

## *Session C-2: FTA Strategy in Northeast Asia in the Era of the East Asian Community (Summary)*

In this session, reports were made with the following content, and discussion took place on desirable forms for an

FTA strategy in Northeast Asia based upon them.

Firstly, in his introduction, Professor Fukunari Kimura-

Faculty of Economics, Keio University - summarized the current status of FTAs in Northeast Asia and relations with world trade bodies, such as the WTO, which encompass them.

In the report, based on Mr. Kawasaki's paper, of Masahiko Tsutsumi - Fellow, The Cabinet Office Economic and Social Research Institute - the influence an FTA would have on the economies of the countries in Northeast Asia was shown in a number of cases, based on a simulation using a computational general equilibrium (CGE) model. According to his report, it can be said that Japan, China and the ROK would all gain considerable macro-economic benefit from an East Asian FTA, and it was shown that for both Japan and the ROK in particular, that would be large. This suggests the logic of the nations of Northeast Asia henceforth giving priority to an FTA with their neighboring countries, within that FTA strategy.

Xu Hongqiang - Associate Research Fellow, Foreign Economic Relations Department, Development Research Center (DRC) of the State Council of China - gave his report, in which he summarized the results of joint research, spanning the four-year period from 2003 to 2006, related to a Japan-China-ROK FTA by three think tanks: the National Institute for Research Advancement (NIRA) in Japan, the DRC in China, and the Korea Institute for International Economic Policy (KIEP) in the ROK. According to his report, the economic effects of an FTA were shown to be that, although there are sectors which would experience gains and losses in each of the three countries, respectively, for the effects broken down into individual sectors, for macro-economic effects all countries would experience gains. Moreover, in the results of a survey of businesses in the three countries, undertaken as part of the joint-research,

in all the countries the desire for a speedy conclusion of a Japan-China-ROK FTA was the majority response. From these results, a positive result to a drive towards a Japan-China-ROK FTA in its entirety was demonstrated.

Cheong In-Kyo - Professor, Department of Economics, Inha University, ROK - made a report, the content of which summarized comprehensively the unveiling of the FTA roadmap by the Roh Moo-hyun administration, and the subsequent FTA strategy of the ROK. According to the report, an FTA with Northeast Asian countries has come to be given a high level of priority, within the ROK's international economic policy of aspiring to becoming the Northeast Asia business hub. Regarding the current state of affairs, however, intergovernmental negotiations have been entered into for a Japan-ROK FTA, but those negotiations have been inconclusive. Additionally, an ROK-China FTA has stopped at the intergovernmental research level. The importance of the furthering of these was given as the conclusion.

In the report of Professor Yorizumi Watanabe of Keio University, the current status of economic integration in East Asia, and within that the special characteristics of the FTA strategies of the three countries of Japan, China and the ROK, were presented. Further, in the same report, he mentioned the issue of Russia's WTO entry and the possibility of a Russian Far East 'Independent Tariff Zone.'

As stated above, all the reports in this session evaluated positively the economic effects of an FTA in Northeast Asia, while they pointed out as a policy issue the institutional delay in FTA negotiations.

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