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Regional Trade Agreements and the Multi-polar Global Order: Implications for South Korea's Economy

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Introduction

In the era of an emerging multi-polar global order (the US, the EU and the BRICS), countries around the world face multi-layered challenges of choosing often contentious, bilateral or competing regional free trade agreements. Strategic and selective trade liberalization may strengthen the country's economy and the state power in the international relations while indiscrete trade liberalization or protectionism may bring out an opposite outcome. As shown in the recent mass protests against the China-Taiwan trade pact and the unfolding political crisis in Ukraine in the aftermath of the failed negotiation of the EU-Ukraine Free Trade agreement, real or imagined geo-political and geo-economic implications of a trade agreement can trigger civil unrest and economic destabilization if the concerns are not properly debated and addressed with the participation of civil society.

This paper analyzes South Korea's dilemma with the two competing regional economic frameworks, TPP (Trans-Pacific Partnership) and RCEP (Regional Comprehensive Economic Partnership). To counter the growing influence of China in Asia and elsewhere (Africa and South America), Washington is seeking to reconfigure Asia-Pacific relations, centred around the USA. This American endeavour under the Obama administration is known as the US 'pivot to Asia' strategy. Integral to the US "pivot strategy" is the Washington-led inter-regional free trade agreement, known as the Trans-Pacific Partnership (TPP). Excluding China (although not formally forbidden to join), TPP will include 12 nations (the US, Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, Japan, and Vietnam). Some Asia

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specialists characterize the TTP as a ‘lynchpin of the US anti-China strategy,’ while others dismiss this overly politicized nature of TPP. In parallel to the US efforts to forge the TTP, China is urging its neighbours to join the Regional Comprehensive Economic Partnership (RCEP) which includes ASEAN nations plus ASEAN's six FTA partners (China, India, Japan, South Korea, Australia, and New Zealand). If successfully concluded, RCEP will provide a real impetus for greater Asian regional integration. Although still in the process of negotiating provisions of the agreements, TTP is said to be significantly different from RCEP with regard to the scope of liberalization and policy harmonization, not to mention the contentious geo-political implications for power alignments in the region.

This paper systematically compares and contrasts TPP and RCEP. Identifying contentious issues (e.g., agriculture, service and investment) in TTP and RCEP negotiations, it discusses varied positions of participating countries. For instance, China has not demanded a high level of market openness in the agricultural and service sectors from its respective FTA partners. Most importantly, it will discuss conflicting accounts of Asia specialists' opinions concerning geo-political implications of the two trade frameworks. Will TPP hamper the process of Asian economic integration and the emerging Asian economic free trade bloc? The intra-regional trade among Asian nations has been constantly on the rise with the figures of 36.10% for the export and 40% for the import in 2012. South Korea's dilemma with the competing regional FTAs will be discussed in this context. China is Korea's largest trading partner, accounting 25% of Korea's exports. Trying not to offend Beijing, South Korea seems to be torn between the two super powers. After sketching out South Korea's potential economic gains and losses associated with two frameworks at this time, it will discuss the reaction of Korean civil society to the two regional trade agreements as well as geo-political implications of the two regional agreements for South Korea's relations with regional powers.

Regional Trade Blocs in the Global Economy: Trends and Driving Forces

Any meaningful discussion of TPP and RCEP must be placed in the context of a changing landscape of international trade. As of January 2013, the WTO had been notified of 546 FTAs across the globe, with 241 in enforcement and 305 in negotiation. As of February 2013, the US had concluded 14 FTAs, covering 46.4% of its exports and 34.7% of its imports. The EU had concluded 35 FTAs, covering 30.0% of its extra-EU exports and 24.9% of its extra-EU imports. China signed 10 FTAs, accounting for 29.2% of its exports and 21.4% of its imports (He 2013). The immediate reason for the proliferation of FTAs is the impasse at the World Trade Organization (WTO). After repeated rounds of failed negotiations for a multilateral framework of international trade under the auspices of the WTO, countries have turned to bilateral or regional free trade agreements as an alternative route to promoting international trade.

Not all FTAs are the same, reflecting development gaps between FTA negotiating countries. With regard to the scope of liberalization and policy harmonization, some FTAs are more comprehensive (meaning liberalizing all sectors including services, investment, IPRs, etc) than others. South-South FTAs tend to be less comprehensive in the area of service and IPRs, and non-tariff barriers. For instance, China has not demanded a high level of market openness in the agricultural sector from its respective FTA partners. In the China-ASEAN FTA, for instance, China recognized a list of exceptions that include 100 sensitive items.

A notable trend in the changing landscape of international trade is the emergence of multiple regional trade blocs as shown in table 1. Among the regional and sub-regional trade blocs, three trade groupings are most significant in terms of economic weight or growth potential in the global economy. They are the EU, the NAFTA, and the ASEAN-China FTA. Due to regional free trade agreements, intra-regional trade grew, accounting for around 71 percent of Europe's exports, 52 percent of Asia's exports, and more than 48 percent of North America's exports.

