

ROK's Position on TPP and Other FTAs

January 29, 2016

Chang Jae LEE

Korea Institute for International Economic Policy

Contents

- I. Current status of Korea's FTAs
- II. ROK's position on TPP
- III. Tasks involved in Korea's FTA policy

Current status of Korea's FTAs

Signed and in effect	Signed but not in effect	Negotiations launched
Chile Singapore EFTA ASEAN India European Union Peru United States Turkey Australia Canada China New Zealand Viet Nam	Colombia	CJK FTA RCEP Central America* Ecuador Japan Mexico GCC Indonesia

Note: * Panama, Costa Rica, Guatemala, Honduras, El Salvador, Nicaragua
Source: Ministry of Industry, trade and energy of ROK.

3

Facts on Korea's FTAs

- Fact No. 1: Korea has concluded bilateral FTAs with almost all major economies.
 - Exception: Japan
- Fact No. 2: Korea is participating in the two major ongoing regional FTA negotiations.
 - CJK FTA negotiations among Northeast Asian countries
 - RCEP (Regional Comprehensive Economic Partnership) among East Asian countries
 - Japan is also involved in the ongoing negotiations of the CJK FTA and RCEP.
- Fact No. 3: Korea did not participate in the TPP negotiations that were concluded in October 2015.

4

Korea's position on TPP

- Last October, in a meeting with U.S. President Barack Obama in Washington, President Park Geun-hye conveyed Seoul's desire to join the TPP.
 - However, the Korea government has not made its final decision on the issue of joining the TPP.
 - The Korean government failed to build a national consensus in time for participation in the TPP negotiations, and now that the TPP is concluded, it still continues to evaluate the benefits and risks of joining the TPP as well as when to make its final decision.
 - Personal views
 - The Korean government should join the TPP.
 - The Korean government will make a positive decision on joining the TPP.
 - In order to minimize the political risks, it is likely to announce its decision after the National Assembly election scheduled in April.
 - Korea's decision to join the TPP will depend on the TPP ratification processes of participating countries, especially on that of the United States.
-

5

Tasks involved in Korea's FTA policy

- Among two ongoing regional FTA negotiations, priority should be given to the CJK FTA negotiations.
 - The CJK FTA among the three countries would normally be simpler to conclude than the RCEP with 16 participants.
 - Since China, Japan and Korea are members of the RCEP, when the CJK FTA is concluded, it could contribute to the formation of RCEP. In fact, the three countries could be either a stumbling block or facilitator for the formation of RCEP.
 - When the CJK FTA is realized, it would be the most crucial step toward institutional economic integration in Northeast Asia.
 - Korea has to decide how to discuss an FTA with Japan
 - Korea is currently discussing an FTA with Japan, for CJK FTA and RCEP.
 - It must discuss an FTA with Japan, if it decides to join the TPP.
 - Or, it may choose to resume the Korea-Japan FTA negotiations that started in December 2003 and have been stalled since November 2004, if Japan is also favorable to the idea.
-

6

Additional reason for the CJK FTA

- In recent years, China, Japan and Korea have experienced difficulties in trade.
 - In particular, Japan's exports continued to decrease four years in a row since 2012, while Japan's imports declined three consecutive years since 2013.
- Furthermore, in 2015, both exports and imports of all three countries contracted markedly.
- In addition, the level of intra-regional trade among the three countries has continued to decrease since 2004.
- Therefore, the three countries should accelerate the ongoing CJK FTA negotiations to boost their respective trade volumes by increasing the intra-regional trade among them.

