic Integration in Northeast Asia**

**3/ Korea's Position on Regional Economic Integration**

- ◆ **Economic benefits**
- ◆ **High level of economic dependency among East Asian countries\***
- ◆ **Spaghetti bowl phenomenon (overlapping or incompatible rules of origin requirements)**
- ◆ **Need for a larger intra-regional market after the global financial crisis**
- ◆ **Means to overcome the global imbalance**

# I-1-1 The Share of Intra-regional Trade among East Asian Countries

(Unit: %)

	ASEAN+3	
	1990	2010
<b>Brunei</b>	81.7	78.8
<b>Cambodia</b>	68.6	39.7
<b>Indonesia</b>	51.6	58.4
<b>Lao PDR</b>	85.7	84.2
<b>Malaysia</b>	49.6	54.6
<b>Myanmar</b>	58.7	81.4
<b>Philippines</b>	32.8	54.4
<b>Singapore</b>	39.5	48.9
<b>Thailand</b>	42.6	50.4
<b>Vietnam</b>	27.8	54.6
<b>China</b>	21.3	26.8
<b>Japan</b>	21.2	41.5
<b>Korea</b>	29.1	42.2
<b>East Asia</b>	28.6	42.2

Source: Calculated from IMF (2009, 2011), Direction of Trade Statistics.

- ❖ **Diversity among East Asian countries\***
- ❖ **Existence of sensitive sectors and products in East Asian countries**
- ❖ **Political and administrative burdens**
- ❖ **Additional benefits for ASEAN countries unclear**
- ❖ **Conflicts of interests among China, Japan and Korea**
- ❖ **EAFTA vs. CEPEA**

## I-2-1 Diversity among East Asian Countries

(As of 2010)

	Population (Millions)	GDP (Billions of USD)	Per Capita GNI (USD)
<b>Brunei</b>	0.4	13.0	32,647.6
<b>Cambodia</b>	14.1	11.3	684.3
<b>Indonesia</b>	239.9	707.4	2,611.5
<b>Lao PDR</b>	6.2	6.5	1,005.4
<b>Malaysia</b>	28.4	237.8	8,083.0
<b>Myanmar</b>	48.0	42.0	876.2
<b>Philippines</b>	93.3	199.6	2,851.5
<b>Singapore</b>	5.1	222.7	42,165.1
<b>Thailand</b>	69.1	318.8	4,413.8
<b>Vietnam</b>	87.8	103.9	1,144.6
<b>China</b>	1,318.2	5,739.4	4,529.4
<b>Japan</b>	126.5	5,458.9	44,268.5
<b>Korea</b>	48.2	1,014.4	21,057.9
<b>ASEAN</b>	592.3	1,863.1	3,061.0
<b>CJK</b>	1,492.9	12,212.6	8,431.1

Sources: UN National Accounts [online].

### Given conditions

- Growing and urgent needs for a region-wide FTA in East Asia
- Existence of various obstacles

### Options for the region-wide FTA

- Ideal option: a high quality FTA among many regional countries (members)
- Realistic option: starting with an FTA which could be realized in the near future
  - Starting with a trilateral FTA (among China, Japan and Korea)
    - ⇒ FTA among ASEAN+3 countries
    - ⇒ FTA with ASEAN+3 countries plus Australia, New Zealand and India
  - Pursuing a European-style of economic integration(financial & capital market integration)





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# II-1 Economic Integration in Northeast Asia: Functional Integration

## Functional economic integration

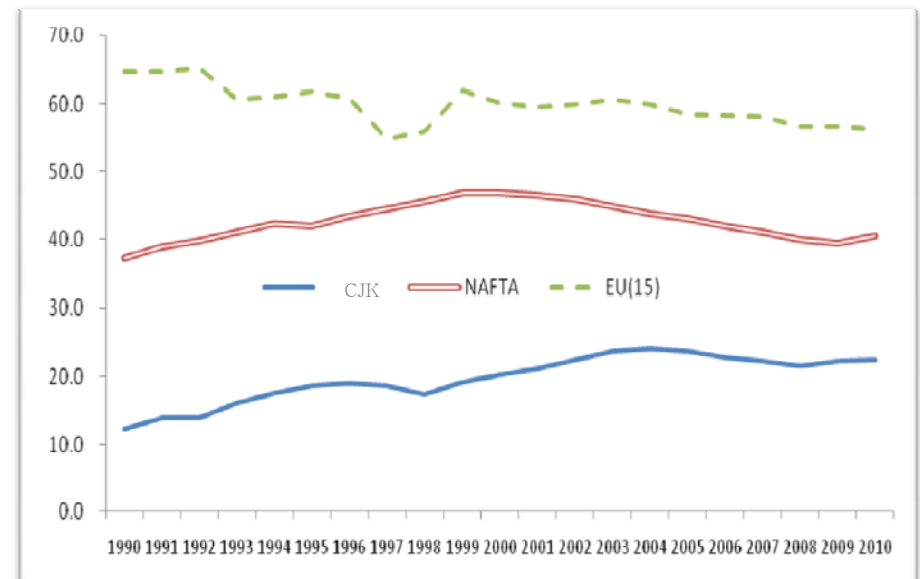
- No FTA between China, Japan and Korea
- The intra-regional trade dependence between China, Japan and Korea has been important and, in general, on the rise (market-driven integration).

