

**ADVANCING THE REGIONAL TRADE
ORDER IN EAST ASIA WITH A LESS
ENGAGED UNITED STATES**

In the aftermath of Donald Trump's election and immediate pullout from the TPP, a scramble ensued over how to proceed with constructing a regional trade order centered on East Asia. For China this brought closer scrutiny of its pursuit of the Belt and Road Initiative (BRI). In the case of Japan, questions followed about what to do with the residue of TPP. Others, notably countries in Southeast Asia, were left contemplating the balance between eastern exclusive regionalism and the western presence in regionalism. In the background were efforts in South Asia aimed at advancing economic integration with East Asia. A kind of free-for-all was in progress without the moorings that had been lost after the paradigm of competition between a U.S.-led TPP and a China hub-and-spokes BRI no longer was guiding the strategic calculations of Asian countries. Then, in March 2018 came Trump's disruptive tariffs, threatening to set a trade war in motion.

Four chapters explore the challenge of advancing a regional trade order in East Asia in the new circumstances of 2017-18. Tu Xinquan in Chapter 10 questions whether BRI is a path toward regionalism, delving deeply into the Chinese strategy for BRI. T.J. Pempel follows in Chapter 11 by exploring Japan's thinking about TPP and the process of refocusing on TPP-11 following the U.S. withdrawal. Chapter 12 by Sanchita Basu Das offers a hopeful ASEAN perspective on economic regionalism. Finally, in Chapter 13 Pradumna Bickram Rana traces thinking about re-energizing economic integration between South Asia and East Asia. With no finality to the RCEP talks and the recently concluded TPP-11 pact still taking shape and Trump's "America First" trade policy casting a dark shadow, we aim to capture signs of a new trade order at a time of flux.

Tu Xinquan, "Is the Belt and Road Initiative a Chinese-Style Regionalism?"

The expansion of bilateral and regional trade agreements as the driving force in the world trade system is facing serious challenges from anti-globalization forces symbolized by Brexit and the U.S. pullout from TPP, explains Tu Xinquan, adding that, next to the WTO, regionalism is seen as the second-best choice in promoting globalization. Now two regional initiatives led by developed countries are facing a serious backlash, raising concern that this means a reversal of globalization. For China, BRI offers an opportunity to fill the gap, but Tu downplays its potential while writing about some advances it can realize. He finds it difficult to defend Chinese FTAs as comparable to those of developed countries in market access and institutional changes, noting that China is not in such a comfortable strategic and economic position as the United States in negotiating FTAs with either developed or developing countries. The former want to obtain more market access concessions and institutional reforms from China, while the latter fear exposing their domestic industries to China's competitiveness in manufacturing. In addition, the Chinese government is more confident in its own institutions and unwilling to change them due to outside pressure, especially after the 2008 global financial crisis. Expectations for Chinese leadership on economic regionalism need to be kept in check, including understanding the limitations of BRI.

BRI focuses more on improving physical connectivity than reducing institutional barriers. If it looks like an attractive alternative to promote regional economic integration, there are also plenty of uncertainties surrounding it, particularly due to its China centrality and

China's direction of economic and strategic development. Noting that the most prominent force of regionalism is the emergence of mega-regional agreements—deep integration partnerships between countries or regions with a major share of world trade and FDI, in which two or more serve as hubs in global value chains, while beyond market access, emphasis is on regulatory compatibility and a rules basket aimed at ironing out differences in investment and business climates—Tu observes that the United States and the EU promoted mega-regionals because they were dissatisfied with the slow pace of multilateral trade liberalization and tried to keep the lead in globalization. Few expected that such like-minded groups would lose their way with the historical leaders in retreat. Where to find a new driver of globalization is a question, and many are asking if China is ready.