Table 1. Regional and intra-regional Trade Blocs

Trade bloc	Member Country	Combined GDP and Other significant characteristics
European Union (EU)	Austria, Belgium, Denmark, Finland, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia, Slovak Republic, Bulgaria, Romania, and Croatia	A total population of about 505.6 million people and a combined GDP of around \$16.6 trillion (in 2012).
European Free Trade Association (EFTA)	Iceland, Liechtenstein, Norway, and Switzerland.	12.5 million people and a combined GDP of \$707 billion
North American Free Trade Agreement (NAFTA)	Canada, USA, Mexico	A combined GDP of \$19.24 trillion (in 2012)
Central American Free Trade Agreement (CAFTA)	the USA, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic	a total population of 45 million and a combined <i>GDP</i> of \$91.6 billion (in 2005)
Southern Common Market	Brazil, Argentina, Uruguay,	A population of 270 million

(MERCOSUR)	Venezuela	people and combined GDP of \$3 trillion
Andean Community	Bolivia, Colombia, Ecuador, and Peru.	97 million people and a combined GDP of \$220 billion
Central American Common Market (CACM)	Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.	33 million people and combined GDP of \$120 billion
Gulf Cooperation Council (GCC)	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates	Combined GDP of \$1.5 trillion (in 2013)
Economic Community of West African States (ECOWAS)	Benin, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania (left 2002), Niger, Nigeria, Senegal, Sierra Leone, Togo, and Burkina Faso (joined as Upper Volta). Cape Verde	308 million people and combined GDP of \$303. 4 billion (in 2010)
ALBA (the Bolivarian Alliance for the Peoples of Our Americas)	Venezuela, Ecuador, Bolivia, Cuba, Nicaragua, Antigua and Barbuda, Dominica, St Vincent and the Grenadines, St Lucia	Combined GDP \$416 billion
Commonwealth of Independent States (CIS)	Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine	Combined GDP of about \$3 trillion (in 2013)
Eurasian Economic Union (EEU)	Belarus, Kazakhstan, Russia	concluded in May 2014
ASEAN Free Trade Area (AFTA)	ASEAN members	560 million people and a combined GDP of \$2.3 trillion (in 2012).
ASEAN+ 1 FTAs (China, Korea, Japan, India, Australia, New Zealand)	TPP in negotiation (see table 2)	ASEAN-China FTA: combined GDP of about US\$ 9.5 trillion (in 2011).

Source: Compiled from Asia Development Bank' Asia Regional Integration Centre, CIA World Fact book and Economy Watch

As table 2 shows, negotiations of three mega-FTA deals are under way while the fourth one has been recently suggested. The three deals under negotiations are: Transpacific Partnership (TPP), Transatlantic Trade and Investment Partnership (TTIP), and Regional Comprehensive Partnership (RCEP). The economic weight of TTP, RCEP and TTIP in the global economy is

tremendous. Member countries of TPP account for 38.4% of global GDP, TTIP shares 45% of GDP while RCEP countries have 29.4% share of global GDP. The latest deal under consideration (although not officially) is a FTA among BRICS countries whose combined GDP is \$15 trillion.

Table 2 Regional and intra-regional trade blocs under negotiation or suggestion

RTAs	Member Country	Economic weight in the global economy
Trans-Pacific Partnership (TPP)	the United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam	38.4% of global GDP
Transatlantic Trade Investment Partnership (TTIP)	EU and the USA	45% GDP
Regional Comprehensive Economic Partnership (RCEP)	ASEAN + 6 FTA partners (China, Korea, Japan, India, Australia, New Zealand)	29.4% share of global GDP
BRICS	Brazil, Russia, India, China, and South Africa	combined nominal GDP \$15 trillion

Source: Compiled from various sources including Samsung Economics Institute (May 15, 2013)

Implications of the new inter-regional trade agreements for the global economy are manifold. TTIP together with TPP, if concluded successfully, will replace WTO as a global governance organization in international trade because of the sheer size of international markets the two trade deals will cover in the future. TPP and TTIP will likely contain US and EU centric global norms and regulations in international trade. In contrast, RCEP and BRICS free trade area are more likely to represent developing countries' (China and ASEAN) alternative to the US and EU led deep and comprehensive liberalization scheme. Similar to RCEP and BRICS FTA, the Eurasian Economic Union (concluded in May 2014) is Russia's countermeasure to the EU and US-led regional FTAs. As demonstrated by RCEP and EEU, TTP and TTIP will unlikely merge into a multilateral trade framework that will cover the entire global economy. They will more likely trigger power rivalry in the international arena and engender competing regional and sub-regional trade blocs.

A careful look at the history of the General Agreement on Tariffs and Trade (GATT) and WTO provides a deeper understanding of contentious power dynamics in the international trade and the root causes of competing regional trade blocs. Differing economic interests between developed and developing countries, geopolitics, great power rivalry, and the emergence of a powerful coalition of emerging economies account for the competing regional trade blocs.

