South Korea-China FTA

Panel: Session 2 (Cosmos & Violet Room)
Date/Time: December 11, 2012 / 14:15-15:30
Speakers: Joseph Sternberg, The Wall Street Journal (Moderator)
Ahn Dukgeun, Seoul National University
Lim Jeseoung, Ministry of Foreign Affairs
Troy Stangarone, Asan Institute for Policy Studies
Xiong Lili, University of International Business and Economics

Rapporteur: Marie DuMond, CSIS Korea Chair

Panel Short Summary

Professor Ahn Dukgeun began his remarks by highlighting the importance of the South Korea-China FTA. While the ROK government is simultaneously involved in two other negotiations, the China-Japan-Korea FTA and the RCEF, this does not reduce the importance of the South Korea-China FTA. The RCEF and trilateral negotiations, in fact, increase the importance of this bilateral agreement. The seriousness with which the bilateral agreement is handled will affect both of the other negotiations. Professor Ahn said that the main focus in these negotiations will be market access, but the rules set in this negotiation will be important and could also have an impact on rules in the WTO.

Director Lim Juseong argued that, with increased bilateral trade volumes, China is now a partner for trust building and envisioning a common future, not just a land of opportunity for Korea. Firstly, Director Lim believes that this FTA can be a part of building a stable and manageable system with China and South Korea. Secondly, the FTA could help Korean companies enter the domestic markets in China, deepening trade relations that are now mostly only at the intermediate goods level. Thirdly, China-Korea relations have developed in the past due to economic cooperation even when facing many political issues. Director Lim said he believes the FTA will lead to stabilization in the relationship and have a bridging role to increase faith, bringing the bilateral relationship into a new era once the
negotiations are completed.

Troy Stangarone expressed the view that the South Korea-China FTA will be important in defining the rules in the region. Mr. Stangarone made the point that, ultimately, the largest economic benefits will come from an Asia-Pacific agreement. However, the path forward is currently looking like a choice between the TPP or an ASEAN alternative. The South-Korea China FTA could be a way of bridging the gap between these two paths. Mr. Stangarone also pointed to the North Korean aspect but said one cannot be very optimistic regarding its impact in this area. While both countries have zones in North Korea, and are considering including those zones in the agreement, this may be just a way to lay the groundwork for future cooperation.

Xiong Lili highlighted the influence of the South Korea-China FTA on future regional agreements. Professor Lili argued that, with the help of this agreement, South Korea could be a pivot country in East Asian trade and integration, serving as a chopstick in the noodle bowl of regional FTAs. The South Korea-China FTA, would in this sense, position South Korea as a chopstick, or a way, out of the current noodle bowl. Further, since South Korea is the largest economy to have an FTA with both the US and the EU it is in a very unique and special position to bridge trade relations between these two economic giants, and, in the future, perhaps also as a bridge between China and the US. A South Korea-China FTA would also put more pressure on Japan to complete an FTA, thus putting Korea also in the middle of Northeast Asia agreements. Professor Lili finally argued that this FTA could make regional integration at the high standards being pursued by the United States in the TPP, easier for China and the region to accept in the future by creating a more open region now.