By the end of 2017, China had signed 16 FTAs with 24 countries and regions, but it lags behind in the number of FTAs signed, the coverage of FTAs in its total foreign trade, and the economic weight of FTA partners. China's FTA strategy has not focused on its major trading partners. The liberalization level of China's FTAs is moderate at best. The government is not driven primarily by economic concerns; political factors play just as important a role, especially with neighbors—FTA networks work to reward strategic allies in a strategy to build an international environment conducive to China's "peaceful rise." Its intentions in FTAs are largely strategic, not economic.

Chinese firms are also much less internationalized, not able to serve as an engine to steer a new wave of globalization. The service industry is not yet very open to the global community. In almost all sectors China has a much higher level of FDI regulatory restrictiveness compared with advanced economies. It would be difficult to negotiate FTAs with big, advanced economies because they would compel China to make significant and fundamental institutional reforms and open up, while it is unrealistic for China to negotiate with big developing countries, which fear its competitiveness in manufacturing.

The economic rationale behind China's BRI proposal usually refers to three dimensions: to boost exports of overbuilt sectors such as machinery, steel, and cement by infrastructure building in BRI countries; to encourage Chinese companies to invest abroad, enhance their international competitiveness, and become China's "national champions"; and to expand internationalization of the renminbi. The five connectivities are the core program of BRI: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds. BRI is a network of China-centered bilateral arrangements rather than a multilateral framework simultaneously covering all participant countries. It is not intended to or able to form a more institutionally integrated Eurasia continent. Individual projects are not organically connected with each other and could be operated separately. The brand of BRI is not indispensable for most projects; it is about getting easier access to Chinese government money.

While the necessity of BRI for achieving the economic benefits of projects under its rubric is open to question, it has strategic values as a Chinese model based on its traditional culture competing with the Western style. BRI does not only promote these Chinese characteristics through infrastructure connectivity and economic cooperation, but also spreads Chinese traditional culture and current politics. The competition between China and the United States is inescapable and will happen everywhere. China intends to achieve strategic purposes from BRI through economic approaches. Both FTA strategy and BRI are more

for strategic purposes than economic goals. China is cautious about including developed countries under BRI. It deserves praise for its support for globalization when globalization is blamed and rejected in the U.S. and Europe, but more explanation is needed for how BRI specifically helps globalization.

The most distinctive area of BRI is connectivity of infrastructure and facilities. BRI is not a multilateral institution but a set of bilateral arrangements between China and BRI countries. It would be very difficult for China alone to coordinate relations between these countries. For now, most infrastructure projects under BRI are inside one country or between China and one country rather than connecting multiple countries. BRI is not mandatory, legally-binding, or unilateral. It is a new grand strategy to link many economic purposes with strategic intentions. There are also many uncertainties about whether it can promote globalization differently than existing models.

T.J. Pempel, “Japan in the Driver’s Seat: Reshaping the Regional Trade Order without the United States”

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP), or TPP-11 was formally signed in Chile on March 8th. It will take effect once ratified by at least six countries. Japan is planning to push the treaty through the Diet within 2018, anticipating that it will come into force in 2019. The agreement represented a major recovery by the eleven countries following initial expectations that TPP was dead after the election of Donald Trump, who wiped out 10 years of work on the so-called “Pacific” route to regional trade integration, anchored on the U.S. market. It also defied multiple economic analyses demonstrating the strong economic benefits that TPP would provide for the U.S. economy. Turmoil immediately prevailed among the remaining eleven signatories amid concern that China would be the primary beneficiary. In fact, as the signing of the CPTTP indicated, all eleven countries were prepared to recommit themselves to the deal and to continue to advance the goals of a liberal trading order.