7

Current Status of Trade in China, Japan and Korea

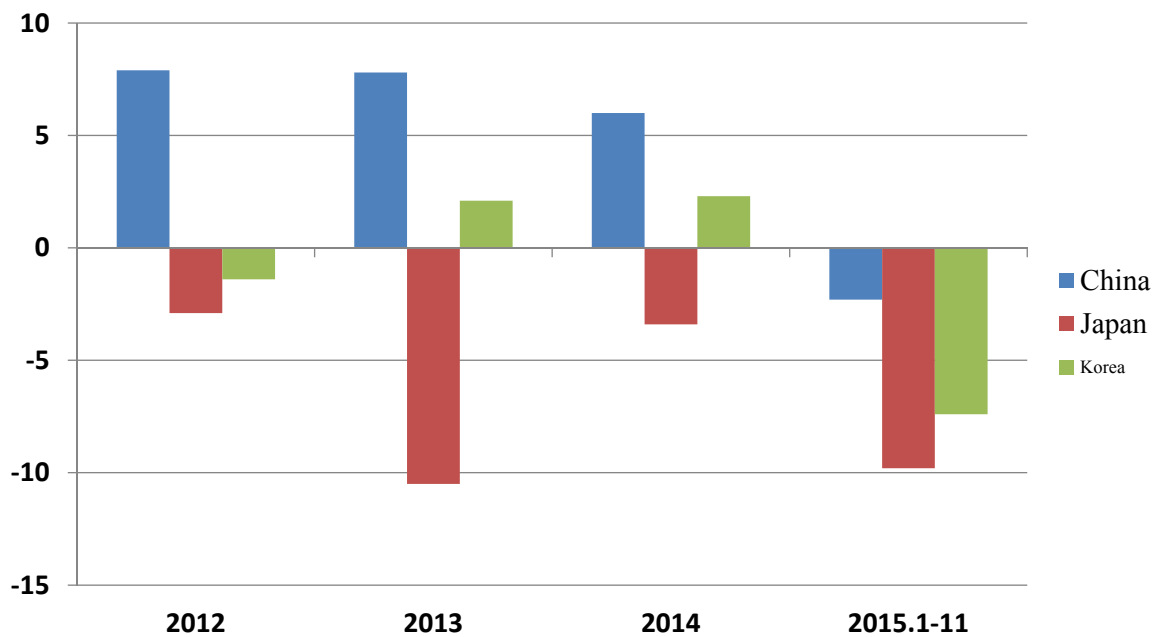
(Unit: Growth rates, %)

		2012	2013	2014	2015.1-11
China	Exports	7.9	7.8	6.0	-2.3*
	Imports	4.4	7.3	0.7	-19.2*
Japan	Exports	-2.9	-10.5	-3.4	-9.8
	Imports	3.6	-6.1	-2.4	-20.6
Korea	Exports	-1.4	2.1	2.3	-7.4
	Imports	-0.9	-0.8	1.9	-16.7

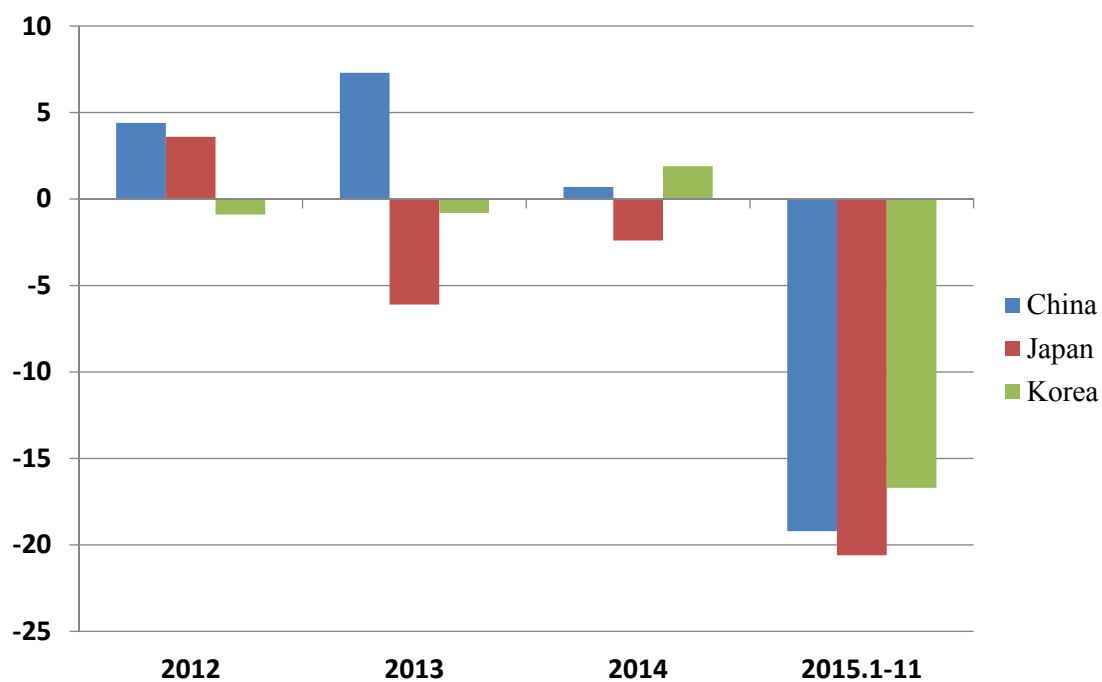
Note: * 2015.1~10.

Sources: IMF. 2015. *Directions of Trade Statistics*; KITA; JETRO.

Trends of Exports in China, Japan and Korea



Trends of Imports in China, Japan and Korea



Thank You