The GATT, the first international trade agreement was established in 1947 under the leadership of the USA. GATT promoted international trade by make a significant tariff reduction on mainly manufactured goods. GATT with eighteen members expanded over time. It should be noted that American geo-political interests played a role in admitting new members. Throughout the 1950s and 1960s, close US allies in Europe, Latin America and Asia were selectively admitted to GATT. As international trade grew, the US and the European Community (the predecessor to the EU) considered the informal and limited GATT regime too inadequate. The scope of tariff reduction under the GATT trade regime was limited to only the manufactured goods and did not cover services, foreign investment, and intellectual property rights. The US proposed new rules on the above areas that would later become the rules of the WTO. Developing countries resented the new GATT rules and tried to block the reform. Their endeavour failed when the US and the EC jointly withdrew from the GATT regime and established the WTO in 1994 instead. The US and the EC made a condition that the continuation of trade privileges of any GATT member is contingent upon joining the WTO. Given that the US and the EC controlled an overwhelming share of world market, other countries had no option but to accept the new rules by joining the WTO (Stone 2011). With the end of the Cold War, the WTO became the only global governance organization in international trade as most transitional economies such as China and Russia joined the WTO. Late comers had to pay a high price for accession. Economic and geo-political interests of the dominant countries in WTO shaped the conditions of entry (e.g. economic restructuring and ban on export control) for the late comers. China's accession to WTO took 15 years and the Russian case took even longer. Geopolitics as well as economic rivalry continues to play a crucial role in the WTO accession processes. The US made Russia's WTO membership contingent upon Russia's cooperation with US in the 2001 war in Afghanistan, and again the Iraq war in 2003 (Stone 2011).

Over the last two decades, there had been a number of negotiations among WTO members to agree on all inclusive multilateral framework of international trade. Negotiations took place in Seattle (1999), Doha (2001) and Cancun (2008) but no significant progress was made. The main reason for the impasse is the conflicting interests between developed and developing nations. Developed countries seek to liberalize service sectors while developing countries are cautious toward opening up their less competitive industries. International exports of services (banking, insurance, telecommunication, transportation, entertainment, education, professional services) are dominated by the US and some EU countries (Germany, Britain, France). The US is the largest exporter of services in the world, with \$4.1 trillion export of services in 2011 (Economist, July 21, 2012). Developed countries account for 70 per cent of world exports in services (Jawara and Kwa 2004). Given the dominance of the EU and USA in the service sector, it is not surprising to see that the USA and the EU actively seek to dismantle barriers to international trade in services, while developing countries try to resist the pressure for liberalization.

The resistance from developing countries became real and effective when a coalition of developing economies led by China, Brazil and India has emerged as an important player in global governance. The coalition blocked the efforts by the US and Europe to adopt a comprehensive agreement on liberalization of agriculture and service². The impasse at WTO negotiation rounds has consequently led countries to seek bilateral or sub-regional FTAs as an alternative venue for expanding trade.

In Asia, Sino-US rivalry contributed to the emergence of TPP and RCEP as competing trade agreements. Since 2001, Asia saw a number of bilateral and sub-regional trade agreements come into effect. Starting with the conclusion of ASEAN-China Free Trade Area (ACFTA) in 2001, the Association of Southeast Asian Nations (ASEAN) signed an FTA with its other Asian neighbours including Japan, South Korea, India, New Zealand, and Australia. As a result, intra-regional trade significantly increased. The intra-regional trade and Asia's economic integration have been accelerated by China's industrialization and its accession to WTO. Since 2004, China has replaced the United States as the largest trading partner of Japan, South Korea, Taiwan, and India. American share of ASEAN's trade volume represented less than 10% in 2010. (Wang, Aug 26, 2009; Yu HJ, 2010: 12) China is now certainly the centre of gravity in the Asian economy. Not surprisingly, Washington is concerned about the growing influence of China in Asia and elsewhere (Africa and South America). Although the USA is still the largest economy (\$15.6 trillion GDP in 2012) in the world, China, the second largest economy (\$8.2 trillion GDP in 2012), is fast catching up. China has already surpassed the USA as the most important trading partner in the world. As of 2011, 124 countries consider China as their largest trading partner while only 76 having that relationship with the USA (Russia Today, December 3, 2012).

Against this backdrop of the waning economic influence of the USA in Asia and elsewhere, the US is seeking to reconfigure Asia-Pacific relations to reassert its hegemony in the region. This American endeavour under the Obama administration is known as the US "pivot to Asia" strategy. The pivot strategy has both economic and military components. TPP is an economic manifestation of the pivot strategy. To redress the trend of waning economic influence of US in the region, Washington urges Asian countries to join the US-centered free trade area. Economic benefits of TPP for the USA cannot be overstated. About 61% of US goods exports and 75% of

² It should be noted that the BRICS grouping (Brazil, Russia, India, China, and South Africa) is a new "pole" in the international arena. The BRICS group has already established its own Development Bank which will compete against the US-dominated IMF and World Bank. The combined nominal GDP of the BRICS group currently amounts to \$15 trillion. According to Goldman Sachs report in 2006, the combined GDP of BRIC countries would surpass the GDP of the G6 countries by 2050. The main driver in the BRICS is China which accounts for 85 percent of intra-BRICS trade. (China Daily, March 27, 2013)

US agricultural exports are to the Asia Pacific region (BBC, 4 October 2013). The TPP would significantly boost US exports to Asia once tariffs are cut and non-tariff barriers such as import quota are eliminated.

