

Designing Economic Integration of East Asia: An Outlook of the Korea-China Free Trade Agreement

Kelly Gieop Na*

The Korea-China Free Trade Agreement finally arrived at its preliminary settlement, in the 14th round of negotiations, held on November 10, 2014. This FTA is expected to function as an essential stepping-stone for future trilateral trade agreement between China, Japan and Korea. Further, it is anticipated to considerably contribute to shaping an integrated economic community for East Asia. Therefore, it assigns a diplomatic task of reconciling the speed of growth and harmonizing different systems of the three countries; it is beyond the matter of simple market invasion. This short paper aims to track the process to the settlement of the Agreement and analyze its sectorial substances, from the viewpoint of strategic and diplomatic dynamics in East Asia. The author thereby attempts to suggest a direction of future discussion towards joint subjects of cooperation.

Keywords: KC FTA, Economic Integration, CJK FTA, RCEP, FTAAP, China, Japan, Korea

1. Introduction

On November 10, 2014, the preliminary settlement of the Korea-China Free Trade Agreement (“KC FTA”) reached in Beijing. It was adopted after 14 negotiations lasting over 30 months. Through this FTA, both countries have paved way for the economic integration of East Asia. In particular, Korea secured the

* J.D. candidate at Sogang University School of Law, Korea. All the facts and arguments in this paper are delivered as of March 1, 2015. <http://orcid.org/0000-0001-6040-1584> The author may be contacted at: boulez25@naver.com

opportunity to boost trade competitiveness by connecting to the vast economic potential of China, a fast growing engine of the global market. Further, KC FTA is expected to be the basis for future trilateral FTA between China, Japan and Korea (“CJK FTA”). KC FTA has also receive negative evaluations. While some expect that KC FTA would briskly accelerate the economy and trade cooperation between the two countries,¹ others opine that the actual contents of the Agreement are selective and vague in spite of long negotiations.² In any case, however, there are no denials about the influence of KC FTA in East Asia, toward its integration as one economic community, hence its importance in the global community.

The primary purpose of this research is to dynamically analyze the broad shape of the FTA in and around East Asia. It will also suggest future prospects and directions. This essay consists of five parts including Introduction and Conclusion. Part two will discuss the outline of China’s FTA policy in relation to security and diplomacy in East Asia thereby, defining context of KC FTA. Part three will examine the process to the current settlement of KC FTA. Taking all these into consideration, Part four will speak of sectorial substances of the KC FTA.

2. Background

So far, China has not significantly considered the counterpart country’s economic size,³ industrial structure⁴ and economic interdependence,⁵ in the FTA policy-making.⁶ In other words, China’s primary mandate was not focused on opening markets or trade promotions, but on natural resources or geopolitical factors of other countries when making FTA-related decisions.⁷ Some statistics show that China would rather concentrate on their natural resources including petroleum or geographical proximity to China, even putting up with slight economic loss.⁸ Although China-Hong Kong/Macao and China-South America/EFTA/Middle East FTAs were to pursue service trade and investment or seek market exploitation,⁹ most of the FTAs that China has signed until now include crucial noneconomic purposes, *e.g.*, securing natural resources with Chile, Gulf Cooperation Council and Iceland; considering national security as well as economic benefits with