

Report on GTI Workshop on FTAs/RTAs Information Sharing



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25th October 2018, Boao, Hainan Province, PR China

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List of Abbreviations

AEC	ASEAN Economic Community
APEC	Asia-Pacific Economic Cooperation
APTA	Asia-Pacific Trade Agreement
ASEAN	Association of Southeast Asian Nations
AUS	Commonwealth of Australia
CAIT	China Association of International Trade
CEPA	Comprehensive Economic Partnership Agreement
CIS	Commonwealth of Independent States
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DPRK	Democratic People's Republic of Korea
EAEU	Eurasia Economic Union
EPA	Electronic Communications in International Contracts
EPA	Economic Partnership Agreement
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTZ	Free Trade Zone
GSC	Global Supply Chains
GTI	Greater Tumen Initiative
GTR	Greater Tumen Region
JCK	Japan, China, and Korea
KIEP	Korea Institute for International Economic Policy
KORUS	The Republic of Korea - the United States
MEEPA	Malaysia-European Free Trade Association Economic Partnership Agreement
MERCOSUR	Mercado Común del Sur
MEUFTA	Malaysia-European Union FTA
MOU	Memorandum of Understanding
MTS	Multilateral Trade System
NAFTA	North American Free Trade Agreement
NEA	Northeast Asia
NTB	Non-Tariff Barrier
NTM	Non-tariff Measure
OBOR	One Belt and One Road Initiative
PA	Pacific Alliance
RCEP	Regional Comprehensive Economic Partnership
RIN	Research Institutions Network
ROK	Republic of Korea
RTA	Regional Trade Agreement
SAU	Saudi Arabia
SDGs	Sustainable Development Goals

SGP	Republic of Singapore
SMEs	Small and Medium Sized Enterprises
SPS	Sanitary and PhytoSanitary (Measures)
TBT	Technical Barriers to Trade
THA	Kingdom of Thailand
TPP	Trans-Pacific Partnership
TWN	Taiwan
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USD	United States Dollar
USMCA	US-Mexico-Canada Agreement
USSR	Union of Soviet Socialist Republics
VAT	Value Added Tax
WTO	World Trade Organization

GTI Workshop on FTAs/RTAs Information Sharing

25th October 2018, Boao, Hainan Province, PR China



I. Introduction

1.1 About GTI Workshop on FTAs/RTAs information Sharing

GTI Workshop on FTAs/RTAs Information Sharing was proposed by the Ministry of Commerce of China (MOFCOM) as a project and approved by the 18th Consultative

Commission (CC) Meeting on 22 June in Ulaanbaatar, Mongolia. MOFCOM, the China Association of International Trade (CAIT), and the Greater Tumen Initiative (GTI) Secretariat jointly organized the event and held it on 25th October 2018 in Boao, Hainan, China.

GTI member countries have been actively engaged in discussions and elaborations on regional and bilateral free trade arrangements. They have signed 47 FTAs and RTAs altogether with global trading partners, and these agreements strongly support the regional trade growth and economic development. However, GTI member countries are still at the initial stage of ushering into 'FTAs/RTAs' era, and the issue has rarely been discussed under the GTI framework. To accelerate trade facilitation and regional integration, GTI member countries agreed to share the information and have discussions on FTAs/RTAs by organizing a thematic workshop.

During the workshop, around 30 participants from governments, international organizations, academia discussed issues and shared insights on four themes with an aim to provide policymakers and stakeholders information and insights for future planning and cooperation initiatives on FTAs/RTAs:

- 1) Overview of Current Trends of Regional Economic Cooperation,
- 2) FTA/RTA Policies and Practices of Northeast Asian Countries,
- 3) Coverage, Content, and effects of FTAs/RTAs in the Northeast Asian Region, and
- 4) Outlook into the Future of FTAs/RTAs Development of Northeast Asian Region.

2.2 Remarks

Remarks from GTI Secretariat

Tuguldur Baajikhuu, Director, GTI Secretariat

Boao is famous for the Boao Forum for Asia which has been held annually since 2002 and during this year's forum in April, President Xi Jinping delivered the speech on "Openness for Greater Prosperity, Innovation for a Better Future" where he emphasized that globalization and free trade are irreversible and unstoppable. In this context, Boao maybe one of the suited



places to discuss trade issues.

Northeast Asia (NEA) as the most dynamic region takes up a quarter of the global GDP, and a fifth of the global trade volume, and has massive potential such as natural resource, labor, advanced technology, and huge consumption market. Regarding FTAs, our member countries, particularly, China and Korea, have already proactively engaged in trade arrangements with other trading partners and play a role as the global trade hub.

Meanwhile, it may be hard to deny that the regional cooperation and integration including FTAs/RTAs has been behind our potential in this region. There is no regional trade agreement in the NEA and among GTI member countries the only bilateral free trade agreement in place is between China and ROK. Even when we consider the whole of NEA beyond GTI membership, we could only talk about Japan-Mongolia EPA, whereas China-Japan-Korea FTA is still in a stalemate.

In the past years, we could see efforts made by the NEA countries towards promoting and seeking ways for fostering regional economic integration and cooperation. Nevertheless, sometimes differences such as economic size, political and legal systems, as well as the levels of economic development cause challenges and often efforts also have been affected by geopolitical and historical issues resulting in the progress of negotiations and development being interrupted. GTI, the only intergovernmental mechanism in the NEA that engages in economic cooperation, is expected to make a difference in bringing efforts of member countries in regional economic integration to the next level by transforming into an independent institution. We hope that the process of consolidation of talks on the establishment of new intergovernmental organization will finalize soon and other NEA would re-engage with GTI in the near future.

Nowadays, we are living in a new political and economic environment with both positive and negative changes. We are witnessing a positive geopolitical shift involving the Korean peninsula. Meanwhile, protectionist movements may increase uncertainty in the global economy. To cope with the changing environment, based on our advantages the NEA countries have to intensify and deepen cooperation in the NEA to become more resilient and adaptable and further strengthen the region's position economically and politically.

Some people argue that economic integration including FTAs/RTAs requires to remove obstacles beforehand such as the discrepancies in the systems, lack of adequate

infrastructure, and even political and historical issues and so forth. Naturally, with the existence of these obstacles, it might be difficult to promote integration. However, I cannot fully agree with this view because better economic management efforts for economic integration can lead to solving these problems, and vice versa. In particular, FTAs and RTAs are not limited to tariff adjustment but also have a lot to do with reforms and harmonization in various sectors among trade partners. Therefore, I believe that today's workshop would be meaningful and contribute to efforts by countries in the region for closer and better integration in the NEA.

Lastly, FTAs and RTAs have rarely been discussed under the GTI framework. This workshop will not be a one-time event and today's discussion can lead to the follow-up initiatives and projects involving member countries. As small streams come together to form a river, I believe that hope that GTI's efforts on regional integration come together to promote FTAs and RTAs in the NEA. In this context, we are happy to see and appreciate the participation from Japan in our discussions in the trade and investment sector.

Remarks from the China Association of International Trade (CAIT)

Li Tie, Vice Chairman, CAIT



The international cooperation for the development of Tumen River Area has taken over 20 year journey. During this course, the member states have made a concerted effort to expand cooperation in the fields of traffic, economy and trade, tourism, energy, agriculture, finance, environmental protection, etc., and to promote trade facilitation measures actively. The infrastructure such as railway, road, ports, etc., within the region, has been greatly improved. A preliminary three-dimensional traffic system has been established. All these have effectively accelerated the development of trade, tourism, environment protection, and logistics.

As the sole sub-regional cooperation mechanism, GTI has played an irreplaceable role in assisting the economic and cultural communication and cooperation of the region.

This workshop focuses on free trade and the construction of a free trade zone. It is very significant because it explores issues about free trade zone and economic cooperation

from a more complete and comprehensive point of view.

Today, as the economic globalization further deepens, many changes have taken place in the global economic and trade environment. New protectionism and restrictions occur one after another, which impede the course of economic development.

Therefore, member states of the region should increase consultation and cooperation, to jointly address the current threat of unilateralism and protectionism, and to jointly withstand the shock from the outside markets.

By now, a good foundation has been laid for China-Japan-Korea Free Trade Zone and consensus on many issues has been made. The second stage of negotiation about China-Korea Free Trade Agreement is underway. Consultations about China-Mongolia Free Trade Agreement and Korea-Mongolia Free Trade Agreement are in progress. These measures will greatly promote the high-level free and facilitated trade of Tumen River Area and Northeast Asia.

Recently, leading institutes of GTI RIN have cooperated practically and studied in-depth on trade and investment, trade facilitation, and establishing border free trade zones within the region. Preliminary achievements have been made in these aspects.

In the future, to provide high-end intellectual products for the further cooperative development of Tumen River Area, the member institutes of RIN will make joint study on the following five fields in the spirit of free trade : pushing the member governments to make policies to simplify customs clearance in Tumen River Area; advocating for establishing financial platforms to promote regional cooperative development of the area; concerning and pushing forward the construction of free trade zones and border free trade zones; promoting enhancement of Tuman River Area coordinative mechanism; accelerating the information exchange about the development of the area.

II. Session 1: An Overview of Current Trends of

Regional Economic Cooperation

Participants reviewed the present situation and trends of regional economic cooperation, demonstrating how FTAs/RTAs contribute to the development of regional economy by liberalizing and facilitating regional trade and investment, so as to enlighten participants on the importance and necessity of FTAs/RTAs in the big picture of regional economic integration in NEA

2.1 General Introduction of FTAs and RTAs in Northeast Asia

SONG Yang, Deputy Director, Department of International Trade and Economic Affairs, Ministry of Commerce, China

FTA, as the core topic of this workshop, is a familiar conception to our scope. Composed of mutual-beneficial arrangements on tariff, service, and investment, market access, etc., FTA, in general, can provide a more convenient business environment with greater certainty, lower the cost of international trade, bring in social welfare and strengthen economic ties amongst parties.

To this end, in order to enjoy a more preferential statue in global trade and investment, GTI member countries tend to negotiate FTA with like-minded partners and constantly optimize the layout of their FTA network. According to WTO statistics, up to 2017, GTI countries have already signed 47 FTA altogether with their trading partners, all these agreements strongly support the economic prosperity and development of the Greater Tumen Region (GTR). As for China, by this year, we have signed 17 Free Trade Agreements with 25 economies, which brought tangible benefits to our economic development.

On the other hand, it's long been a topic of concern, shared by each member countries, on strengthening regional connectivity and promoting economic integration. For example, the GTI members' total international trade volume reached 5 trillion USD in 2016, while the intra-region trade only accounted for less than 4% of it. We have to say that the trade performance among Northeast Asian countries is far from satisfying. However, as the first



ever intra-GTI FTA currently in force, China-Korea FTA could inspire our aspiration in exploring broader possibilities of regional trade arrangements in the future.