At the same time, the USA seeks a closer economic and military partnership with Asian nations that have territorial disputes with China. Beijing believes that Washington seeks to exploit Asia's maritime disputes to US advantage. US support of Japan in the Senkaku/Diaoyu dispute as well as Washington's posture as a neutral mediator in the South China Sea disputes are viewed by Beijing as part of U.S. containment strategy. Some analysts argue that maritime disputes in the South China and East China Sea may have influenced some of the members of ASEAN's entry into TPP. Although developing countries such as Vietnam do not want strict TPP provisions concerning IPR, investment and service, Vietnam may have joined the TPP out of a geo-political calculation. The Philippines, another ASEAN member with territorial disputes with China, are considering entering into negotiations with TPP (Anand 2013). Some analysts argue that TPP is a hedging strategy for some Asian nations against the rising China. As in the case with Vietnam, it has been speculated that Japan's accession to TPP may be viewed as a political move to garner US support against China over its territorial dispute with China (Dogra and Woo , April 4, 2013).

China is suspicious of the hidden political agenda of the TPP. Mainstream media outlets in China such as China Daily and the BRICS post, the website of BRICS group, openly characterize the TPP as a US containment strategy toward China. This view is widely shared by many analysts and think-tanks in Asia. For instance, Samsung Economics Institute (SEI), a well-renowned Korean think tank, argued that TPP is aimed at contain rising China and that the USA seek to use TTP and TTIP in order to assert itself as the global rule setter in international trade (Samsung Economics Institute, May 15, 2013) SEI further notes that China perceives TTP and TTIP as an attempt by the USA and the EU to isolate China by forging mega trading blocs and consequently pressure China to open the market to their liking. In this context, China has responded to TPP by encouraging its own intra-regional economic cooperation such as RCEP (Samsung Economics Institute, May 15, 2013)

It should be also noted that against this backdrop, the idea of creating a free trade area among BRICS has recently surfaced. Especially Chinese economists argue that "BRICS members should create a free trade agreement to increase the power and voice of emerging economies in the world economy". (China Daily, March 27, 2013) Wang Junwen, chairman of the China Association of International Trade, called for such an agreement. Sun Zhenyu, chairman of the China Society for World Trade Organization Studies (CWTO), a think tank of the Ministry of Commerce in China, also said, "BRICS surely needs to strengthen cooperation, and better cooperation will bring about a greater role in global governance." (China Daily, March 27, 2013)

Before Korea's stance on TPP and RCEP is discussed, a comparative overview of key contentious issues in TPP and RCEP will be presented in the following section.

Contentious Issues in the Trans-Pacific Partnership (TPP)

Conflicting economic interests of TPP participants, stemming from different levels of development and competitiveness in the world market, continue to complicate negotiations. Initially, TPP liberalization target was 100% liberalization but now reduced to 95% of products over 10 years. (The Economist, October 2013) It is also likely to include different provisions of tariff phase-out on selected products in some contentious areas. Some major contentious issues in TPP are as follows.

Agriculture: TPP will greatly benefit countries with big agribusinesses. The USA and other major agricultural exporters such as Canada and Australia seek a greater opening of Japanese farm market. Japan wants to protect its agriculture with high tariffs and restrictive quotas, especially in the five “sacred” farm products (rice, beef, pork, wheat, barley, sugar) (KCTU 2014) USA and Japan compromised on the issue of agriculture by lowering 38.5% tariff on beef to only one digit and introducing a differential tariff system on pork. (Donga May 13, 2014) The compromise came after Japan allowed US delay in tariff reduction on Japanese cars in exchange for Japan's delay in tariff reduction of certain agricultural goods (Samsung Economics Institute, May 15, 2013)

Tensions over agriculture also exist among agro-exporters themselves. Australia wants the US to open its sugar market but USA opposes. New Zealand wants the USA to open its dairy market but the US resists. (KCTU 2014) The U.S. dairy production sector wants to limit New Zealand's access to the U.S. market for its dairy products.(CRS 2013) At the same time, the USA wants Canada to eliminate Canada's import quota system that protects Canada's dairy market. (CRS 2013)

State-owned enterprises (SOE): Singapore and Vietnam seek to protect their State-owned enterprises (SOE) while the USA seeks to ensure conditions under which private firms can compete equally with SOEs. Given SOEs accounting for 40% of Vietnam's GDP, Vietnam will have a hard time negotiating provisions on SOEs. (CRS 2013)