Pempel explains that for roughly thirty-years the regional order was defined primarily by increased economic interdependence, rising institutional multilateralism, and the absence of state-to-state military conflicts. No challenge is potentially more upending of past patterns than the American pull-back from regional engagement since the Trump administration took office. Japan was deeply affected. It had unleashed a massive combination of official aid, trade, and investment throughout the region, including with China—a vital component in China’s economic take-off. As Japan’s economic ties with Asia expanded, congruent with the expansion of intra-Asian production networks involving Japanese firms, the country found itself facing increased tension between the economic pulls of Asia and the diplomatic and foreign policy focus that kept Japan unshakably anchored to the United States through its bilateral security alliance. This tension became increasingly acute as Japan’s economic interdependence with China ballooned, even as security tensions between the two countries mounted. Japan continually sought to bridge these competing pulls. Japan became increasingly wary of the economic challenges and military reach of China, of demonstrations against China-based Japanese companies, and of China’s wariness about strong sanctions against North Korean nuclear and missile programs.

Japan actively supported the formation of new regional bodies. Its embrace of an Asian tilt was less than fulsome. Japan continually sought to avoid making any painful choices between its ties to the United States and those to East Asia, and the competing pulls of its economic and hard security interests. Certain core constituents of the ruling LDP such as agriculture, small and medium-sized businesses, and the auto industry, left Japan as rather sclerotic in joining the burgeoning wave of bilateral and multilateral FTAs. Before Japan agreed to join TPP, the country had few FTAs and the rate of coverage of its trade was low. Negotiation of more comprehensive agreements would have required substantial liberalization of key sectors of its domestic economy and the going of numerous politically sacred cows. Nonetheless, in a break with prior reluctance, and in contradiction to his prior criticisms of the then-ruling Democratic Party of Japan (DPJ) for even considering TPP, on March 15, 2013, less than three months after taking office, Abe announced that Japan would enter negotiations for the TPP.

As it had evolved by 2015-16, TPP promised monumental changes to the existing Asia-Pacific trade regime in four central ways. First, as the most comprehensive and ambitious regional trade agreement the United States had ever concluded, it was to serve as the centerpiece in the Obama “pivot.” Second, TPP represented a monumental shift by the Japanese government in pushing back against domestic political protectionism. Third, TPP promised “high quality” and “ambitious” “21st Century standards” for trade relations. Fourth, the trade pact would respond to many of the geostrategic interests of the signatories. It promised Japan a vehicle by which to retain close economic and security ties with the United States while also embracing many of its key trading partners in East Asia. Under Abe, Japan became a full-throated proponent of the trade pact by the time negotiations were completed, and Japan became the first nation to give parliamentary approval to the final deal in November 2016. Abe was anxious to bolster Japan’s relationship with the United States and shared the Obama view that extending the liberal trade order across Asia would not only bolster the economies of both countries but would solidify their bilateral ties more comprehensively. Abe envisioned TPP as providing him with a cudgel with which to break open some of the closed sectors of the Japanese economy—a boon for Japanese consumers—and, in the process, repositioning the LDP to make a stronger electoral appeal to the rising numbers of urban consumers.

The decision to withdraw the United States from TPP represented but one trade specific component of its broader self-isolation from the Asia-Pacific more broadly. Abe envisioned the TPP as fulfilling multiple goals: as an anchor for the bilateral relationship with the United States; a commercially valuable tool to advance Japanese corporate market access to the United States and Asia; a firebreak against rising Chinese regional influence; and a lever with which to dislodge powerful veto groups impeding economic reforms at home. The question of what to do next puzzled Japanese policymakers for several months. Japan ultimately determined that a TPP, even minus the United States, remained its best option to advance regional economic integration in accord with the general principles of the liberal trade order. For now, Tokyo has to strike a delicate balance between engaging Trump in the TPP and maintaining unity among the 11 Pacific countries. This will not be easy. But by taking a leadership role in resuscitating the TPP-11, Japan has shown a renewed commitment to reinforcing the global trade order in the Asia-Pacific, even if the Trump administration seems determined to undermine it.