Against the current backdrops, with surging unilateralism and trade protectionism globally, I can see lots of meanings and necessities in today's discussion. In the following sessions, we will have several significant speakers, who are involving in FTA negotiations or studying on FTA issues, to brief FTA policies of each country and share their insights. Beyond this, to my point of view, FTA, as named for free trade, has not only a literal meaning of less trade barrier, but also a commitment to the value cherished by multilateral trading system, which is rules-based, transparent, non-discriminatory, open and inclusive.

During the past several decades, FTA and MTS have been playing as two driving engines for trade and investment liberation. they have always accompanied each other and evolved alternately, which jointly promoted the process of economic globalization and regional integration. As we have been well-known, the risk of protectionism continues to grow, leaving MTS under unprecedented uncertainties. Hereby, I would like to set forth some relevance between them, and provide an angle for our discussion.

First, FTA and MTS take different paths toward a very same goal.

Economic globalization is the inevitable tendency of social and technological progress. The speed of advancement might be sometimes fast sometimes slow, but the trend would never be fundamentally reversed. The multilateral trading system, with its unified rules and widespread benefits, ought to be the main channel of promoting economic globalization. However, for various reasons, multilateral trade negotiations sometimes progress slowly. FTA has naturally become the sub-optimal choice to promote trade and investment liberalization and serves as an effective supplement to MTS. According to WTO statistics, about 148 of the 286 FTA in force were reached during the WTO Doha Round negotiations, accounting for more than 1/2, and 75 of them were reached in the past 10 years, accounting for more than 1/4

Second, FTA has become the experimental field of MTS.

The WTO involves 164 member states, which means multilateral trade negotiations is built on extensive concession and the difficulty is imaginable. Therefore, in sensitive areas and issues, countries are more cautious about negotiating under the multilateral framework and generally prefer to test through FTA. If it works, what has been reached in FTA could provide a "model" for multilateral trade negotiations. If it fails, it can provide valuable lessons as well. For example, the WTO has been discussing e-commerce and related issues since 1998, but the results were limited. In recent years, about 1/4 newly

signed FTA have included e-commerce rules, in return, greatly promote the progress of e-commerce negotiations under the WTO framework. Another example is the reached WTO “Information Technology Agreement” and the negotiating “Environmental Products Agreement”, which are closely related to the early consensus reached in APEC.

Third, positive outcomes achieved in FTA can also benefit to all without discrimination. Although FTA is intended to limit its preferential treatments within its parties exclusively, a considerable trade and investment supervision measures, facilitation measures and market access commitments will be indistinguishably applicable to all trading partners in practice due to administrative cost and technical difficulty in taking differentiated managements. From this perspective, FTA can help to achieve the same inclusive goal as the multilateral trading system in certain areas. For example, FTA parties’ commitments to improve transparency and enhance e-commerce legislation would generally lift the trade facilitation level, which would bring favors to all their trading partners.

Fourth, FTA can enhance economies’ confidence in promoting economic globalization and regional integration. With growing numbers of FTAs are signed in recent year, more and more topics are brought into the FTA scope. From border measures to post-border measures, all these new fields greatly increase FTA’s degree of liberalization. In return, economies are becoming more confident and willing to continually promote economic globalization and regional integration in an open manner. For example, the ASEAN proposed to establish the intra-ASEAN FTA in 1992. In 2002, ASEAN voluntarily sought opportunities in developing FTA partnership with China, Korea, Japan, Australia, New Zealand, and India. In 2012, ASEAN further advocated the initiation of RCEP negotiations which involved 16 parties. In this process, the number of parties expands, the subject area, and the level of liberalization constantly improve. All these have effectively promoted the economic integration process in the Southeast Asian region and in a larger scope.

Northeast Asia has a vigorous economy, large market, and quick growth, with considerable influence on world economic changes. China, as part of Northeast Asia, is willing to join hands with GTI members, to look on FTA issues in a bigger picture. As President XI said in Boao, where we are here, that China will not close its door to the world and we will only become more and more open. We will continue improving the quantity and quality of trade and investment liberalization and facilitation. As for trade in goods, together with our FTA partners, we will seek ambitious commitments to eliminate tariff and non-tariff barriers on the basis of mutual benefit. As for trade in services and investments, we will gradually explore negative-list based approaches for market

opening-up commitments. We are also going to incorporate more elements regarding some new issues such as intellectual property, e-commerce, environment, and government procurement. All in all, we are willing to make joint efforts with all countries to build an open economy, make globalization and regional integration benefit for all.

2.2 Free Trade Zone and Free Trade Agreement in Tumen River Region

LI Tie, Vice Chairman of CAIT



The construction of the Free Trade Zone in Northeast Asia should be based on the border-free trade area.

Back to the earliest Idea of Free Trade Zone of Tumen River Region on in Northeast Asia in the early 1990s, the United Nations Development Programme advocated the Tumen River Area Development Programme. China, DPRK, and Russia took out a piece of land at the junction of the Tumen River area to establish a highly developed Free Trade Area like Hongkong with sea-land connectivity.

After more than 20 years of cooperative development, the establishment of free trade area in Tumen River Region laid the foundation to a certain degree and great improvement has been made in the land transportation corridor across the border, customs clearance at ports and land-sea transportation route in the Tumen River area.

China has also established several national economic cooperation zones in the border area with Russia and DPRK. They became the foundation and continue to support the transnational border free trade area. The construction of the border-free trade area in the Tumen River area needs to be accelerated. At the 4th East Economic Forum (Vladivostok Russia, 2018), Chinese President Xi Jinping put forward the idea of "building a bright new future for Northeast Asia", which aroused widespread resonance among Northeast Asian countries and created a favorable international environment for the construction of the Tumen River Free Trade Area.

Regarding setting up the Sino-Russian border free trade zone, it has favorable conditions for the construction of the China-Russia border free trade zone. Relations between China

and Russia have entered the best period in history, with close high-level exchanges between the two countries and further deepening of local cooperation in adjacent regions. The revitalization of Northeast China and the development strategy of the Far East of Russia are in the stage of accelerating docking. The "coastal international transport corridor" planned and constructed by Russia aims at connecting China and facilitating land-sea transportation. Cross-border free trade can be realized with Hunchun, Suifenhe and Vladivostok Free Ports in the adjacent regions of China and Russia as the grounding areas. Hunchun port trade with Russia has been greatly enhanced in recent years, and Suifenhe port has become one of the main ports of Chinese trade with Russia. After the situation of the Korean Peninsula might be completely recovered, the border trade zone between China, Russia, and Korea is suggested to be built. In the near future, the China-Russia border free trade zone could be constructed actively. With changing of the situation on the Korean Peninsula, China-Russia-DPRK border free trade zone could be constructed at a proper time. By this, DPRK could be actively appealed back to GTI mechanism.

The border trade zone of the Tumen River Area should contribute to the strategic integrity of five Northeast Asian countries. The construction of the border-free trade area in the Tumen River area should embody the interests of all countries and become a strategic docking point to implement China's "OBOR", the Russian "Eurasian Economic Union", the "New North Policy of Korea", the "Steppe Road" of Mongolia, and the "full development of the economy" of the DPRK.

The construction of the Northeast Asian Free Trade Area should be supported by marine economic cooperation. In the 1990s, the earliest idea of the Tumen River development cooperation was to access eastward to the Pacific Ocean, and westward to Rotterdam, the European hub port city by building a new Eurasian continental bridge.

Most of the countries in Northeast Asia are located near the Pacific Ocean. Among the countries in Northeast Asia, China, Russia, Korea, and Japan are all countries near Sea, while Mongolia has a strong desire to access to the sea. As for the current situation of the cooperation in the region, we could see the cooperation of shipping routes and marine logistics among the ports has aided to form the economic development circle in the region.

China and Russia jointly put forward the "the Silk Road on Ice". Joint construction of "Silk Road on Ice" by China and Russia will greatly promote the marine cooperation of the countries in the region.

Marine economic cooperation can support the construction of free trade zones. The cooperation can be carried out in ten fields listed as below:

1. Infrastructure Construction of Sea-land transportation
2. Ports cooperation
3. Oceanic Economic Zone
4. Coastal Tourism
5. Aquaculture
6. Marine logistics
7. Oceanic Environmental Protection
8. Mineral Resources
9. Petrochemical Industry
10. Oil and Gas Mining

In this regards, CAIT would like to suggest the establishment of a special oceanic cooperation committee on the basis of the existing six boards.. Otherwise, an existing board is suggested to promote oceanic economic cooperation in the Tumen River region.

NEA free trade area should be supported by and based on Northeast Asian Economic Cooperation Organization. The 15th GTI Consultative Committee (CC) Meeting (Yanbian, Jilin Province, 2014) issued the "Yanbian Declaration" to jointly promote the transition of the GTI into an independent international cooperation organization. During the 18th GTI CC Meeting (Ulaanbaatar, 2018), China, South Korea, and Mongolia all hoped to speed up the process of GTI's legal transition, strive to complete the transition work in 2019 and establish a new Northeast Asia Economic Cooperation Organization.

CAIT continues to support joint research on free trade area, marine cooperation, and the legal transition of GTI.

2.3 Current Trends on Mongolia's Foreign Trade

Nomintsetseg Ulzii - Ochir, Senior Lecturer, The National University of Mongolia



Foreign trade plays a pivotal role on Mongolian economy, and the trade-to-GDP ratio has constantly increased in recent years (2013 100.3%, 2014 109.3%, 2015 90.3%, 2016 95.6%, 2017 116.6%)¹. It shows that the Mongolian economy still heavily depends upon external trade.

Mongolian extensive mineral deposits and its attendant growth in mining-sector activities have transformed Mongolian economy, which traditionally has been dependent on herding and agriculture. Nonetheless, the country also has extensive mineral deposits that account for a large part of its production and exports. Exports mainly comprise mineral products, natural or cultured stones, jewelry, cashmere, animal origin products, hides, and skins. Mongolian main export partners are China, Canada, and Russia. However, Mongolia maintains a trade deficit driven by imports of mineral products, machinery, equipment, electric appliances, recorders, TV sets and spare parts, vehicles, food products, and base metals.

As of December 2017, total trade turnover increased by 27% (USD 2,262 million) from that of the previous year and reached USD 10,536 million. Total exports increased by 26% (USD 1,284 million) and imports by 29% (USD 977 million). During the reporting period, as export surpassed import by USD 1,865 million, trade balance recorded a surplus that is USD 307 million higher than that of the previous year² (Table 1).

