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# *Korea's position on CK FTA, CJK FTA, TPP and RCEP: A personal viewpoint*



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# Major issues



- CK FTA, CJK, RCEP and TPP
- Korea's Position for TPP
- Korea's concerns for FTA policy



# CK FTA, CJK, RCEP and TPP

# Korea's Position for East Asian Economic Integration



- China-Korea FTA
  - Finished the 7<sup>th</sup> round of negotiation
  - Agreed on the sensitive sectors including agricultural issues
  - Expected to finish the negotiation by the end of 2014
- China-Japan-Korea (CJK) FTA
  - 3<sup>rd</sup> negotiation
  - No substantial issues in the negotiation
  - Prerequisite for the CJK FTA
    - Bilateral FTAs among China, Japan and Korea
    - No talks on FTAs for China-Japan and Japan-Korea

# Korea's Position for East Asian Economic Integration



- RCEP
  - East Asian countries have built the capacity for regional economic integration
  - Aim a high quality FTA but .....
  - However, clear limitations for achieving a region-wide economic integration in a near future
    - Too many members
      - Note that trading blocs with large number of members as seen in FTAA, FTAAP, and SACU
    - Leader?
      - ASEAN?
      - China?
      - Japan?
    - The progress of the TPP
      - Half of ASEAN members are deeply concerned with the TPP

# Possible scenarios



- **Scenario 1: Fast TPP – Asia Pacific not East Asia**
  - Most of East Asian countries join the TPP
  - The initiative for RCEP may weaken
- **Scenario 2: Slow TPP**
  - East Asia is split with TPP members and nonmembers
- **Scenario 3: TPP in slump**
  - The progress of AEC
  - RCEP progress?

# Prospects for Korea's TPP Participation



- Bilateral FTAs
  - More active approach for the FTA with China
  - Resuming the negotiation for bilateral FTAs with TPP members such as Japan, Australia, Canada, NZ, etc.
  - High quality FTA strategy with Indonesia, Vietnam, and others
- TPP
  - Korea will review the benefits and the costs of joining the TPP
  - ❖ Big question for the quality of the TPP
  - Not likely to join the TPP negotiation until the FTA with China is completed
  - If the prerequisites by existing members such as the US are excessive, Korea may withdraw its concern over the TPP



# Korea's Position for TPP



# Korea's Position for TPP



- Mass media (US, Japan) reported Korea's declaration for its participation in talks for the Trans-Pacific Partnership (TPP) at the Bali APEC Leaders' meeting
- However, Korea maintained a "wait-and-see" approach on the negotiations, which are being led by the US and Japan.
- Korea appeared to be more concerned with the conclusion of bilateral FTA with countries in the TPP talks to sound out the possible advantages or disadvantages.

# Korea's Position for TPP



- Korea is cautious about joining the TPP
  - “As Korea has or is negotiating bilateral or multilateral FTAs with all the TPP countries, non-participation will not be too economically disadvantageous. At least for now, given its wider geopolitical and security interests, not joining the TPP is Seoul’s best choice.” (Ashley Hess [“Korea Should Stay Out of the TPP – For Now”](#) *The Diplomat*, September 5, 2013)
  - “Basically, our thinking is that we need to take part in the TPP, but we have to consider very seriously when is the right time”, stressing that no final decision had been taken. (Senior economic advisor to President of Korea, Cho Won-dong told the Financial Times October 27)

# Korea's Position for TPP



- The quality of the TPP
  - “There is the risk of [the TPP] degenerating into a series of loosely tied bilateral deals,” the Asian Development Bank said in a report last week, warning that limited progress in recent talks exposed conflicts of interest between the prospective members. (The Financial Times October 27)
- Low quality of the TPP reduces the concern for Korea
  - Korea’s intension for Keeping its policy with high quality FTAs with major trading partners in the strategy of expanding its global FTA network
  - Korea is the first country with bilateral FTAs with the US, EU, China (now negotiating), ASEAN and India



