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China, Japan, ROK shoulder heavy responsibilities in FTA^①

The resumption of the trilateral summit of the Chinese, Japanese and South Korean leaders should be seen against a background of a complicated and sensitive international situation and a sluggish global economy.

It highlights the sincere efforts of the leaders of the three countries to strengthen regional cooperation, maintain regional peace and stability, and drive economic development in Asia and even in the wider world. It also offers hope to the negotiations of the trilateral Free Trade Agreement (FTA) now making slow progress.

Trilateral cooperation is a trend of the times

China, Japan and South Korea are Asia's main economies with a global presence. They have a total GDP of more than US\$16 trillion, more than 70 percent of Asia's total. The economic and trade relations between the three countries are very close, approaching US\$700 billion a year.

China is South Korea's largest trade partner, its largest export market and a major source of imports, and its second largest overseas investment destination; South Korea is China's third largest trade partner. Similarly, China is Japan's largest trade partner, while the latter is the third largest source of foreign investment in China. Japan is one of the three major trade partners of South Korea. Therefore, the strengthening of economic and trade cooperation between the three has an important significance in promoting regional integration and global economic recovery.

The mechanism of the trilateral China-Japan-South Korea summits suffered a setback after the fifth one in Beijing for reasons known to all, leading to an obvious decline of economic and trade volume.

The bilateral trade volume between China and Japan declined by 5.1 percent in 2013, particularly with China's imports from Japan down by 8.7 percent; while South Korea's exports to Japan declined by 10.7 percent and its imports from Japan declined by 6.7 percent. Although trade

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between China and Japan slightly improved in 2014, it still presented negative growth. Furthermore, Japan's investment in China fell by 32.5 percent in 2013 and 38.8 percent in 2014. Various factors were involved, including a sluggish global economy, weak market demand, China's "new normal" growth model, and economic structural adjustment in Japan and South Korea. No matter for what reasons, they act against the common interests of the three countries and the world in general.

Facing slowdown, China, Japan and South Korea increasingly don't want political differences to affect their common economic interests. In this context, the resumption of the mechanism of trilateral summits is hopefully a way forward.

In a joint declaration for peace and cooperation in Northeast Asia issued on Nov. 1 after the summit in Seoul, the three nations stressed strengthening economic cooperation and accelerating FTA negotiations so as to finally conclude the comprehensive, high-level and mutual beneficial agreement.

The road to success never smooth

China, Japan and South Korea have officially carried out eight rounds of talks since the end of 2011 when they reached an agreement on the desirability of an FTA. However, the negotiations have made little progress.

The Trans-Pacific Partnership Agreement (TPP), however, provides fresh impetus.

The successful example of TPP makes China realize that some of the rules of TPP represent the future direction of international trade. To accelerate reform, China must comply with the new trend of international trade rules. It therefore proposed an approach which combines "pre-establishment national treatment" with the "negative list" to carry out the trilateral FTA negotiations, showing its positive attitude.

As for Japan, participation in TPP will help it actively carry out the agricultural reform to adapt to an increasingly open market for agricultural products. The FTA between China and South Korea and closer economic and trade cooperation between the two countries have also intensified Japan's sense of urgency.

However, the three countries cannot reach the goal in one move. There is still wide discrepancy in views in terms of development levels and interests.

China hopes to take the China-South Korea FTA of "relatively high standard" as an example to reduce the difficulty and thus increase the efficiency in the trilateral FTA negotiations, while Japan firmly adheres to the "highest standard" of TPP which is far beyond China's reach. South Korea is



full of apprehensions not only in the market of agricultural products, but also in the manufacturing industry involving automobiles and electronic products.

In addition, China imposes relatively high tariffs on Japanese cars, and the exemption of tariffs will undoubtedly expand the Japanese share in the Chinese market and thus pose a considerable challenge on China's auto industry.

But anyway, the trilateral summit helps the trilateral cooperation back to the right track, providing a good opportunity for the three countries to strengthen cooperation in various fields. Realization of FTA among China, Japan and South Korea is only a matter of time as long as all the three sides are in the spirit of facing up to the history and keeping the future in view.

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