Main indicators	2013	2014	2015	2016	2017
Total turnover	10,626.88	11,011.00	8,466.80	8,274.48	10,536.12
Export	4,269.06	5,774.33	4,669.30	4,916.34	6,200.66
Imports	6,357.82	5,236.67	3,797.50	3,358.14	4,335.47
Balance	-2,088.77	539.23	871.80	1,558.20	1,865.20

Table 1. External trade turnover, exports, and imports (USD thous.)

Source: Mongolian Statistical Information Service, www.1212.mn

The increase in the export of mining products explain 26%p, and other sectors exports products explain 0.1 percentage points of the total export growth. The weight of mining products in total exports increased by 3%p, while manufacturing goods decreased by 2%p.

¹ World Bank, World Development Indicator <http://databank.worldbank.org/data/source/world-development-indicators>

² Bank of Mongolia, December 2017, Mongolia's Foreign Trade Review

Mongolian exports are composed of few items, namely minerals such as copper, molybdenum, and fluorspar concentrates and gold, coal, crude oil, natural stones, textiles, and animal originated raw materials such as wool, cashmere, hides and skins, meat and intestines.

Main commodities	2013	2014	2015	2016	2017
Frozen beef (t)			2,621.9	1,592.29	1,644.07
Horse meat (t)	7,573.	4,971.5	7,318.5	14,392.62	44,529.23
Edible meet offal (t)	1,320.9	238.9	88.3	59.2	189.35
Copper concentrate	948,951.	2,574,706	2,280,135	1,607,754	1,613,117
Fluor spar ores and concentrate (thous.t)	83,231.4	71,516.3	65,487.	58,969.8	84,218.41
Tungsten ores and concentrates (t)		19,588.6	13,546.1	10,514.6	8,078.6
Iron ores (thous.t)	654,333.	446,378.1	227,199.7	249,890.5	313,354.5
Iron scrap (t)	412.9		315.2	285.6	322.93
Sheep wool (t)	3,009.7	9,577.8	13,945.5	16,356.6	20,643.02
Coal (thous.t)	1,122,033.5	849,039.5	555,923.2	973,072.76	2,267,642.26
Crude petroleum oils (thous.barrel)	515,455.6	634,611.4	387,217.3	337,180.6	374,071.43

Table 2. Export by main commodities (USD thous.)

Source: Mongolian Statistical Information Service, www.1212.mn

Changes in the quantity of foreign goods trade increased exports in 2017 by USD 345 million, while USD 940 million increase was driven by the price changes. Increases in export price and export quantity of mining products, especially coal export, resulted in the increase of USD 1,280 million. Export price and quantity increases of animal products resulted in increase of USD 63 million. Despite the increase in the export quantity of manufacturing products, the decrease in export price resulted in a decrease of USD 49 million.

Mongolian imports are relatively diverse and less centralized compared to its exports. The main import commodities include consumer goods (food, medicine and pharmaceutical products, clothing, household electrical appliances and furniture, passenger cars and parts), capital goods (machinery, equipment, supplies and vehicles, construction materials), intermediate goods and industrial materials (food ingredients, chemical products, yarn, fabrics, textiles, leather, electricity, metal ores and scrap), and fuels (diesels, gasolines).

As of the first 12 months of 2017, total import increased by 29% (USD 977 million) from that of the previous year. Capital goods explains 16%p, fuels 8%p, and consumer goods 4%p of the total import growth. The contribution of consumer goods in the total imports decreased by 5%p from that of the previous year, while the contribution of fuels increased by 2%p.

Commodity groups	2013	2014	2015	2016	2017
Live animals, animals origin products	64,399.00	67,215.40	40,970.80	40,896.40	57,154.57
Vegetable origin products	69,891.50	88,037.90	78,600.50	109,178.40	78,128.46
Animal & vegetable fat & oil	35,393.40	31,532.20	27,363.90	28,010.10	30,340.04
Food products	412,018.30	382,556.60	329,398.80	329,181.50	378,674.66
Mineral products	1,738,633.70	1,463,945.10	936,417.30	724,255.00	985,892.89
Chemical & chemical industry products	301,951.80	308,900.10	270,339.50	272,129.70	315,035.07
Plastics, rubber, & articles thereof	233,837.30	204,154.10	140,262.90	137,003.20	182,465.76
Raw & processed hides, skins, fur and articles thereof	7,182.30	6,914.50	5,423.50	5,316.00	7,842.73
Wood & wooden articles	43,502.40	58,358.50	41,018.30	30,389.50	40,303.60
Cellulose, paper, cardboard & articles thereof	65,311.40	55,240.50	45,957.30	45,641.80	50,848.45
Textiles & textile articles	70,390.90	67,027.40	57,188.20	63,333.00	72,329.82
Footwear, headwear, umbrellas, feather and artificial flowers	15,710.90	15,142.80	13,200.00	13,481.90	16,998.47
Articles of stone, plaster, cement, asbestos, glass and glassware	137,702.80	141,850.60	106,287.20	82,879.80	80,302.68
Natural or cultured stones, precious metal, jewellery	2,469.10	2,753.60	1,446.90	1,560.20	1,927.93
Base metals & articles thereof	551,551.50	538,837.50	371,991.40	210,940.60	333,884.74
Machinery, equipment, electric appliances, recorders, TV, sets and spare parts	1,395,427.70	984,700.00	785,510.90	680,398.80	920,853.04
Auto, air & water transport vehicles and their spare parts	1,000,730.60	615,826.60	368,113.00	435,560.10	622,675.18
Optical, photographic, cinematographic, measuring control, medical, surgical and musical instruments, watches	90,508.20	92,503.10	85,722.80	60,741.00	62,739.64
Various industrial goods	120,298.60	107,191.60	87,958.70	85,819.00	95,981.47

Table 2. Import by main commodities (USD thous.)

Source: Mongolian Statistical Information Service, www.1212.mn

The structure of the trade flows with the neighbouring trade partners is as follows:(i) from the total trade turnover trade with China is 63% (USD 6,681 million) and (ii) trade with Russia is 12% (USD 1,284 million). Trade turnover with China and Russia increased by 36% and 37%, respectively³.

By becoming the Member of the WTO in 1997, Mongolia has chosen the path of multilateral trading system (MTS) and made its principles the engine for development. Therefore, it is important for the country like Mongolia land-locked in-between the two giant states, to correctly identify and accurately implement trade policy. The choice of multilateral trading system and its principles, on the basis of which the pursuance of more liberal trade policy in general has had positive reflection on the economy⁴.

Since its accession to the WTO in 1997, the Government has undertaken a number of measures directed towards refining and making trade laws in line with the WTO rules, regulations and requirements. The Trademarks and Geographical Indications Law, Customs Law, Land Law, The Insurance Law, Company Law, General Tax Law, Investment Law, the Food Law were recently adopted. Also, necessary amendments were made to the licensing law, the Minerals Law, the Environmental protection law, the Customs Tariff Law, the Bankruptcy Law, the VAT Law, the Accounting Law, the Excise Tax Law, the Patent Law, the Standardization and Conformity Assessment Law, the Labor Law, the Laws on the Legal Status of Altanbulag and Tsagaannuur Free Trade Zones, the Free Zone Law.

³ National Statistical Office of Mongolia

⁴ World Trade Organization, Trade Policy Review, 2014, Report by Mongolia

III Session 2: FTA/RTA Policies and Practices of

Northeastern Asian Countries

As one of the most prosperous and diversified economic regions, Northeastern Asian countries accumulated valuable experience in shaping FTA/RTA policies and conducting negotiations. In this session, speakers from GTI member countries' governments introduced their FTA/RTA policies and corresponding practices.

3.1 China's FTA Practices

CHEN Zhiyang, Director, Department of International Trade and Economic Affairs, Ministry of Commerce, China

Up to now, China has signed 24 FTAs with 16 countries or districts, among which 14 FTAs have been implemented. China-ASEAN was fully established on Jan. 1, 2010 and it is China's first and largest FTA with developing countries. China-New Zealand FTA was signed on Apr. 7, 2008 in Beijing and Implemented from Oct. 1, 2008. China-Australia FTA was signed on Jul. 17, 2015 in Beijing, and entered into force on Dec. 20, 2015, and it is one of the free trade agreements signed by China so far with the highest level of trade and investment liberalization. China-Korea free trade agreement was signed on Jun. 1, 2015 in Beijing and entered into force on 20 Dec 2015, and the 2nd phase negotiation was launched on March 22, 2018.



Besides, there are 13 FTA negotiations or enhancement negotiations with 28 countries including ASEAN, China, Japan, Korea, Australia, New Zealand, and India, etc. 10 Joint Feasibility Studies for FTA negotiations or upgrade negotiations including Canada, Mongolia, Palestine and Colombia are underway.

China's FTAs have 4 main characteristics:

1. China's FTAs cover a wide range of areas, including trade in goods, trade in services, investment promotion and protection, Rules of Origin, customs procedures, TBT, SPS, trade remedies, economic and technical cooperation, investment facilitation, transparency and IPR, environmental cooperation, competition policy, etc.
2. Trade in goods in most of China's FTA has reached a relatively high level, covering substantially all trade in terms of trade value and tariff lines.
3. For trade in the service sector, a number of commitments made in China's FTAs are more favorable than those in multilateral trade negotiations, including Doha round.

4. While seeking a high standard, China's FTAs also retain a certain degree of flexibility, such as a longer transition period, mid-term review mechanism, special safeguard measures, etc.

In general, FTA is a very important component of diplomatic relations. FTA could serve as an experimental/pilot field for developing countries to try new economic and trade rules and it also could serve as a driving force to promote domestic reform (under external pressure).

In addition, FTA could expand the space for development in terms of creating a much bigger market, for example, China-ASEAN FTA formed a market of around 2 billion people and so make a bigger "cake" of trade by exchange of needed goods.

FTA could promote the industrial development in terms of transfer of industry. FTA members are more attractive to FDI by eliminating tariffs, for example, ASEAN members expanded the petrochemical industry. Removing TB and NTB can facilitate the free movement of factors of production including natural persons, technology, capital, etc.

We need to speed up the negotiations of FTAs while adhering to the rules of world trading system and accelerate the negotiations on emerging topics such as environmental protection, investment protection, government procurement, e-commerce, etc. Eventually form a global, high-standard network of FTAs.

3.2 Mongolia's Practice on Free Trade Agreement

Battsetseg Tuvshintugs, Deputy Director General, Ministry of Foreign Affairs, Mongolia



Mongolia had mere FTA experience and was the only WTO member without any FTA until not long ago. Recently we finally have one FTA related agreement, it is the EPA economic partnership with Japan. I will briefly introduce the EPA and the efforts Mongolia government make on the FTAs such as the joint studies with Korea and China.