### Snapshot of C·J·K and Major Economic Blocs(2010)

	Population (100million, %)	GDP (trillion, %)	Trade (trillion, %)
CJK	15.5(22.3)	12.4(19.6)	5.3(17.5)
ASEAN+3	21.4(30.8)	14.2(22.5)	7.4(24.5)
ASEAN+6	33.4(49.8)	17.2(27.4)	8.4(27.8)
EU	5.0(7.2)	16.2(25.7)	10.1(33.5)
NAFTA	4.6(6.6)	17.3(27.4)	4.6(15.3)

Source: Global Insight; IMF DOT.

### Expansion of Intra-Regional Trade Dependence Among China, Japan and Korea



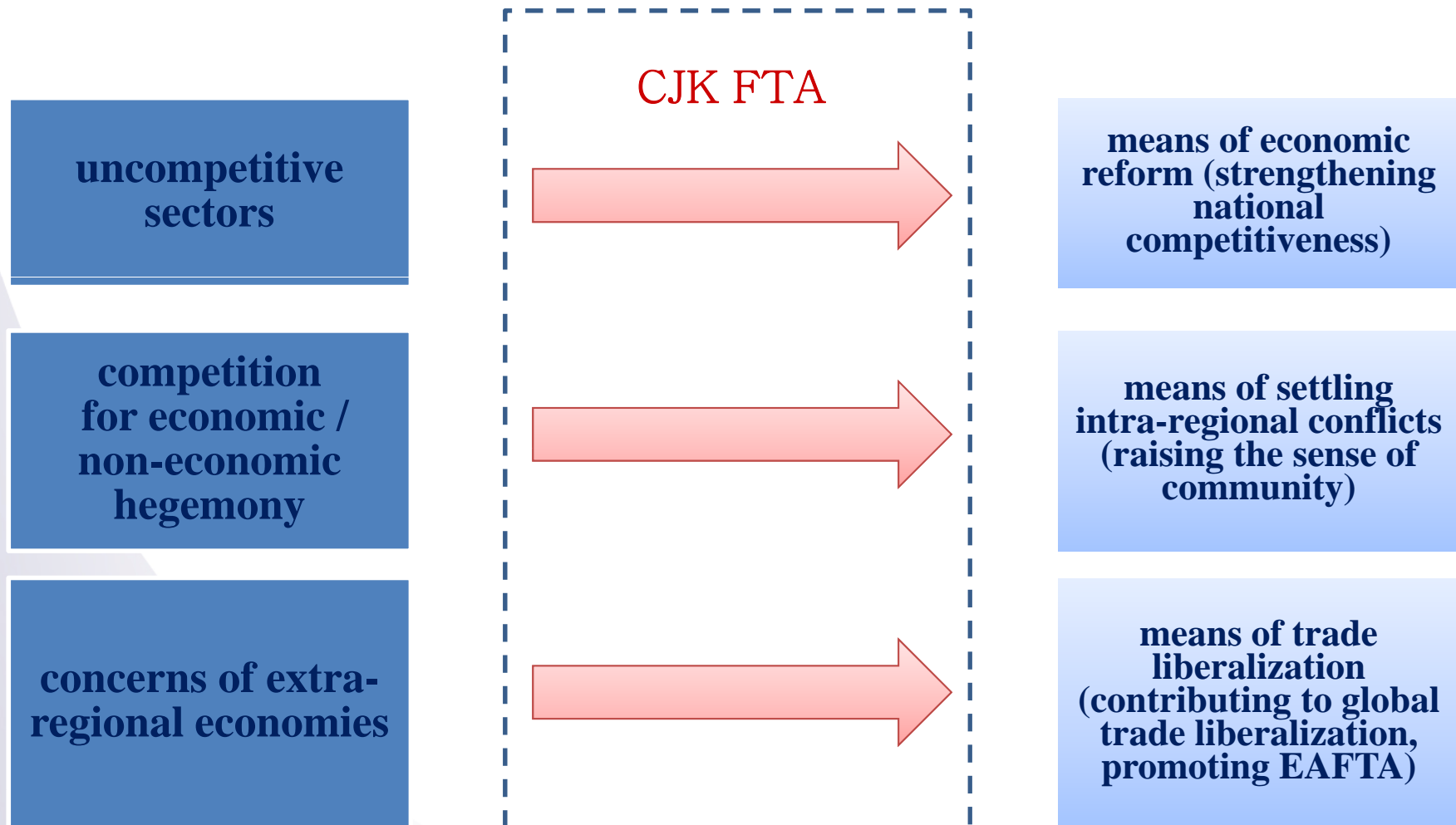
Source: : IMF(2011). Direction of Trade Statistics.

