

Emerging East Asian Economic Order

- Session:** 6
Date/Time: November 15, 2013 / 16:00-17:50
- Moderator:** Bark Taeho, Seoul National University
- Speakers:** Chen Ping, Global Times
Kim Jong Hoon, National Assembly, ROK
Terada Takashi, Doshisha University
Zhe Daojiong, Peking University
- Discussants:** Dai Changzheng University of International Business and Economics
Kim Hankwon, The Asan Institute for Policy Studies
Keyin Pin, The Charhar Institute

Session Sketch

Session 6 titled “Emerging East Asian Economic Order,” focused on the international trade relations and the future shaping of economic order in East Asia. Moderator Bark Taeho, Professor at the Graduate School of International Studies and former ROK Minister for Trade, opened the panel with a brief background on the current international trading environment. While the Doha round of negotiations of the WTO failed to make progress, there has been a proliferation of FTAs all over the world, including among the countries of East Asia. However, Bark opined that the pendulum may have swung too far toward bilateral FTAs, observing how several countries are now seeking to form regional trade agreements, such as the China-Japan-Korea FTA (CJK FTA), the Trans-Pacific Partnership (TPP), etc. Bark took this as a positive sign that the international community may wish to return to a multilateral trade system in future.

Chen Ping, Deputy Managing Editor of the Global Times, gave a personal Chinese perspective as a long-term Korea observer of prospects for a China-Korea FTA or a CJK FTA. He began by observing the progress that China-Korea economic relations have achieved since the normalization of diplomatic relations in 1992, including the attainment of USD 250 billion annual trade in 2012. However, Chen noted that challenges persist in China

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ROK relations, such as the deficit that China has suffered every year in its trade with South Korea since 1993. Chen warned that this will not be sustainable in the long-run, particularly as China's economy improves in tandem with Korea's high degree of dependence on the Chinese market. Another that Chen identified is the intensification of competition between various sectors of the Chinese and South Korean economies, including in technology, industrial structures, and export items, which Chen argues will continue for years to come. Though Chen was more pessimistic about any near-term progress in CJK FTA negotiations, he was delighted with the completion of the first stage of negotiations toward a China-Korea FTA. He concluded by recommending that China and South Korea work together to develop the North Korean economy, suggesting that the two countries work together in Special Economic Zones, the provision of direct investment and resources, etc. which he believes will ultimately lead to the opening of the North Korean economy and the peaceful unification of the Korean Peninsula on South Korea's terms.

Kim Jong Hoon, National Assemblyman of the Republic of Korea and former Minister of Trade, opened with the observation that government has a very visible hand in the market almost everywhere in the international community. He noted his pleasure with daily discussion of quantitative easing and increasing demand for welfare, which are both matters of government policy. After noting concerns with calls for protectionism during period of economic downturn, Kim then turned to discussing the regional economic order of East Asia. He outlined how many initiatives have been proposed and pursued, including ASEAN, ASEAN+3, and ASEAN+6. He was skeptical of ASEAN playing central role in regional economic integration, given ASEAN's relatively low collective GDP relative to the larger economies of China, Japan, and Korea. Turning to CJK FTA negotiations, Kim was skeptical of any near-term progress given territorial and historical disputes between China and Japan on the one hand and Japan and Korea on the other. Nationalist sentiment and desire in all three countries to maintain comparative advantages make it difficult to persuade public opinion to pursue further trade liberalization. Kim concluded his presentation with an assessment of the attention being given to TPP negotiations. Given the Obama administration not securing fast-track negotiating authority from Congress, Kim is skeptical of the sincerity

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of US position and concerned that domestic political conditions within the United States will heavily influence the final fate of negotiations. With that aside, and assuming the TPP is realized anyway, he concluded that China and South Korea have no reason to stand aloof and risk losing an opportunity to have solid trade relations with other TPP member countries once China and Korea have made progress on their own bilateral FTA.