Before proceeding the negotiation of the EPA with Japan, we had conducted several researches about the potential economic impacts. The studies generally concluded that the agreement would be beneficial for both countries to negotiate the government partnership agreement. Thus we could proceed the negotiation. The purpose

of the agreement is similar to the other countries' such as to increase the bilateral trade and improve market access, etc. Considering the specific conditions that Mongolia are dependant on the commodity export, EPA would help Mongolia diversify exports, increase to export value value-added products, and deepen trade and economic integration. Improving business and investment environment is also important to Mongolia taking account of the Mongolia specific conditions, such as land-locked country between two big countries, China and Russia. Perhaps you have heard about Mongolia's "Third-neighbour" policy, other than China and Russia; Japan is also our third neighbour. We hope to increase trade cooperation and increase Japan's investment in Mongolia, and thus create more favorable conditions for transferring high technology and skills.

Mongolia had 7 rounds of negotiation with Japan. The agreement was signed on 10th February 2015 and entered into force on 7th June 2016. EPA was considered by the WTO Committee on Regional Trade Agreement in April 2018. The agreement is comprehensive including 17 chapters, 10 annexes, and a separate implementing agreement. It covers trade in goods, trade in services, electric commerce, etc. This agreement will be implemented over a transit period lasting 20 years, and the last reduction installment occurs in 2036. At the entry into force, Mongolia liberalized 58.9% tariff lines, and Japan liberalized 3541 plus 3643 tariff lines already duty-free on an MFN basis. At the end of the transition period, Mongolia will retain 995(17.4%) out of 5722 tariff lines and Japan will retain 1115(12.3%) out of 9096 tariff lines. The agreement also allows two countries to have bilateral safeguard measures which may be imposed for 3 years, but in highly exceptional circumstances can be extended up to 6 years.

Under the EPA, we have established a joint committee and plan to establish 13 sub-committees in the future. There are also other economic cooperation mechanisms such as 'the Japan-Mongolia Government and Private Sector Joint Consultation Meeting' and 'the Mongolia-Hokkaido Business Forum'.

With regard to the progress to join APTA, it might take longer than expected. We expressed interest to join the APTA in 2009 and the APTA Standing Committee reached a consensus welcoming Mongolia as the 7th member in 2013. However, due to the change of the Mongolia government, it took longer to get the approval from the parliament for the accession. In March 2018, the cabinet discussed the accession issue and decided to postpone it due to the request from the private sector association regarding the National concession list. With the support of the other member states of APTA, the APTA Standing Committee reached a consensus on Mongolia's request to amend its National concession list in September 2018. Now, Mongolia accelerates the process of the internal procedure.

In order to continue our effort to sign FTA and EPA, we agreed to conclude joint feasibility study with South Korea. The study includes several chapters: introduction, current status of Korea-Mongolia economic relations, analysis of Korea-Mongolia bilateral trade, the economic impact of EPA between Korea and Mongolia, and recommendations for economic cooperation between Korea and Mongolia and Conclusion.

Regarding joint feasibility study on Mongolia-China FTA/EPA, we also have done several internal works including 3 major studies conducted by Mongolian academics between 2012 to 2014. Mongolia and China mutually agreed to establish a joint study group in May 2017 and signed the MOU. The first group meeting was held in September 2018, discussed the framework of the study and the TOR was signed.

Also, Mongolia also proposed conducting a joint feasibility study on FTA with Eurasia Economic Union (EAEU) and discussed the possibility for FTA with other possible partners such as Turkey, European Free Trade Association.

3.3 FTA/RTA Policy and Practices of The Russian Federation

Vladimir Vaganov, Consultant, Ministry of Economic Development, Russia



Russia takes part in the development of preferential trade zones on the basis of multilateral and bilateral agreements, including FTAs and RTAs. One of them is Commonwealth of Independent States Free Trade Area which was established in 2012.

The purposes of this FTA are the following:

1. Implementation of a full-scale free trade regime;
2. Liberalization and further development of mutual trade, elimination of existing restrictions and exemptions, including those related to the import of raw materials and export of finished products;
3. Development of an agreed line regarding the use of energy resources and transport services, the development of common markets for certain types of products, primarily agricultural products;
4. Development of cooperation in the field of transport, including the formation of network of international transport corridors in the CIS area;
5. Improving the efficiency of the tariff policy and eliminating the influence at the

national level of fiscal and administrative barriers in the implementation of international freight traffic.

Since 2000, FTA between Russia and Serbia has been in force. Today, the issue of unification of the trade regime between Serbia and EAEU member countries is being considered. As a member country of EAEU, Russia takes part in the negotiation process on free trade zones between EAEU and other countries.

Eurasian Economic Union is based on the Treaty on the Eurasian Economic Union which is a kind of RTA. The Treaty comprises the best international practices and WTO rules. The Treaty on the EAEU secured the member states' agreement to pursue a coordinated energy policy and form common energy markets (electric energy, gas, and oil and oil products) based on common principles. The Treaty on the EAEU determines the regulatory treatment of the turnover of pharmaceuticals and medical devices. The Treaty establishes new long-term priorities of transport policy in the territory of the Eurasian Economic Union. The parties agreed on a step-by-step liberalization of transport carriages in the territory of the will-be Union, which pertains primarily to motor and railroad transport.

An agreement has been reached on the formation and implementation of a coordinated agricultural policy. It is not insignificant that policies in other areas of integration interaction, including the application of sanitary, phytosanitary and veterinary measures to agricultural products, will be pursued in view of the goals, tasks, and areas of the coordinated agricultural policy.

The Eurasian Economic Union (EAEU), which is a major integration association, aims to develop interaction with such international players as, for example, India, China, ASEAN, MERCOSUR and others. It should also be noted that a number of countries, such as Egypt, Iran, and Thailand, have already begun negotiations on the creation of a free trade zone with the EAEU. Palestine, Pakistan, India, Singapore, and Israel also declared their interest.

At the end of December 2016, the EEC Board recognized the expediency of entering free trade area negotiations with the Republic of Singapore.

On December 26, the presidents of four EAEU member states attended a meeting of the Supreme Eurasian Economic Council. They signed a resolution to commence free trade agreement negotiations with Iran, India, and Egypt. It is expected that the document will also be signed by Belarus. The negotiation process will proceed along two 'tracks': Trade in goods will be discussed by the Commission and the member states, while trade in services and investments will be dealt with by the member states with general coordination by Russia. The 'two tracks' arrangement may subsequently be used to negotiate other free trade area agreements.

Parallel to that, the first rounds were held in negotiations with China on the execution of a non-preferential agreement. Non-preferential trade agreement does not grant tariff and duty preferences in mutual trade between two or more countries. Such agreements may cover a broader range of trade and economic cooperation matters, for example, non-tariff barriers, the regulation, and administration of boundaries, capital-movement barriers, and investment regimes.

Accordingly, they are discussing an 'intermediate agreement' designed to promote economic cooperation between the EAEU and China by reducing certain regulatory barriers in customs administration, capital movement, and other areas.

The EAEU concluded the agreement on the creation of a free trade zone with Vietnam, which entered into force on October 5, 2016. According to available estimates, it can contribute to increasing the volume of bilateral trade by more than 3 times by 2020, up to USD 10 billion. Almost 30% of tariffs will be changed or liquidated after the transit period up to 2020 or 2025, depending on the specific product. Over the first 10 months of operation of the FTA between Vietnam and the EAEU, exports of goods from the Union countries to Vietnam increased by 32%. Supplies of Vietnamese products to the markets of the EAEU grew by 28%.

3.4 Current Status and Policy Direction of Korea's FTAs & RTAs

KIM Younmi, Deputy Director, Ministry of Economy and Finance, Korea



Since Korea-Chile FTA came into effect in 2004, Korea has concluded 15 FTAs with 52 countries, securing the FTA market which takes up 77 % of the global GDP.

As an open economy, Korea has become the 11th largest economy driven by export-led growth after the Korean War. And FTA has been an integral part of Korea's national economic strategy over the past two decades. Externally, the Korean government has expanded its FTA network by actively concluding FTAs. Not only this, the government has publicized the benefits of the FTA to the public so that people can get familiar with it. Moreover, the government has endeavored to actively coordinate different views by making national consensus through public hearings and meetings. After the signing of the FTA, the Korean government has been operating systems to help effective implementation of the FTAs by providing businesses with services to fully utilize FTAs.

As a result, Korea's export to its FTA partner countries stood at USD 416 billion, taking up

72.4% of Korea's total export in 2017. Korea's experience of signing a variety of FTAs has helped Korea reach its goal to become an FTA powerhouse. Notably, wordings of Korea-U.S. (KORUS) FTA are highly recognized by each country to serve as a golden standard when negotiating FTAs with other countries.

On the other hand, as trade conflicts are rapidly increasing between countries including the recent China-U.S. trade war, uncertainties in the trade environment are growing as well. Trade protectionism may trigger a decline in the global trade volume and a reduction in GDP, and signs of global economic recession such as falling stock markets are already on the horizon. The Korean economy with high export dependence will also not be immune to the impact arising from trade protectionism and global economic recession.

In response to the sudden changes of trade environment, Korea has been pursuing trade strategies that diversify trade partner countries and market-opening sectors. To reduce its dependence on the U.S. and China, Korea has pursued expanding FTA network to the third countries and seeking FTA negotiation strategies that shift away from opening traditional manufacturing industry more towards opening services industry and new industries (e.g. energy, smart city, etc.).

Korea has made all-out effort to re-establish trade relations with the U.S. and China. For instance, amendment negotiation for Korea-U.S. FTA was concluded with the signing taken place on the 24th of September 2018, and the KORUS FTA is now in the process of ratification at the National Assembly. Moreover, subsequent negotiations for Korea-China FTA in services and investment are underway. Although it is on an early stage, if progress is made on the Korea-China FTA negotiation, the agreement is expected to contribute to establishing a stable environment for trade in services and investment between Korea and China.

On the other hand, FTA is also included in Moon Jae-in administration's New Northern Policy and New Southern Policy. As part of the New Northern Policy, the Korean government is working on to create conditions to initiate Korea-EAEU FTA, and both heads of the state agreed to launch negotiations on the Korea-Russia FTA in services and investment at Korea-Russia summit in June 2018. Similarly, as part of the New Southern Policy, negotiations to further liberalize the Korea-India CEPA, and negotiations on RCEP are in progress.

Aside from these, so as to diversify FTA partner countries, Korea is in the process of negotiating FTA with Israel, and also launched negotiation with MERCOSUR and was admitted as the Pacific Alliance (PA) as an associate member.

Korea has strived to actively engage in multilateral negotiations as well as bilateral FTAs. Korea is currently negotiating China-Japan-Korea FTA, RCEP and APTA. Recently, internal discussions have continued to determine whether to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

To maximize the benefits of the FTA, Korea has been pursuing comprehensive FTAs that include services, investment, government procurement, intellectual property right, technical standard, not just tariff elimination in goods. Not only this, but Korea has also committed to complementing multilateralism by pursuing FTAs with high level of liberalization while improving and advancing domestic system through FTAs. In particular, as technological innovation driven by the fourth industrial revolution is facilitating digitalization in goods and services, the Korean government will also actively engage in digital trade movement.