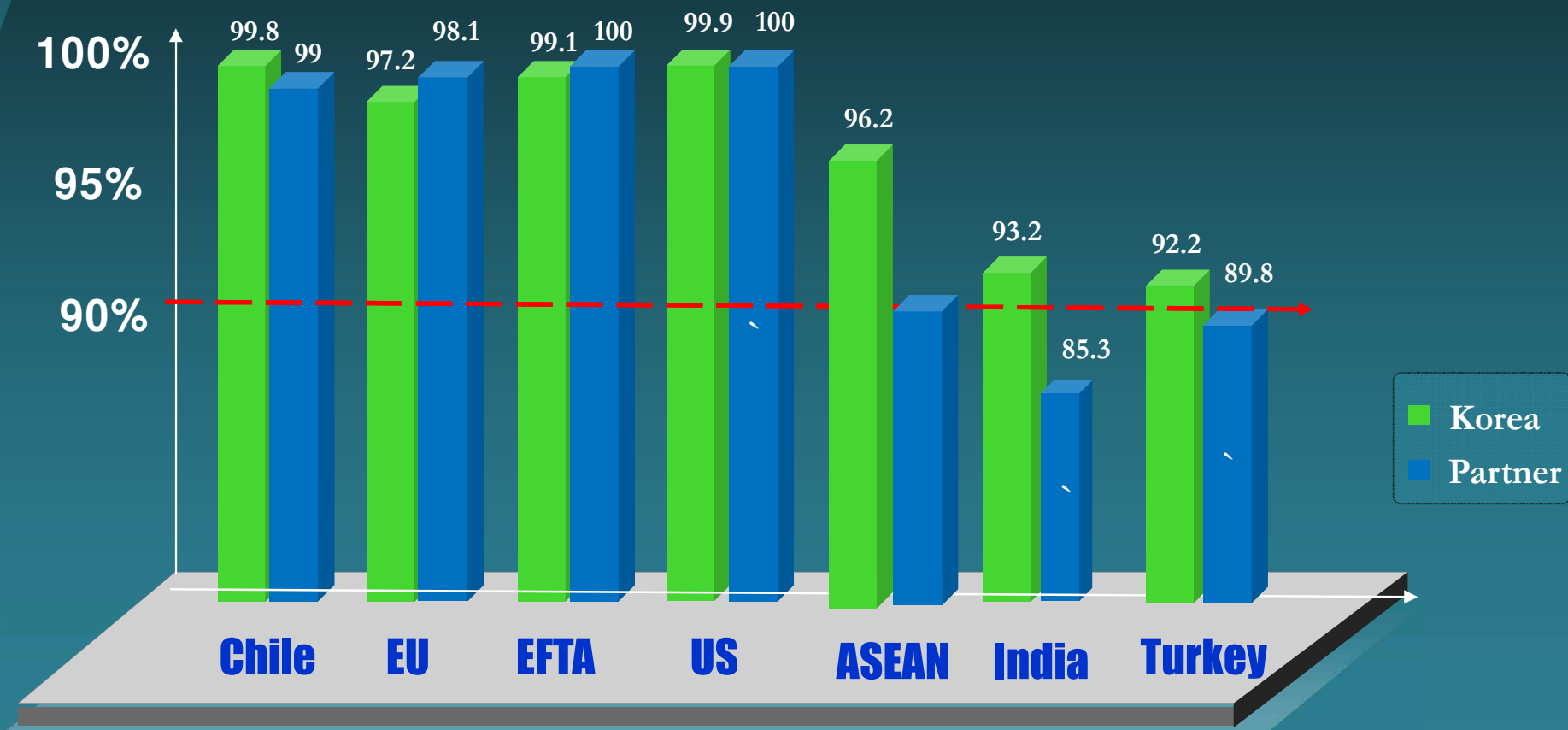
# Korea's concerns for FTA policy

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## Level of Liberalization for goods



# Korea's concerns for FTA policy



- ◆ Utilization of FTAs by companies
  - Proposal for policy package for business FTA utilization (Cheong 2010)
  - National supporting system for FTA utilization
    - Consulting
    - FTA information
    - FTA expert training
    - FTA business model
    - National call center for FTAs

## Korea's concerns for FTA policy



- Currently free trade with 56 countries
- FTA utilization ratios
  - About 20% utilization ratio in 2008-2011
  - Now higher than 50% for most FTAs
    - EU-Korea FTA: 80%
    - Korea-US FTA: 70%



# Examples of FTA supporting programs



- National toll-free phone for FTA consulting
  - 24 hour consulting system
- Regional FTA consulting centers
  - 13 centers across the country
- University courses for FTA business
  - Government sponsored programs
  - Undergraduate courses for 27 universities
  - Graduate courses for 7 universities
- Homepages for FTA information



Thank you for listening