Terada Takashi, Professor of international relations at Doshisha University, addressed what regional economic integration may mean for Japan. He stressed his belief that regional integration is good for national economies and for regional political stability. In FTA negotiations, he observed how Chinese negotiators come from the Ministry of Commerce rather than from the Ministry of Foreign Affairs, which he believes helps mitigate political rivalries hampering trade negotiations. He expressed his hope that South Korea shares in this positive atmosphere of keeping political disputes away from trade negotiation processes. Second, he noted how it was China that asked for Japan and South Korea, whereas Japan and South Korea initially requested negotiations for an investment treaty instead, to which Chinese strongly objected in favor of negotiating toward an FTA. Despite early frictions, the atmosphere changed after the US began promoting TPP negotiations, leading China, Japan, and Korea to focus on an investment treaty as well. Finally, Terada explained that while protection of Japanese agriculture had been a cause of concern, Japan has shown great willingness to make concessions in its negotiations toward the TPP, CJK and even an FTA with the European Union. If these agreements are achieved, Terada believes Japan's trade will increase by 83 percent, thereby returning Japan to the center of regional economic politics.

Zha Daojiong, Professor of international political economy at Peking University, began his presentation by stating that US strategy, particularly vis-à-vis the TPP, is not to sabotage China's rise. He argued that current US policy is in part a reactive response to the 2008 BRIC meeting in Moscow, after which the US began reviewing its template for FTA negotiations. With the TPP, the United States is pursuing a program initially begun by Singapore, Brunei, Chile, and New Zealand. Furthermore, though TPP negotiations have been described as

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secretive and conspiratorial, Zha stressed that this is often normal practice, including in Chinese trade negotiations, and the United States agreed during the Sunnylands meeting between Obama and Xi Jinping to share information on negotiations with China. Zha described how China is not apprehensive about TPP-style FTAs, and has even experimented similar arrangements between major Chinese cities. With regard to the TPP, Zha concluded that “it’s a deal, but how big is it?” Lastly, Zha suggested that regional trade negotiations should not be hindered by “so-called high geopolitical issues,” that China and Japan could learn from South Korea’s example in dealing with domestic opposition to trade and investment liberalization schemes, and that it would be a mistake to write off Japan when discussing Northeast Asian economic dynamics.

Dai Changzheng, Professor and Dean in the School of International Relations of the University of International Business and Economics, began the discussion period by outlining how there are several factors that shape economic order, including shifts in power structures, the comparative inequality in economic growth among national economies, and the influences of market mechanisms. From these factors, a regional economic order inevitably emerges. Dai opined that China will feel compelled to make use of its economic power to shape the regional economic development and that experts in China are actively trying to formulate frameworks for domestic and regional economic development. However, he emphasized that there will continue to be competing visions and actors in the region over the shaping of regional economic order—including the TPP, ASEAN, and Japan—and China faces crucial traditional and non-traditional security issues in the region. He concluded that what measures China takes to address these problems will also influence what shape the new regional economic order will take.

Kim Hankwon, Research Fellow and Director of the Center for China Policy at the Asan Institute for Policy Studies, expressed his skepticism of the view of the liberal idea that economic cooperation will overcome political tensions in the region and lead to regional peace and stability. Firstly, Kim believes that East Asia is already in an era of strategic competition among major countries and economic competition is in fact a sub-category of

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countries strategic calculations. Also, echoing Kim Jong Hoon, Kim Hankwon reiterated that nationalist sentiment is a real obstacle and there is serious concern with tendencies toward protectionism whenever economic integration and regional economic order are discussed. Lastly, Kim highlighted that political and economic cooperation in this era of strategic cooperation can be influenced by other reasons beyond Northeast Asia, such as with competition with Russia in Central Asia over national resources.

The final discussant, Keyin Pin of the Charhar Institute, presented a story of a young man and a shop owner who both initially attempted to exchange false currency for a fake cigarette with one another but were led in the course of their exchanges to giving one another the genuine article. With this story, Pin emphasized that while self-interest is an important motivation, in discussions about competition and cooperation between Western and Eastern business cultures, there is only one way to achieve a positive result—let the other party win first in order to achieve mutually beneficial win-win results.

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