Services: Developed countries seek greater market access for services while developing countries are reluctant to open up its service sectors to foreign firms. The USA is pushing for greater market access for education, telecommunication, banking and insurance, and e-commerce (CRS 2013)

Investment: As in the case with service liberalization, developing countries such as Malaysia and Vietnam are reluctant to lift restriction on foreign investment (Samsung Economics Institute, May 15, 2013). The USA and Canada want Mexico to abolish Mexico's protective policy toward

its petroleum industry (CRS 2013). Australia is against the inclusion of an investor-state dispute settlement provision which allows for private foreign investors to sue host governments if any public policy or government action denies them investment or profit opportunities. Critics have argued that the investor-state dispute clause undermines the sovereignty of the host government in protecting the health and environment. According to the Canadian Centre for Policy Alternatives, about 40 per cent of legal challenges to government policy under NAFTA's Chapter 11 have been against environmental policies.

Government procurement provisions: Given that government procurement typically accounts for 15%-20% of a country's GDP (CRS 2013), the market potential of this sector is huge. The USA and Japan are keen on including government procurement provisions in TPP. In this regard, Canada is likely to challenge U.S. "Buy American" exclusions.

In addition to above issues, there are other contentious issues concerning non-tariff barriers and trade remedies. It should be noted that due to secrecy over contents in negotiation, detailed information is hardly available in the public domain.

Contentious Issues in the Regional Comprehensive Economic Partnership (RCEP)

RCEP includes ASEAN and its six FTA partners (Australia, China, India, Japan, New Zealand, and South Korea). It aims to integrate all five of the ASEAN+1 FTAs into a regional economic framework. The RCEP will be a comprehensive trade agreement, covering trade in goods, services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement and other issues (Singapore Ministry of Trade and Industry, 2012). Unlike TPP, RCEP takes into consideration the different levels of development of the participating countries by allowing "appropriate forms of flexibility including provision for special and differential treatment, plus additional flexibility to the least-developed" (Singapore Ministry of Trade and Industry, 2012) As China Daily states, "the RCEP, rather than a blanket agreement, should be a phased-in arrangement that accommodates member countries at different levels of development." (China Daily, May 13, 2014) Thus, the flexible RCEP is arguably a more attractive option for developing countries (CRS 2013) Additionally, "provisions for technical assistance and capacity building may be made available to the developing and least-developed countries" (Singapore Ministry of Trade and Industry, 2012). Like TTP, RCEP has an open accession clause that allows other external members to join after the conclusion of the RCEP negotiations.

Despite flexibility or maybe because of it, RCEP turns out to be a contentious site for competing economic interests between developed countries (Japan and South Korea) and developing

economies (China, India, and ASEAN). Some contentious issues in and challenges for RCEP negotiations are as follows.

Agriculture: ASEAN, China, Australia and New Zealand favour a greater opening of agricultural market while Japan and South Korea demand a gradual opening on agricultural products (Samsung Economics Institute, May 15, 2013)

Tariff Reduction: Tariff elimination rates are different across ASEAN+1 FTAs (Das 2013). The ASEAN+Australia and New Zealand FTA have the highest tariff reduction, at the level of 95.7 percent, while the ASEAN+India FTA has the lowest reduction rate of 79.6 percent. It is argued that even with a tariff reduction target is set at 90 percent, India will find it difficult to meet the target. (Wang 2013) Concerning tariff elimination on labor intensive products, China favours it while Japan and SK are less supportive of the idea (Samsung Economics Institute, May 15, 2013)

Services: Trade in services and investment are not concluded for all ASEAN+1 FTAs (Das 2013). ASEAN-Japan FTA does not include agreements on investment and intellectual property. It does not include trade in service and is yet to be negotiated. China restricts foreign investment in the service industry and has opened up 33 service sectors to ASEAN.(China Daily, April 9, 2014) Japan and South Korea demand a greater opening for manufactured goods and services while ASEAN and China seek to restrict the opening level (Samsung Economics Institute, May 15, 2013). ASEAN and China favour labor mobility in services while they are reluctant to open markets for finance, telecommunication and infrastructure (Samsung Economics Institute, May 15, 2013).

Government Procurement Provisions: Japan and South Korea favour opening for government procurement market while China is less supportive (Samsung Economics Institute, May 15, 2013)

In addition to the contentious issues above, political issues often get in the way of Asian regional trade negotiations. History, territorial disputes and Sino-Japan rivalry are major stumbling blocks to a peaceful Asian integration process. A trilateral free trade agreement such as the China-Japan-Korea free trade agreement (CJKFTA), as integral part of RCEP, is stalled due to political tensions over Japan's falsification of its wartime history and territorial disputes involving many Asian nations (Wang 2013). As a result, RCEP discussions are making a slow progress due to the lack of leadership or the main driving force. Given the limited economic weight of ASEAN, ASEAN alone cannot push for the RCEP. (Samsung Economics Institute, May 15, 2013) A successful RCEP requires cooperation among China, Japan, and South Korea, the three major economic powers in Asia. In a nutshell, all these contentious issues make the conclusion of RCEP in the near future somewhat difficult although the RCEP is supposedly

flexible enough to accommodate diverse needs of countries, stemming from huge development gaps that exist between ASEAN and its FTA partners.