3.5 A General Introduction of Malaysia's FTAs and RTAs

Farha Ramdzan Saaïd Ramdzan, Senior Assistant Director, Ministry of International Trade and Industry, Malaysia

Malaysia believes in the primacy of the rules-based multilateral trading system. Our trade policy is reflective of the principles and rules enshrined in the WTO Agreements. We also ensure that all our FTAs respect the principles and rules of the WTO. FTAs and RTAs covers deeper contents than traditional trade agreements and provide stability to international trade and ensure that world trade is conducted in an open, fair and transparent manner.

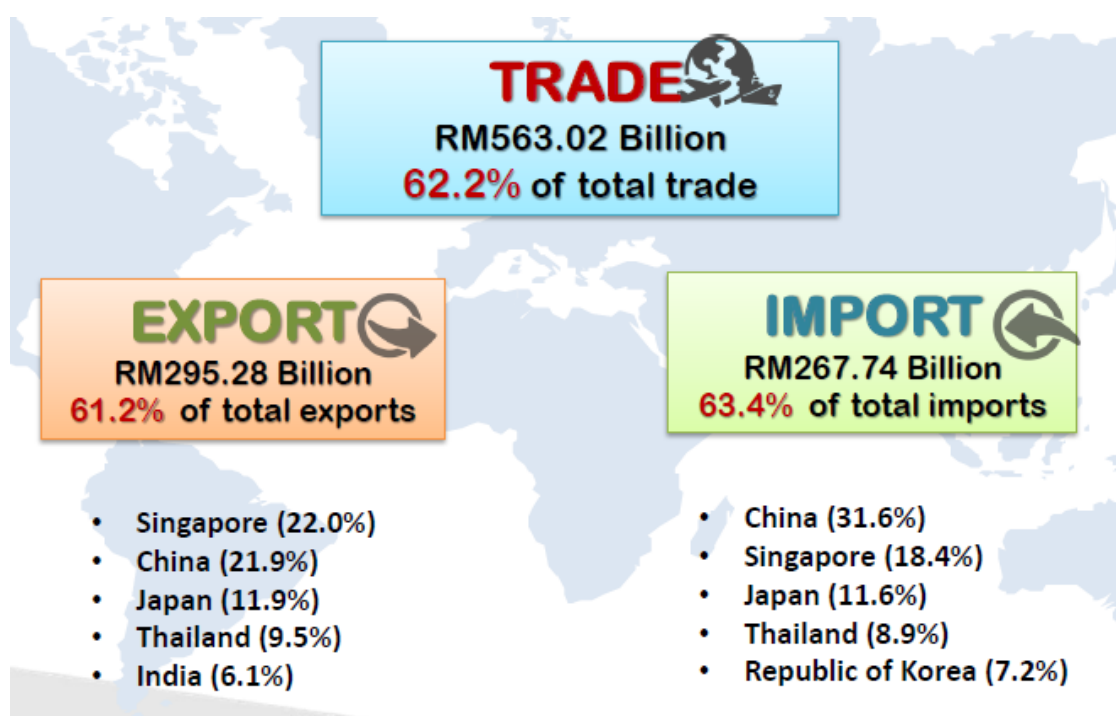
The reason why Malaysia choose FTA is a small population. 2 million market is very limited size, so we could reach a wider market and expand market access by signing FTAs, and in the same time encourage market competition. We also established investment promoting agencies which enhance the coordination and commission among the regional cooperation corridors. Attracting high technology investment can promote ecosystem creating jobs and technology transfer and increasing the value of the market. In order to create a liberal, facilitated and transparent international environment for investment, the assurance and certainty should be provided. At the same time, it is emphasized that the importance of the logistics industry as the base of the supply chain and the key to the trade. Therefore, business facilitation increases temporary entry, capacity building and improve customs procedures. SMEs can be integrated into global value chain.



Malaysia has 7 regional FTAs including ASEAN-China, ASEAN-Korea, ASEAN-Japan, ASEAN-India, ASEAN-Australia since 2005. ASEAN-Hongkong will enter into force on 1 Jan 2019. Malaysia also has 7 Bilateral FTAs including Japan, Pakistan, New Zealand, India, Chile Australia, and Turkey. ASEAN FTA coverage has expanded from only trade in goods to services, investment, E-commerce, etc.

In terms of trade performance of implemented bilateral FTAs, the average increase of the trade between Malaysia and the FTA partners is around 20% from 2016 to 2017. From January to June 2018, Malaysia's trade with FTA partners is 68.2% of its total global trade up to RM 563.02 Billion. The export to FTA partners is about 61.2% of its total global exports, and the imports from FTA partners is around 63.4% of its total global import.

	AFTA	ACFTA	AKFTA	AJCEP	AIFTA	AANZFTA	AHKFTA	RCEP
Entry Into Force	1993	2005	2007	2008	2010	2010	Target 1 Jan 2019	Conclusion target by 2019, EIF in 2020
Market Size (Mil.)	634	1,989	672	749	1,881	650	642	3,400
Economic Size (US\$ tri.)	2.5	12.8	3.9	7.1	5.0	4.1	2.8	23.5
Average Tariff Elimination (%)	98	94	93	93	80	96	85-90	75-90
Coverage	Goods Services Investment DSM	Goods Services Investment DSM	Goods Services Investment DSM	Goods Services Investment DSM	Goods Services Investment DSM	Goods Services Investment DSM, MNP E-Commerce IPR Competition Econ Coop	Goods, ROO,CPTF, SPS, STRACAP, Services, Investment, DSM, TR, ECOTECH, IPR	Goods, ROO,CPTF, SPS, STRACAP, Services, Investment, DSM, TR, ECOTECH, IPR, GP, e-Commerce,



Malaysia also has several on-going FTA negotiations: RCEP, Malaysia-European Free Trade Association Economic Partnership Agreement (MEEPA), CPTPP, and Malaysia-European Union FTA (MEUFTA)

IV Session 3: Coverage, Content, and effects of FTAs/RTAs

in the Northeastern Asian Region

As regional countries are different in economic size and development stage, the coverage and content of regional FTAs/RTAs vary from comprehensive to specialized. Participants reviewed the coverage and content of existing regional FTAs/RTAs and introduced how they differently contribute to the regional cooperation as well as related FTAs/RTAs partners' economic development.

4.1 Achievements and Effects of FTA: China's View

YUAN Bo, Deputy Director, Chinese Academy of International Trade and Economic Cooperation



As of the end of September 2018, China has signed 16 FTAs involving 24 countries and regions.

As of the end of September 2018, 2 FTAs of 16 that China concluded has signed upgrading agreements including China-ASEAN FTA and China-Chile FTA. There are 4 FTAs under negotiations such as China-Pakistan, China-Singapore, China-New Zealand, China-South Korea. 2 FTAs are under consideration including China-Peru and China-Switzerland.

Type	Number	Asia	Europe	America	Oceania	Africa
Signed FTAs	16, involving 24 countries and regions	Chinese Hong Kong, Chinese Macau, ASEAN (10 countries), Pakistan, Singapore, Chinese Taiwan, South Korea, Georgia, Maldives	Iceland Switzerland	Chile, Peru, Costa Rica	New Zealand, Australia	
Under negotiation	9, involving 27 countries	GCC (6 countries), Japan and South Korea, RCEP (15 countries), Sri Lanka, Israel	Norway, Moldova	Panama		Mauritius
under Consideration	8, involving 8 countries	Nepal, Mongolia, Bangladesh, Palestine		Colombia, Canada	Fiji, Papua New Guinea	

Regarding the achievements of China's FTA on trade in goods:

1. Among the 24 countries that signed FTA with China, China was the largest trading partner for 17 countries in 2017.
2. China was the largest exports market for ASEAN, South Korea, Australia, New Zealand, Chile, Peru, etc.
3. China was the largest imports source for ASEAN, Pakistan, Australia, New Zealand, Peru, etc.
4. According to statistics of ASEAN Secretariat, China has maintained to be ASEAN's largest trading partner for nine years and the largest exports destination for seven years.
5. According to statistics of Peru, in the year of 2010 that China-Peru FTA took effect, Peru's exports to China reached 5.44 billion US\$, increasing by 1/3 over the past year. In 2017, Peru's exports to China reached 11.4 billion US\$, taking a share of 26.4% in its total exports, and China was Peru's largest exports market.

FTAs also brought similar change in trade in service and FDI. For example, Singapore's services trade with China doubled from 102.1 million USD to 212.7 million USD since 2008 when Singapore signed FTA with China. Also, FDI from FTA partners is about 81.3% of its total FDI in 2017.

Besides the achievements that FTAs brought, there are two questions regarding the China's FTA; 1) How to look at the question of trade deficit, and 2) How to look at the question of the opening market in FTA.

The reason for the trade deficit might be very complicated. The deficit can be caused by many factors such as industry structure, consuming and saving propensity, competitive advantage, trade barriers, fiscal and financial policies. From China's view, she does not seek for trade surplus from FTA partners. In 2017, China's trade balance with its 19 FTA partners accumulated to (63,483) millions USD, however, China has a total trade surplus of 489,162 USD in Global level. FTA did not necessarily result in the trade deficit. FTA provides just a better institutional framework for both countries to exert their trade potentials. Even under the same FTA framework, different Asian countries have different trade balance development directions in the past 15 years. In some case, we should admit FTA may accelerate the expanding of the trade deficit, but a country can get more from the expansion of trade and the increase of investment led by an FTA. Trade and investment between China and Vietnam is a good example.

In 2002, when China and ASEAN signed the framework of FTA, the bilateral trade was 3

billion US\$; China's export to Vietnam, 2 billion US\$; China's import from Vietnam, 1 billion US\$; and China's trade surplus, 1 billion US\$). 15 years later, in 2017, the bilateral trade amounted to 112 billion US\$; China's export to Vietnam, 72 billion US\$; China's import from Vietnam, 41 billion US\$; and China's trade surplus, 31 billion US\$. In fact, the average growth rate of China's export was even lower than that of China's import from Vietnam. In the meantime, China's investment to Vietnam increased from 12 million US\$ in 2003 to 1.2 billion US\$ in 2016, almost by 100 times. Under this situation, it can be a good choice for a country to accept FTA in spite of the trade deficit.