Sanchita Basu Das, “Economic Regionalism is Key to Openness and Growth: An ASEAN Perspective”

The ASEAN countries are involved in several regional economic arrangements, not only their own ASEAN Economic Community (AEC), but also ASEAN+1 FTAs and RCEP. A subset of these countries is partaking in Asia-Pacific deals, the latest Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the Asia-Pacific Economic Cooperation (APEC). Some are pursuing bilateral deals in pursuit of deeper economic cooperation. Finally, all are members of BRI, which although not labelled a trade agreement, is concerned with trade-related concerns. Basu Das examines ASEAN’s perspective on economic regionalism in the Asia-Pacific region, focusing on initiatives that ASEAN countries are currently negotiating or implementing in their national economies, discussing economic and strategic motives, and viewing the future of regionalism from an ASEAN perspective. Although the ASEAN countries are facing some uncertainties in their pursuit of economic regionalism, they will continue to support the endeavor as it serves their economic structure of openness, argues Basu Das. They have realized the benefits of economic integration through the confidence building of investors.

The ASEAN countries established an economic community in 2015. While many targets, such as the near elimination of import tariffs, had been met, non-tariff barriers (NTBs)—regulatory requirements, pre-shipment inspections, non-automatic licensing, price control measures, etc.—remain prevalent. Service sector liberalization remains patchy, with political sensitivity linked to the movement of professionals. Investment cooperation is constrained by lack of domestic reforms. While ASEAN has recognized the importance of building infrastructure for deepening economic integration, it is struggling in securing financing. ASEAN has now moved to the next phase of economic integration, the AEC 2025, where earlier regional commitments are retained.

It has been estimated that the ASEAN-6 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) economies contribute only 1 percent of global online retail sales, although they account for 3-4 percent and 8 percent of world GDP and population respectively. ASEAN’s decision-making process, i.e. the ASEAN Way and principle of “non-interference,” discourage the private sector to take an interest in ASEAN matters. Businesses reported that the reasons for not using FTAs were: lack of information, low margin of preference (between MFN and ASEAN FTAs), prevalence of NTBs, long exclusion list, multiple rules-of-origin (ROOs), and administrative cost. Basu Das adds that the less developed members need to be supported for their engagement eventually. Commitments around trade facilitation, customs reform, harmonization of standards, and improved connectivity are crucial. Since the AEC policy document only lists that policy and responsibility of implementation resides with individual member states, in the process of integration some are laggards with implications for FDI flows.

Along with trade, attracting FDI is also an important consideration in agreeing to regional policy measures. Cooperation among small countries was important to ensure economies of scale to foreign investors and committing to reform at the regional level of ASEAN helped countries to accelerate their reform process at the national-level, raising the confidence of foreign investors. To attract foreign firms, it became important for governments to work together on AEC to provide a large market of 650 million people, develop transport and

regulatory infrastructure, and commit to facilitation measures to lower transaction costs. For Indonesia, the Philippines, and other less developed ASEAN members, bilateral FTAs are not very popular. They are more concerned about domestic issues. Most suffer from a weak domestic regulatory environment and lack of infrastructure, big hindrances for trade and investment liberalization. They are not sure of the benefits from FTAs. Indonesia worries about the low competitiveness of its manufacturing and agricultural sectors. Despite ASEAN's effort to facilitate trade and investment through AEC and ASEAN+1 FTAs, they were largely unappreciated by the private sector, the final users. The private sector continues to face challenges in cross-border transactions, mainly from multiple rules-of-origin and inefficient customs. Given low utilization of ASEAN FTAs, policy makers need to think about a deeper form of integration that will not only support trade and investment flows but will also take into account regional value chains. This is where RCEP assumes importance.