TPP vs RCEP: Differing visions

What are future prospects of TPP and RCEP? Will they merge into an Asia Pacific Free Trade Area (APFTA)? Will they coexist as competing frameworks that will further complicate the rules of origins and thus exacerbating Spaghetti bowl effect? According to Solis, senior fellow at the Brookings Institution, there are two polar views of RCEP and TPP. The first view is Sino-US rivalry and the second one is convergence. (Solis, 2014) The first view is most commonly expressed in major think-tanks and mainstream media outlets around the world. According to the view of convergence, TPP and RCEP are as mutually-reinforcing parallel tracks for regional integration. The view of convergence is less common but expressed in official positions of TPP participants. For instance, Hiroyuki Ishige, Chairman and CEO Japan External Trade Organization (JETRO) says, "To realize an economic integration framework in the Asia-Pacific region, the TPP and RCEP will function as the dual wheels of the scheme. Each of the two wheels will play its own role. These two are mutually complementary" (JETRO May 14, 2013). Similarly, Singapore's Ministry of Trade and Industry states, "along with the TPP, the RCEP is a possible pathway to a free trade area of the Asia-Pacific" (Singapore Ministry of Trade and Industry 2012).

The first view, the view of Sino-US rivalry, seems to dominate in most academic literature (Jin, 2013; Pakpahan 2012; Park 2014) as well as mainstream media in China (China Daily). According to the Korea Economic Research Institute, due to Sino-US rivalry and "big differences between the economic development stages and negotiating interests of the TPP and RCEP economies", the two competing trade blocs will unlikely converge into a region-wide FTA (KERI 2013)

Also, equally important and controversial issue is the geo-political implications for ASEAN and Asian integration in general. According to Jin, a senior fellow at the Fujitsu Research Institute, "the TPP will act as a centrifugal force driving apart any attempt at economically integrating East Asia." Many analysts agree that TPP divides ASEAN as ASEAN members such as Brunei, Malaysia, Singapore, and Vietnam are involved in the TPP. Furthermore, it will threaten ASEAN's centrality in the RCEP negotiation process and thus weaken RCEP as a result (Anand 2013; Basu Das 2013; Dogra and Woo, April 4, 2013; Pakpahan 2012).

South Korea's position on RCEP and TPP

If successfully concluded, the TPP and RCEP will significantly affect Korea's economy. The predicted impacts are said to be both positive and negative. First, one of the negative impacts of TPP and RCEP is intensified competition. TPP and RCEP will diminish Korea's advantage from its previous FTAs with the USA and ASEAN (Samsung Economics Institute, May 15, 2013). According to Samsung Economic Institute, Korea's competition in the Chinese market will intensify as Taiwan and Japan compete in auto, electronics, and chemical industry related markets (Samsung Economics Institute, May 15, 2013). Another negative impact of the two trade deals is supposed to be an increased Spaghetti bowl effect resulting from the multiplicity of rules of origin (ROOs). As overlapping membership in the two trading blocs, problems with the origin of country and custom procedures require companies to spend more time and money to navigate through various FTAs. Like Samsung Economics Institute, the Korea Economic Research Institute also believes that competing regional trade blocs "will cause huge inefficiency cost to the business sector, and undesirable political tension between the two superpowers." (KERI 2013)

A major positive impact of RCEP and TPP, according to South Korean government, is said to be economic growth. According to Korean Ministry of Foreign Affairs and Trade, RCEP will increase Korea's GDP 1.21%-1.79% over 10 years (Ministry of Foreign Affairs and Trade 2012, 11.19). According to the Korea Institute for International Economic Policy (KIEP), TPP will bring Korea 2.5~2.6% GDP increase (over 10 years), non-entry will mean a decrease of Korean GDP by 0.11~0.19% over 10 years (Ministry of Strategy and Finance 2013).

Initially, the South Korean government was reluctant to join TPP and instead focused its attention on RCEP and a bilateral FTA with China. This approach has changed since Japan joined the TPP in 2013. Supposedly worried that Japan will take away Korea's market share in TPP member countries, Seoul has expressed its interest in joining TPP in late 2013 (Korea Federation of Textile Industries 2013). According to Korea's Ministry of Strategy and Finance (MSF), drawbacks of TPP mainly concern agricultural sector, fishery and cattle industry. MSF suggests that Korean government should seek to minimize the negative impact and to maximize TPP benefits by enforcing three measures: 1) increase liberalization of manufacturing industry; 2) limit market opening to Japan; 3) protect Korea' agriculture by limiting the opening to an appropriate level (Ministry of Strategy and Finance 2013). Despite the warning about TPP's negative impact on Korean agriculture, South Korean government has failed to take appropriate measures to protect Korean agricultural industry. In order to ensure Korea's participation in TPP, Seoul hurriedly concluded FTA with Canada and Australia, two major global agro-exporters. The agreements were reached within less than a year without proper consultation with Korean agricultural sector despite expected high cost of such FTAs to Korean farmers (KCTU 2014) In the Korea-Australia FTA, South Korea agreed to lower tariff on imported pork from Australia (KCTU 2014) and phase out 40% tariff on beef over 15 years. In return, 75% of tariffs on South