Trade (billion US\$)	2002	2017	annual growth rate
bilateral trade between China and Vietnam	3	112	27.3%
China's exports to Vietnam	2	72	27.0%
China's imports from Vietnam	1	41	28.1%
China's trade surplus from Vietnam	1	31	25.7%
Vietnam's rank in 10 ASEAN countries	6	1	
Investment (billion US\$)	2003	2016	annual growth rate
China's investment to Vietnam	0.012	1.2	42.5%

The second issue is how to look at the question of market opening in FTA. Market opening is a double-edged sword. While it benefits the whole country's trade and investment, it also brings challenges to some sensitive industries and increases risks to economic safety. China's experience proved that market opening with domestic reform was beneficial to the domestic economy on the whole. However, a country needs to take care of the disadvantaged industries and people that cannot benefit from the market opening. On the other hand, a country can take measures to make the risk of open market controllable. For example, a country can establish and improve the safety supervision and early warning system by adjusting the domestic laws and policies. From China's experience, signing FTA is not enough, in the meantime, you should make domestic reform to decrease the business costs and provide a better environment for trade and investment.

As for the Asian countries, we should enhance experience and policy sharing to build more consensus. Some Asian countries have signed lots of FTA, such as South Korea, Japan, Vietnam, and Singapore. They also encountered similar concerns about FTA. We could share our experience and policies and borrow experience from each other.

4.2 Sharing the Growth Potential among Japan, China, and Korea

Yukiko Fukagawa, Professor, Waseda University, Japan



Japan, China, and Korea (JCK) have been left without an institutionalized framework for free trade for more than a decade. However, the time has changed for these most powerful economies to be serious about economic integration recently. The unilateral trade policies by the U.S. has started to threaten the stretched out Global Supply Chains (GSC) in the region, while new economies driven by the latest IT technologies requires suitable business environment across the border beyond the WTO rules.

In terms of the traditional trade regime, emerging two plurilateral pacts of Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP) now ask the question whether JCK tries to accelerate the trilateral pacts positively and independently or to accept the results rather passively. If Korea joins CPTPP, it will virtually prepare Japan-Korea FTA at a far higher standard than China-Korea FTA. At the same time, once RCEP reaches an agreement it will bring in Japan-China FTA. RCEP standard may end up somewhat lower in liberalization standard, but in fact, the coverage itself is not very different from CPTPP. Time has threatened for RCEP, for the U.S. in recent revised NAFTA (U.S, Mexico, Canada Agreement, USMCA) constrains the members to have an FTA with economies “without the market economy status” in the WTO. After the U.S. walked away from Trans-Pacific Partnership (TPP), Japan has agreed to negotiate the bilateral pact, but if the U.S. sticks to this poison close as in USMCA for Japan, that may hinder RCEP or JCK FTA including China.

Stagnation of JCK FTA originates in the absence of political will in the end, but economically sense of industrial structure convergence for more competition has constrained the decision to reach a high-level and comprehensive liberalization so far. However, a careful review of the intra-regional trade development suggests JCK has fantastically benefitted by liberalization typically in IT goods, for the trade is totally without tariffs thanks to the IT Agreement in the WTO. On the other hand, JCK economies have started to be driven by various innovation in so-called the 4th industrial revolution including Robots, AI and big data recently. Especially, China has tried to realize a leap-frogging development making the best use of digitalization paradigm.

Therefore, in redefining the strategic significance of JCK FTA, sharing common rules and constantly improving the business environment has emerged to be the crucial agenda, having an interface with the growth strategies. Unlike traditional hardware trade, the WTO rules are not covering the digital economies good enough. As the big trading group, JCK

framework should be consistent with the existent WTO rules as far as they exist, but at the same time tri-lateral cooperation to lead and suggest the new rules for the new economies may enhance the growth opportunities among JCK in reality.

As the neighbors, JCK have their own geo-economics, typically in sight-seeing, E-commerce, personal and living services sharing the convergence of income. In addition, rapid demographic change also tends to accelerate integration for health care, environment, and labor-saving innovation for agriculture. Both geo-economics and market demand convergence have enormous potentials for social innovation as the business opportunities, but so far, unfortunately, they are not tapped enough at all partly due to the domestic regulations. JCK may be very much benefitted by innovating and restructuring these new integration agenda strategically, including human capital such as IT workers and talents, market acceleration functions such as venture capitals and funds, incubators, SME and start-ups especially in local economies. For the first experiment, for example, sharing the data and analysis to go against natural disasters may result in positive policy cooperation while offering the public knowledge platform for others and inviting business interests for further social innovation. Following the classic agendas for FTA remains significant for the open character of JCK FTA as well as to improve predictabilities for business, but it may need additional agenda to spur growth among them.

4.3 Eurasian Economic Union: First Steps and Future Plans of Regional Economic Integration

Evgeny Gushchin, Research Fellow, Russian Foreign Trade Academy



Economic Integration in CIS in Brief

The first steps towards economic integration were taken right after the collapse of the USSR. Before establishing customs controls on the borders between former Soviet Republics, they signed identical FTAs but with different sets of exemptions. Around 27% of Russia's merchandise trade with CIS countries in 1993 was duty-free. CIS FTA was signed in 2011 and came into force in 2012, around 70% of trade is duty-free.

Russia, Belarus, and Kazakhstan decided to deepen the integration:

- 2010 – Customs Union (freedom of movement of goods)
- 2012 – Eurasian Economic Space (freedom of movement of goods, services, capital, labor; coordinated (single) policy; integrated Infrastructure)
- 2015 – Eurasian Economic Union (joined by Kyrgyzstan and Armenia)

Eurasian Economic Union

A market of 180 million people with 14% of global farmland. EAEU plays a very important role in the world economy. EAEU is one of the world leaders in terms of oil extraction, natural gas production, and mineral fertilizer production. Because of its territory size, it has one of the longest road and railways networks. But EAEU also has some problems. First of all, there is an asymmetry among member states: the Russian economy is way bigger than any other member's economy in the Union in terms of its GDP. Secondly, trade inside the Union doesn't play such an important role for all EAEU members like trade inside the European Union.

EAEU-Vietnam FTA

EAEU-Vietnam FTA was signed on May 29, 2015, and came into force on October 5, 2016. It was the first FTA signed by the EAEU. There were negotiations on FTAs with New Zealand and the European Free Trade Association, but they were suspended after the crisis of 2014 over Ukraine.

One of the features of the EAEU-Vietnam FTA is that trade in goods covered for all the member states, but trade in services of the agreements should be signed by member states in a bilateral way. Only Russia signed such an agreement with Vietnam. The EAEU doesn't have an authority to sign trade in services agreements.

EAEU-Vietnam FTA reduced tariffs for 88% of mutual trade, 59% of them – as the agreement entered into force and the remaining 29% - in the following 5-12 years. As for agricultural goods: average tariffs will fall from 16% to 0.2% for Vietnam and 9.9% to 0.4% for EAEU. As for industrial goods: average tariffs will fall from 8.9% to 0.0% for Vietnam and 8% to 0.5% for EAEU. For the EAEU countries it is important that the following markets of Vietnam will be liberalized: dairy products, butter, alcohol, oil products, tires, steel, cars, and trucks. But some markets will remain protected: meat, tea and coffee, sugar, steel pipes, cars, and garment and shoe industry products.

The preliminary results show that FTA had some positive effects. Trade between Vietnam and EAEU countries increased. Especially exports from Kazakhstan to Vietnam. But it should be mentioned that mostly it is exports of metal with low value-added.

Other Trade Agreements and Future Plans

In 2018 two more agreements were signed on behalf of EAEU countries: Temporary FTA with Iran and Non-preferential agreement with China. These agreements show the scope of different formats for trade and economic cooperation. EAEU is also considering creating FTZ with Singapore, Serbia, Israel, India, and Egypt. So, we are expecting that EAEU member states will be expanding their network of FTAs and RTAs in the nearest future, and Asian countries are important partners in this process.

4.4 Coverage, Content and Effects of Trade Agreements in The Northeastern Asian Region

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FTAs and trade costs

Asia-Pacific has steadily grown to become a hub for FTA and RTA: about half of all agreements notified to the WTO come from the economies in Asia and the Pacific. Among the 250 agreements either enforced or under negotiation, a considerable share of them is within sub-regions such as Northeast Asia. This session will approach the topic of FTA and RTA from a more technical perspective and discuss what these agreements cover, how comprehensive and deep they are compared to each other, and what effects they have generated to the member economies and the region as a whole.

Among the seven economies of concern here, China, Japan, and the ROK have similar numbers of FTAs with economies both inside and outside of the region. Mongolia, a latecomer to FTAs, has been actively exploring opportunities for similar economic partnerships. In addition, FTAs between China and Hong Kong and Macao have further integrated the economy of the Greater China Area. Notwithstanding this, the number of these agreements is not even close to the overall tangle of agreements we have for all AP economies, which we call a noodle bowl.

The coverage rate—the ratio of trade an economy does with its FTA partners, as a fraction of its total trade—is one way to measure the importance of an FTA. With the number of FTAs increasing steadily, FTA coverage rate of the listed economies has also gone up. For China and Korea, FTA coverage has more than doubled between 2012 and 2017. While a more reliable measure on the importance of FTAs would be the amount of preferential trade, those data are very difficult to get.

For trade to exist or grow FTAs are not absolutely necessary. Several economies in this subregion have large and growing trade among themselves without having FTAs, with trade between China and Mongolia and between Japan and China as an example. The reality is that China is either top or among the top trading partners of almost all other countries irrespective of the existence of FTA. On the other hand, a low mutual trade may reflect an absence of FTA, and very well point to a huge potential for further economic cooperation through a trade agreement.

Market access and trade costs are two of the most important factors affecting trade. There are still high overall costs of trade in several subregions of Asia-Pacific. But between the three selected NEA countries: Japan, China, and Korea, trade costs are much lower, partly due to their tariff elimination efforts and trade facilitation measures implemented. This plus a high trade volume pose a great opportunity for the three countries to explore further ways to lower overall trade costs by reducing non-tariff trade costs, which are emerging as a prominent obstacle to trade.

While the agricultural sector in Northeast Asia has generally retained high tariff rates, it has also been the sector where non-tariff measures (NTMs) are particularly prevalent. In addition, Mongolia endures a considerably higher level of non-tariff trade costs, given the structure of Mongolian trade and the importance of SPS to it. Also, being a landlocked country means high logistics and transport costs.

East and Northeast Asia countries have well-implemented trade facilitation measures in areas including transparency, formalities, institutional arrangement and cooperation, paperless trade and transit measures, with substantial progress made between 2015 and 2017. Average implementation rate increased by approximately 4% (70%-74%). The highest progress, a 6% increase (from 34% to 40%) is recorded in Mongolia, followed by China (from 81% to 85%). But challenges remain for implementing cross-border paperless trade, which has an implementation rate of just above 50%.

In the context of 2030 Agenda for sustainable development, challenges also remain to make trade facilitation better serve SMEs, agricultural sector and women. Implementation of the specific trade facilitation measures for SMEs, the agricultural sector and women are 19%, 50%, and 9%, respectively, indicating significant room for improvement in these areas.