## II-2 Economic Integration in Northeast Asia: Institutional Integration

### ■ Institutional economic integration

- Korea-Japan FTA negotiations: suspended since November 2004
- Official tripartite joint study on Korea-China FTA: concluded in May 2010
- China-Japan-Korea FTA (CJK FTA): following the seven-year joint study conducted by research institutions of the three countries, the official tripartite joint study was finally launched in 2010.
  - The first meeting of the China-Japan-Korea FTA Joint Study Committee was held in Seoul on May 6-7, 2010; the second meeting in Tokyo, the third meeting in Weihai.
  - The joint study was concluded in December 2011 after the seventh meeting in Pyeongchang, Korea.
- Negotiations for Korea-China FTA and CJK FTA expected to be launched in 2012

## II-3 Economic Integration in Northeast Asia: Challenges and Opportunities





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## III-1 Korea's Position on Regional Economic Integration: East Asia

- ◆ **In the short run, Korea will pursue bilateral FTAs with China and /or Japan as well as the CJK FTA, subsequently moving on to ASEAN+3, and then toward ASEAN+6.**

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- ◆ **According to an estimation by KIEP, the economic effect of ASEAN+6 is the biggest among the three forms of integration, but the difference in impact size between ASEAN+3 and ASEAN+6 is minimal,**
  - ASEAN+6 may be more significant in political or diplomatic aspects than in economic aspects for Korea.

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- ◆ **Korea desires to achieve a high level of liberalization in the CJK FTA by first pushing for a similarly high level of liberalization in bilateral FTAs such as the Korea-China FTA and/or the Korea-Japan FTA.**

## III-2 Korea's Position on Regional Economic Integration: TPP

- **Evaluation on the TPP: a high-quality integrated economic community with a very high level of liberalization**
  - dealing not only with elimination of customs duties and non-tariff barriers, but also with such cross-cutting issues as harmonization of regulations, regional economic integration, promotion of SMEs and strengthening of competitiveness.

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- **Korea does not have an immediate incentive to join the TPP in the SR**
  - has already signed FTAs with most current TPP members and is engaged in FTA negotiations with the remaining members.

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- **Korea's decision to join the TPP will depend on factors such as:**
  - progress in CJK FTA and EAFTA
  - regional policies by China and Japan
  - evolution of the TPP; participation of other countries in the Asia-Pacific

### III-3 Economic Indicators of Major Economic Blocs in the Region

Economic Blocs	States	Population	Economic Scale(GDP)	Total Trade
		(Million)	(Billion)	(Billion USD)
<b>CJK</b>	Korea, Japan, and China	1,518 (22.3%)	12,351 (19.6%)	5,297 (17.5%)
	<b>ASEAN+6</b>			
	India	1,191	1,632	550
	Australia	22	1,237	426
	New Zealand	4	141	62
	ASEAN+3	2,117 (31.1%)	14,217 (22.6%)	7,394 (24.4%)
	<b>Total</b>	<b>3,335</b> <b>(49.0%)</b>	<b>17,227</b> <b>(27.4%)</b>	<b>8,432</b> <b>(27.8%)</b>
<b>TPP</b>	Brunei	0	12	11
	Chile	17	203	127
	New Zealand	4	141	62
	Singapore	5	223	665
	Australia	22	1,237	426
	Malaysia	28	238	364
	Peru	30	154	61
	USA	310	14,527	3,246
	Vietnam	88	104	153
	Canada*	34	1,577	817
	Japan*	128	5,459	1,466
	Mexico*	109	1,034	630
	<b>Total</b>	<b>775</b> <b>(11.3%)</b>	<b>24,909</b> <b>(39.6%)</b>	<b>8,028</b> <b>(26.5%)</b>

Source: IMF, World Economic Outlook; as of 2010.





**Thank You**