Korean cars will be cut (The Guardian, February 17, 2014). Canada-Korea FTA will increase Canada's share of Korean seafood market given the fact that South Korea is one of the top 10 seafood importers in the world. (Business Vancouver March 17, 2014) Additionally, South Korea's participation in the TPP is feared to have a negative impact on its relationship with China, Korea's largest export market. Currently, South Korea is negotiating a FTA with China. Korea's membership in TPP may provide a ground for China to demand a greater opening of Korea's agricultural market to the level similar to Korea's FTAs with Canada and Australia (Business Korea, 2 Dec 2013).

Korean Civil Society Reaction to TPP and RCEP

Concerning RCEP, the response of Korean business community, represented by the Federation of Korea Industries (FKI) has been positive in general. According to FKI, the benefits of RCEP to South Korea are as follows:

- RCEP will promote intra-regional trade.
- It protects South Korea from an external shock such as a financial crisis in the EU or the USA.
- It will decrease Korea's dependence on export outside the region.
- It will contribute to peace and security in Asia.
- It reduces the Spaghetti bowl effect by harmonizing the rules of origin (ROOs).
- South Korea can tap into the growing ASEAN and China's market. (FKI 2013)

The assessment of the RCEP benefits is similarly echoed by research institutes and think-tanks such as Samsung Economic Institute (SEI) and the Korean Economic Research Institute (KERI). SEI notes that RCEP is less comprehensive, thus relatively easy to participate and that therefore other developing countries such as Russia will likely join RCEP (Samsung Economics Institute, May 15, 2013) Furthermore, KERI notes that a region wide FTA such as RCEP can prevent political tensions over territory disputes from developing into armed conflicts. Thus, RCEP will contribute to security cooperation in Asia and peaceful Asian integration process (KERI 2013)

The Federation of Korea Industries (FKI) wants South Korean government to put more pressure on RCEP partners to broaden the scope of liberalization (FKI 2013). According to 2012 survey of 524 Korean exporting companies about the most successful FTA that South Korea has concluded, 34.5% respondents chose FTA with ASEAN as the best FTA because ASEAN has a great market potential (46%), mutually complementary trade structure (23%), early market access effect (16.9%), and elimination of high tariff (16.9%) (FKI 2013). Concerning the question of which country South Korea urgently needs to negotiate a FTA with, 45.2% respondents chose China, followed by Japan (19.4%) (FKI 2013). The findings reflect the importance of China, ASEAN, and Japan in South Korea's trade relations. China (20.1%), ASEAN (12.3%), and Japan (9.7%), all together account for 42.1% of Korea's total trade volume

in 2012 (FKI 2013) Accordingly, FKI considers a Korea-China FTA as the most important FTA that will significantly affect Korea economy in the future. FKI views that a successful Korea-China FTA will function as a stepping stone for a China-Korea-Japan FTA and later RCEP. (FKI 2013)

In contrast, FKI is less vocal about endorsing TPP, although there has not been strong objection from the Korean big business community. The reaction from the organized labour (workers and farmers) and some opposition parties is sharply contrasted with FKI and the official government positions on RCEP and TPP.

The Korean Confederation of Trade Unions (KCTU), one of the most influential trade unions in South Korea, opposes TPP on the following ground.

* TPP is not democratic.

TPP is secretly negotiated without the participation of the organized labour. It does not take into consideration opinions of workers and farmers. Korean government organized a public hearing on TPP only one time as window dressing. Without proper processes of gathering public opinions, the Park administration entered into negotiation with TPP participants. (KCTU 2014) Consequently, TPP will ensure only the interest of transnational corporations but exclude the interest of workers and farmers. (KCTU 2014)

* TPP will ruin Korea's agricultural sector.

USA, Canada, Australia, and New Zealand are all major agricultural exporters in the world. Consequently, TPP will undermine Korea's fishery, cattle industry (pork and beef), and agricultural products. (KCTU 2014) It should be noted that due to FTAs, 10% of cow cattle farms in North Kyunggi province and 8.5% in South Cheonla province have given up their business by 2013 (Chung 2014). In contrast to Korea's 100% self-sufficiency rate in rice production in 1975, the self-sufficiency rate today remains around 80% and an food supply rate from domestic sources stands at around 23% (KCTU 2014). In this context, KCTU argues that TPP will further undermine Korea's food security by forcing Korea's rice market open. Equally important is the issue of GMO food. TPP will increase GMO food import that is harmful to people's health and general ecosystem (KCTU 2014). According to KCTU, TPP means giving up nation's right to food security and thus this is tantamount to giving up being a sovereign country. (KCTU 2014)

* TPP will hurt Korea's auto industry.