Content, Coverage, and Effects of FTAs

The Asia-Pacific Trade Agreement (APTA), also known as the Bangkok Agreement, is the oldest preferential trade agreement among developing countries in Asia-Pacific and the only operational trade agreement linking China, India and the Republic of Korea, with Mongolia soon to become the 7th member. The Agreement provides a great opportunity for promoting South-South trade due to the large economic size of the developing Participating States. The Fourth Round of negotiations, started in 2007 and concluded in 2017, widened the coverage of preferences of total tariff lines for each Participating State and deepens the tariff concessions. It also opened the scope for APTA into areas including NTMs, trade facilitation, trade in services and investment. The APTA RoO are relatively simple and easy to comply with when compared to other FTAs' RoO. As of now, APTA only requires a single criterion based on a minimum of 45% local value-added content (35% for LDC members), or 60% under the full cumulation basis. This means more flexibility for member countries, especially LDCs.

The China-ROK FTA's structure is similar to EU-Korea, and Korea-US FTAs, and governments of China and the Republic of Korea have openly stated that the FTA meets high standards. However, its content lags other FTAs in quality. For Korea, the China-Korea FTA has the lowest quality, meaning smaller commitment and narrower coverage, among all Korea's FTAs with developing economies such as India and ASEAN. For China, this FTA is arguably the most comprehensive FTA concluded in the subregion, but with less ambitious tariff elimination.

Japan-Mongolia Economic Partnership Agreement is the first FTA concluded by Mongolia, and the 15th by Japan. It is expected to eliminate tariffs on almost all Mongolia's exports to Japan and 96% of Japanese exports to Mongolia, and positively impact Japan's exports of vehicles and mining equipment and Mongolia's food and textile exports. In addition, trade facilitation, SPS/TBT, government procurement, investment, intellectual property are all covered, while environment and labour mobility are not. The significance of this FTA cannot be underestimated despite the small trade volume between the two economies. Not only are investment and technical cooperation promoted, this FTA has also set the benchmark for Mongolia's future FTAs and provided highly meaningful negotiation experiences. With the so-called domino or bandwagon effect, the signing of this FTA provides momentum for Mongolia to pursue FTA talks with other trade partners like China.

The CEPA signed between China and HK in 2003 eliminated all tariffs on goods of HK origin entering China. Originally having a narrow coverage, China-HK FTA has gradually been expanded to include a trade in services agreement, which gives service suppliers in 44 sectors enjoy preferential treatment in entering into the Mainland market, as well as investment-related provisions that offer better protection and facilitation to HK investors. Similarly, China-Macao FTA also experienced an expansion in its scope and coverage. The new Trade in Services Agreement gives service providers from Macao in 48 sectors preferential treatment to operate in Mainland China.

FTAs and RTAs in principle should help improve trade efficiency, increase trade volume, and promote regional integration, mainly through the following ways: tariff reductions and trade and investment facilitation measures; promote competition and protect investment; increase international labour mobility; political signals and symbolic meanings. While for many the linkages between trade and development are still tentative, we claim that trade contributed to both growth and poverty reduction in this subregion. Trade has also been helping turn the subregion into a technological and innovative leader in the world with a great promise to implementing SDGs.

Recommendations

First, complicated ROOs pose significant cost burdens on businesses especially SMEs. Northeast Asian economies must work together to harmonize existing rules, build/strengthen region-wide FTAs, and mitigate the so-called "noodle bowl" effect. Also, in order to increase FTA utilization and improve preference use at the firm level, governments must increase awareness of FTAs, lower administrative costs, and strengthen institutional support systems, particularly for SMEs. Complementary domestic policies must also be in place to ensure the market attractiveness. Second, Countries should strive to conclude "high-quality", comprehensive FTAs that cover WTO-plus and WTO beyond areas. It is important to regard trade and investment facilitation, labour, environment, competition, and intellectual property protection provisions as an integrated part of any effective FTA. Third, while currently trade costs among China, Japan and Korea are relatively low, additional attention to the removal of NTMs is needed to further

reduce costs. Last but not least, in the weakening multilateral environment globally, northeast Asian economies as the traditional supporters of multilateralism and reciprocity, are well positioned to uphold this principle and lead the next rounds of economic integration both regionally and globally.

V. Session 4: An Outlook into the Future

of FTAs/RTAs Development of Northeastern Asian Region

Currently, as closer regional production network and supply chain are forming, more and more bilateral FTA/RTAs are under negotiations in Northeastern Asian Region. On this basis, a plurilateral FTA in Northeastern Asian Region appears likely. This session discussed on the pathway for regional FTAs/RTAs and need-to-dos for regional countries to form a closer production network of a higher level.

5.1 Global Value Chain Based FTAs

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Since the global financial crisis the global trade has been undergoing structure changes. A good example is the trade in intermediate goods in terms of global value chain. Global trade in intermediate goods was declining and Asia's trade in intermediate goods also slowed down. In addition to this structure change, president Donald Trump recently changed trade policies by increasing tariffs to protect US domestic industries. The focus shifts more toward the distributional effects of trade rather than promoting international trade. Consequently, the global value chain might be affected. Partner countries are forced to reduce exports to the US and increase imports from

the US. The US is promoting fairness in trade and international relations. There is a theory called political tri-lemma that among the globalization, democracy, and sovereignty, you can only choose two of them. If you choose democracy and sovereignty, the globalization will be abandoned. Therefore the trade war is inevitable. A substantial portion, about 70% of the US-China trade is related to the global value chain, so we have done some research on the countries, and the industries would be most affected by the trade war between the U.S. and China. The chart below shows the top 15 countries and their domestic industries that affected by the trade war.

China's exports to the US in 2014: USD 408544.23		
	VA contributed	Sector most affected
JPN	16,893.71	office, accounting and computing machinery
US	14,530.86	ibid

KOR	14,065.60	ibid
TWN	10,608.75	ibid
DEU	10,295.78	ibid
AUS	4,111.23	ibid
SAU	3,504.95	ibid
MYS	3,410.02	ibid
RUS	3,182.85	ibid
SGP	3,150.20	ibid
UK	2,937.55	ibid
FRA	2,857.48	ibid
THA	2,644.69	ibid
ITA	2,427.89	ibid
BRA	2,389.46	textiles, leather and footwear

The world is changing and how does Asia face the challenges? The core of Asia are China, Japan, and Korea and how the three core countries build the basis of the future cooperation and expand the cooperation to involve other Asian countries to the cooperative framework is important. The chart below shows the dependency index for Exports of intermediate goods in 2016.

Dependency Index for Exports of Intermediate Goods , 2016

on of	JPN	CHN	KOR	IND	IDN	PHL	USA	EU27
JPN	–	0.22	0.09	0.02	0.02	0.02	0.16	0.11
CHN	0.06	–	0.06	0.04	0.02	0.02	0.13	0.13
KOR	0.05	0.30	–	0.03	0.02	0.02	0.10	0.08
AUS	0.11	0.34	0.06	0.04	0.01	0.01	0.02	0.07
IND	0.02	0.06	0.02	–	0.01	0.01	0.15	0.18
SGP	0.04	0.16	0.05	0.03	0.06	0.02	0.07	0.10
MYS	0.09	0.15	0.04	0.05	0.03	0.02	0.08	0.10
IDN	0.13	0.15	0.06	0.10	–	0.03	0.06	0.08
THA	0.09	0.16	0.03	0.04	0.05	0.03	0.08	0.08
VNM	0.11	0.21	0.09	0.03	0.03	0.02	0.10	0.10
USA	0.04	0.07	0.03	0.02	0.00	0.01	–	0.16
EU27	0.01	0.04	0.01	0.01	0.00	0.00	0.07	0.61

Japan and Korea's dependency on China for exports of intermediate goods in 2016 is 22% and 30% respectively and ASEAN countries also heavily dependent on China in the intermediate goods exports. So, the pattern of the trade was clear, China sourced intermediate inputs from Japan, Korea, and other Asian countries and then turned them into finished products. And the substantial portion of the finished products were exported to the U.S. and Europe instead sold in the Chinese domestic market. Even before Donald Trump, experts believed that the supply chain was too long and too risky. The reform is therefore necessary, and this is the basis of Asian countries' cooperation. After the second world war, the successful countries have been mostly involved in the global value chain and vice versa. We look at Japan, Korea, Singapore, ASEAN, China, Taiwan, and Hongkong. It is the lesson we have to keep in mind. We need to modify our approach to the regional FTAs to incorporate the concept of global value chain into.

What should be promoted? Firstly, Connectivity is very important. Many countries are landlocked and also many provinces of China and Russia are landlocked. The obstacles could be overcome by building advanced inland logistics system. The experience of Switzerland's success as a landlocked country is valuable for all those areas with the same situations. Secondly, a division of labor is a crucial factor for regional cooperation and development. We need theoretical knowledge to forecast which countries should specialize in which industry. For example, Mongolia is an upstream country, in this case, if the country allocate resources in downstream and it will not succeed. Korea is also considered as an upstream country. Korean's automobile industry is very risky because the domestic market is too small and has to rely on international market to survive. And in my view, Russia is also upstream countries. China might be considered a downstream country without any controversy because China has the largest consumer market. Whether ASEAN and Japan should work on downstream or upstream is still a question. Over the last 70 year, Japan has been working on downstream. Thus we have to build consensus on it although we have constructed models to evaluate the value added upstream and downstream.

5.2 Regional Economic Integration Lessons From ASEAN

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Introduction

The Association of Southeast Asian Nations (ASEAN) is the home to the most successful regional economic integration project among developing nations. The ASEAN Economic Community (AEC) seeks to create a single market for goods, investment, and services among ASEAN's ten members. ASEAN has also entered into free trade agreements (FTAs) with China, India, Japan, Korea, and Australia-New Zealand, and is attempting to consolidate these FTAs into a mega-regional FTA called the Regional Comprehensive Economic Partnership (RCEP).

The Greater Tumen Initiative (GTI) can look to the experience of ASEAN for both positive and negative lessons on regional economic integration.

Strategic Considerations

On the strategic level, GTI members will need to allow for the diversity of economies among the member states. It is known as “variable geometry,” the concept of providing for variances in the regional economic integration process. FTAs most commonly provide additional time and flexibility for less-developed economies to implement FTA disciplines. For example, ASEAN has allowed Cambodia, Laos, Myanmar, and Vietnam (aka the CLMV countries) a longer phase-in period for trade and investment liberalization. However, allowances could also be made for the disparities in size and sophistication of economies. For example, individual ASEAN members have had difficulties in securing market access to China through the ASEAN-China FTA because of these disparities.

GTI members should also consider how the regional economic process should be governed.