TPP will have a negative impact on the Korean auto industry as it will likely eliminate Korean 8% tariff on Japanese cars. Given Japan's technological comparative advantage, small and medium size businesses in Korea's auto parts industry will likely suffer. This will further exacerbate Korean trade deficit with Japan which has increased in the last 10 years, accounting for \$ 3.17 billion in 2010. (KCTU 2014)

* TPP will increase Korea's trade deficit and adversely affect Korea's balance of payment.

Unlike predictions from the previous Korean government, FTAs with the EU and the USA increased Korea's imports rather than exports (Kim BC 2013). With TPP's strengthened IPR regulation, Korea's payment for patents will further drain Korea's revenues (KCTU 2014).

* TPP does not bring any additional economic benefit to South Korea.

Korea has already an FTA with most TPP participants and is currently negotiating an FTA with Japan, New Zealand, and Mexico. This means that Korea's accession to TPP may not bring any significant additional economic benefits (KCTU 2014). Korean government predicts that TPP will bring 2.5%-2.6% GDP increase over 10 years. This means only 0.25% growth or \$ 2.5 billion GDP increase per year. Compared to Samsung's annual profit is \$23 billion, the projected annual growth amount is not worth of risking Korea's agricultural sector and small and medium size companies in the manufacturing industry. (KCTU 2014) It is unwise to participate in the uncertain TPP which may negatively affect Korea's economy, all for a pursuit of the small amount of GDP growth per year.

* TPP will deteriorate Sino-Korea relations.

The KCTU notes that TPP may undermine Sino-Korea relations and this may hamper Korea's export to China in the future (KCTU 2014).

In sharp contrast to KCTU's opposition to TPP, KCTU is less vocal about RCEP, although it is critical of the Korea-China FTA. The KCTU's arguments concerning TPP are echoed in statements from other civic groups and small opposition parties. 200 civic groups that oppose TPP established the Pan-national Committee against TPP·FTA (대응 범국민대책위원회) and seek to mobilize people against TPP. Kim Young-ho, the chairperson of the National Peasant League (전농), said: "In order to protect people's food security and national sovereignty, we must stop Korea-US FTA, Korea-China FTA and TPP" (Chung 2014) Small opposition parties such as the Justice Party opposes TPP on the ground that TPP public hearing did not invite representatives of labor, farmer and civic groups. (Chung, KS 2013) Chung KS, a policy advisor of the Justice Party, also echoes KCTU's concerns about potentially destabilizing effect of TPP

on Sino-Korea relations. As he states, Korea's accession to TPP may create a sense of exclusion and betrayal in China (Chung, KS 2013).

In this regard, the South Korean government brushes off the concerns of negative implications for Sino-Korea relations. In 2013, Deputy Prime Minister and Finance Minister Hyun Oh-seok said, "China has been cautious about taking part in the Trans-Pacific Pact, but now swung to a positive position in participation. The change in China's stance is one of the reasons that Korea shows interest in becoming a member of the TPP." (Business Korea, 2 Dec 2013) At least in the official statement from Beijing, China is not entirely hostile toward TPP. In 2013, China's Ministry of Commerce announced that China may consider joining the TPP 'on the basis of equality and mutual benefit'. The clue to deciphering China's real intention is in the phrase " on the basis of equality and mutual benefit". (East Asia Forum, 20 March 2014) Given negotiating power between developed countries and developing countries is fundamentally asymmetric, TPP negotiations are likely to be biased toward countries with more market power. China, needing time and space for its own developmental needs, will not likely accept the level of liberalization demanded of TPP participants.

Conclusion

It is clear that the South Korean government has failed to communicate with the public over the potential benefits and drawbacks of TPP and RCEP (Kim BC 2013). Especially, the notable absence of concrete assessments on the impacts of TTP and RCEP on Korea's agriculture and the lack of government policy measures to protect the agricultural sector continue to worry civic groups including the National Peasant League. They point to a critical link between agriculture and national security. In so far as a country depends on other states for essentials, it is vulnerable to external pressures. In this regard, EU's common agricultural policy (CAP) can be a positive example that South Korea can learn from. To promote sustainable food production, CAP accounts for more than 40 percent of the EU's total budget. In 2007, the EU paid over 43 billion euros to subsidize 13 million farmers (3% of the population) (Karns and Mingst 2009). Beyond mere subsidy, the CAP is also designed to give farmers flexibility to respond to market conditions. Notwithstanding some drawbacks of CAP, the competitive advantage that EU agricultural products enjoy in the world market and the sustainable rural sector in the EU are unthinkable without CAP. If the two regional trade agreements are concluded without a proper consultation process involving broad civil society groups, the new FTAs might backfire in both international and domestic realms. At least in the domestic realm, they might trigger mass street protests and political instability. In so far as countries pursue zero-sum competition in international trade, the future of Asia is likely the one of conflict and instability. It is ever more urgent that governments and civil society in Asia come to debate various models of economic integration and security cooperation in a more transparent manner.

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