One approach is represented by the EU, which has established strong supranational institutions such as the European Commission to administer the terms of its governing treaties. Yet the delegation of power to supra-national institutions may not be acceptable to GTI members with concerns over national sovereignty. Examples abound in Latin America and Africa of FTAs with elaborate supranational institutions which are ignored and ineffectual because the member states are reluctant to cede sovereignty to such institutions.

Another approach is the North American Free Trade Agreement (NAFTA), which relies on detailed treaty language, supported by a robust dispute settlement process, to implement

economic integration. However, the details of the treaty can become outdated, and dispute settlement also raises national sovereignty concerns. Hence the NAFTA parties have revised their agreement into the US-Mexico-Canada Agreement (USMCA), changing the treaty text and limiting the scope of dispute settlement.

ASEAN represents a “third way,” with neither strong supra-national institutions nor detailed treaty language nor robust dispute settlement. The ASEAN Secretariat has relatively little powers, the ASEAN agreements are relatively vague, and dispute settlement in ASEAN is based on informal, consensual approaches rather than formal arbitration. The result is a slower, incremental regional economic integration process that has avoided much of the controversies in other FTAs, albeit resulting in more limited economic gains. Whether this “third way,” or even another way, is appropriate for the GTI needs to be addressed.

Phased-in or All-at-once?

GTI members should also consider which disciplines and sectors should be covered by the initial agreement. A comprehensive agreement which covers goods, services, and investment allows for bargaining trade-offs among the members, particularly if all GTI members are to be involved in the FTA. On the other hand, less-developed members may find it difficult to develop the human resources and capacity to negotiate, conclude and implement more difficult disciplines such as services and investment, let alone more complex ones such as intellectual property.

ASEAN has used both approaches. In its internal integration in Southeast Asia, ASEAN started with an initial agreement on goods. Agreements on investment and services came later. However, in its FTAs with China, India, Japan, Korea, and Australia-New Zealand, some agreements had a phased-in approach whereas other agreements were comprehensive from the inception.

Sectoral Considerations

It is also useful to consider relevant issues and difficulties ASEAN has addressed in forming the AEC.

The major issues for trade in goods arise at the border and beyond the border.

At the border, determining the rule of origin of goods has been a major issue in ASEAN. The rule of origin is comparable to nationality rules for people: e.g., does the good qualify for the preferential trading rights under the FTA? In ASEAN, both the methodology used to determine the origin of goods, as well as the documentation used to confirm the origin of goods, have proven problematic. If the methodology is too difficult for exporters, importers, and governments to administer, the FTA will not be used.

Once goods have cleared the border, they can face discrimination that negates the benefits under the FTAs. These non-tariff barriers (NTBs) are limited only by the

imagination: technical standards, sanitary measures, labeling, language requirements, certifications, etc., can all prevent FTA-qualifying goods from having full market access. Preventing NTBs from restricting trade requires vigilance from either a supra-national authority or from other member states.

At least in goods, ASEAN has a comprehensive ASEAN Trade in Goods Agreement. Services trade has been subject to a long series of negotiations under the ASEAN Framework Agreement on Services. The extent of liberalization is thusly industry-specific, with most sectors open to cross-border trade in services, but not full liberalization, which would involve unlimited movement of persons across borders and unrestricted foreign investment. Movement of natural persons in ASEAN is limited to certain professions and high-level executives; full movement of persons is controversial in ASEAN and other regional blocs.

GTI members will have to consider which services and investment sectors to liberalize. ASEAN has used a negative list approach for investment, meaning that all sectors are open to investment by other ASEAN member states, except for those sectors reserved to locals. The other method is a positive list approach, which means that only those sectors specifically offered to foreign investment are available to trading partners. Again, the choice of methodology is up to the GTI members.

Finally, the GTI members should look at disciplines which ASEAN has not addressed in its agreements. For example, intellectual property, environment, labor and trade remedies are often covered by FTAs, such as those pursued by the EU or in the Trans-Pacific Partnership (TPP). Such issues are difficult for developing countries, and it is no surprise that the ASEAN agreements avoided them (although Brunei, Malaysia, Singapore and Vietnam did agree to include these disciplines as part of the TPP).

Conclusion

ASEAN presents an example of how developing countries can engage in regional economic integration. Granted, ASEAN does not move quickly or efficiently, but the bloc has achieved much since the initial trading arrangement established in 1979.

However, ASEAN is not the only example. The revised TPP and the USMCA involve developing countries integrating with developed countries. These FTAs reflect the concerns of developed countries, such as labor, intellectual property, and the environment. They also incorporate newer disciplines on competition, state-owned enterprises, non-market economies, and currency manipulation. Even the rules of origin methodology of the USMCA incorporates labor wages into its calculations.

These issues have arisen in the ASEAN context: for example, some ASEAN industries have complained about competition from Chinese state-owned enterprises, both in terms of imports from China and difficulties in exporting to China.

Given the diversity in size and development among the economies of the GTI members, perhaps some of these new approaches can be adapted into regional economic integration. Again, the GTI members will need to pick and choose how they intend to proceed with economic integration.

5.3 Towards Robust Economic Cooperation Across Northeast Asia

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The Political circumstance of DPRK has been changing rapidly during this year and the denuclearization of DPRK has already begun. The president Moon of South Korean announced 5 key policies of South Korea in July 2017 and one of the key policy is Peace and Prosperity on the Korean peninsula. DPRK joined Pyeongchang Winter Olympics in February 2018 and we had The 1st Inter-Korean Summit in April 2018, The 2nd Inter-Korean Summit in May 2018 and the 1st DPRK-US Summit in Singapore in June 2018.



It shows a big change with high hopes about the Korean peninsula, but it is an arduous journey of denuclearisation. There is a huge difference in terms of positions of DPRK and the US are taking. DPRK is taking "A quid pro quo between the declaration of the end of the war and lifting sanctions" and US's position is "Fulfilment of denuclearisation first and discussion of removing sanctions will ensue."

In terms of DPRK economy of 2016, the GDP is around 16,789 Million USD equivalents to that of around 1.18% of South Korea of 2016. DPRK's trade volume of 2016 is 6.53 billion USD equivalents to 0.6% of that of South Korea and DPRK's trade dependence upon China is over 90% after 2014. In terms of population, 24.9 million people living in DPRK in 2016 equivalent to half of that of South Korea, however the major labour force aged 20s and 30s suffered from famine in 1990s and it is estimated that they would have less physical conditions compare to the labour force in South Korea. The official exchange rate between USD is 108.4 Won/USD and the unofficial/market (on average) exchange rate is 8000 Won/USD.

We need international cooperation in developing DPRK. First of all, South Korea should lead and support the process of DPRK normalizing its external ties. It can be a bridge between DPRK and the international market and society to build and regain the trust between DPRK and the rest of the world. Let's focus on a scenario of how the sanctions

are going to be lifted. Current phase with multiple sanctions: no economic aid we can provide but there is a need to improve the living standards of North Korea through international humanitarian aids. With the process of relieving and lifting sanctions, we can provide technological support from international organizations which will be able to support DPRK's economic reformation. And once the sanctions are relived, institutional framework needs to be established to attract investments from the private sectors globally.

The rationales behind the strategies KIEP proposing is as followed. South Korea was export-oriented country and achieved huge economic growth since 1970s and it attracted a large amount of foreign direct investment, not only South Korea but also Vietnam, China and Singapore are all successful forerunners by focusing on exports. It will be easy for DPRK to transfer new technology once it adopts the export-oriented strategy and it can also enhance productivity, accumulate the capital and improve the legal and institutional framework. Above anything else, settlement of peace on the Korean peninsula as well as lifting sanctions is prerequisite.

It seems there will be a bright future when DPRK open its market when the sanction is lifted, but there are certainly challenges for countries once they open their markets. For DPRK there would be some limitations of attracting more FDIs. Due to the low purchasing power of North Korea and no trade agreements with other countries or regions, the FDI and the goods manufactured in North Korean can only sold to FDI origin country's domestic market.

The refinement of the DPRK trade system is needed. The current tariff schemes of DPRK are not apt for economic growth. Low tariffs should be imposed on subsidiary materials whereas high tariffs should be on consumption goods in order to protect and foster domestic toll processing industries. Prearrangements to potential disorders caused by legal/institutional changes and a new economic plan are in need.

In terms of the future trade agreements of North Korea when the sanction is lifted, it can be divided into two categories: Inter-Korea trade agreement and regional trade agreement within Northeast Asia. There are 15 consensuses between the North and the South at the moment. Yet there need be amendments of Inter-Korean Basic Agreement (1991) and Inter-Korean economic cooperation agreements (2000). Focus needs to be expanded to the exchange of labour, cooperation in service sectors as well as investment. It is ideal to start with CEPA between North and South Korea, which leads to RTA across Northeast Asia and ends with joining WTO. Prior experience of radical economic growth and market opening of the South can shed light on DPRK's economic strategies. So far, North Korea trade with foreign countries has followed conventional rule without legal frameworks. On average, joining WTO would take at least 10 years. NEA trade agreements including North Korea would be a stepping stone to opening up the North Korea's economy, and bringing prosperity and peace in NEA with increasing economic interdependence via trade. However, due to the heterogeneous economic conditions

between NEA countries, some countries might be concerned about negative economic shocks from NEA trade agreements once DPRK is involved, and DPRK might not want to open its economy to NEA countries.

South Korea will face some challenges in order to help DPRK to get involved in the GTI as well as join in the WTO. From a constitutional point: North Korea is subject for cooperation in terms of economic integration, yet a rogue nation from national security's perspective. But the acknowledgment from the international society is both Koreas simultaneously joined the UN. There are a few challenges that South Korea will face as a member of WTO such as complying the "Most-favored-nation" principle, eliminating the possibility of providing any illegal subsidies to DPRK. The rest of the world might concern that there is a high chance that South Korean investments in Southeast Asia as well as the Far East of Russia will decrease once the inter-Korean rapprochement. However, the impact on South Korean trade and investment would be trivial as the scale of DPRK economy is extremely small.

In conclusion, if CEPA is settled between North and South Korea, Regional Trade agreements with China, Russia, and Japan would be necessary and it would accelerate DPRK industrialisation through RTA. A careful approach is required: the speed should be moderate and timing should be right for DPRK to accommodate changes as the size of its economy is small compared to its contiguous nations. After opening up its economy ensured by industrialisation and the rise of labour cost, it is vital to join WTO in order to reduce trade cost and it is believed that DPRK has the will to join the organisation. If DPRK becomes an observer, South Korea can support its accession to WTO. However, DPRK is not comfortable with disclosing statistical data, which is a prerequisite of joining RTA and WTO. It is also reluctant to receive negative evaluation from the rest of the world. Therefore, mutual understanding between DPRK and the rest of the world should be built step by step.