Since commencing negotiations in 2013 and completing 20 rounds by December 2017, RCEP continues to face challenges. It has missed three deadlines for concluding negotiations since 2015. Negotiators quickly realized that they cannot merely add the individual ASEAN+1 FTAs as they are very different. Many of the non-ASEAN participants do not have an existing trade agreement. The biggest challenge was observed between China and India as the latter runs a huge trade deficit with the former. Most ASEAN members and China are involved in labor-intensive manufacturing, while Japan and South Korea lean towards capital-intensive production. India is an outlier with comparative advantage in the service sector, mostly in information technology. Australia and New Zealand's economies are primarily driven by the agriculture sector and mining. The advanced ASEAN countries, China, Japan, and South Korea have relied on their external sector for economic growth and entwined themselves in regional value chain activities. India, on the contrary, has been less outward-oriented. RCEP is mired in difficulty mainly due to the differences in structure and growth strategies, Basu Das concludes.

In order to balance Chinese influence, ASEAN will welcome CPTPP and earnestly try to conclude RCEP negotiations, which the negotiating parties are optimistic will conclude by the end of 2018, under Singapore's chairmanship of ASEAN. The negotiators have been instructed to explore new ways of formatting the RCEP deal, perhaps to suit India's interests, a two-tier structure. RCEP without India would dilute the economic and strategic value of the agreement and offer China an opportunity to advance its own regional cooperation agenda. ASEAN's principle of "open regionalism" seems to have hit a ceiling, as countries like China are seeing this as an opportunity to gain economic access into the region, while the other big economies are either turning inwards or have limited economic resources to expend to ASEAN members. ASEAN is also struggling internally to manage the momentum of its own economic cooperation.

Yet, after five years of negotiations, RCEP is still facing challenges, including issues of market access, services, and investment. Looking at a strategic opening, China is promoting its own economic cooperation model of BRI and slowly making in-roads into neighboring developing economies. Even ASEAN's own economic community is facing difficulties. Member countries, although not discarding AEC, are not willing to commit to deeper measures, despite the fact that RCEP would showcase ASEAN's capability to bring together its members and external partners.

While AEC, ASEAN+1, and RCEP lead to economic integration, they are relatively shallow as they involve countries from different development stages. A plurilateral deal, like TPP, would be useful to enable ASEAN countries to participate in high-standard agreements on issues like government procurement, labor, and environment, which are not yet discussed in regional FTAs of ASEAN. The deeper agendas help ASEAN countries to use an external agent to undertake domestic reforms. Even the BRI serves the economic interest of closing the infrastructure gap—seen as the next phase of ASEAN integration. While the region has its Masterplan of ASEAN Connectivity, it suffers from financing issues. Will ASEAN survive this uncertainty? The answer is probably “yes,” as the countries have already tasted some benefits of regional integration. The region, after all, has regained a lot of FDI, which was getting diverted to China in the mid-1990s. In 2013/2014, FDI inflows of \$125 billion to ASEAN were almost on a par with China.

Pradumna B. Rana, “Re-energizing Economic Integration between South Asia and East Asia”

Pradumna Rana focuses on economic integration (linkages) between South Asia and East Asia, a component of South-South trade and a useful buffer should North-South trade soften, or populism lead the North to view trade as a “zero-sum” game. Deeper South Asia-East Asia integration would be mutually beneficial to both regions and could jumpstart South Asian economic development, currently an economic laggard, readers are told. Such integration could also revive economic integration in South Asia, while spurring the arrival of the Asian century. Yet, South Asia’s participation in global production networks and supply chains is still limited. In 2014, the Modi government adopted an Act East policy, signaling a more pro-active approach towards East Asia. This initiative, however, has yet to spell out any focused policies that link the country to global production networks, Rana concludes, arguing that South Asian countries need to embark on a second round of Look East policies to link themselves to global production networks, especially those in East Asia, which is their largest potential market. Rana proceeds to identify policies that South Asian countries should implement at a time when TPP-11 is going forward, while RCEP negotiations are also to be expedited.

Two distinct periods of South Asia-East Asia integration can be identified in the modern era: a period of limited integration from independence until the late 1980s, and one of intensifying efforts at integration from 1990 onwards. India’s engagement with East Asia ended with India’s border war with China in 1962 and its preoccupation with Pakistan. India turned inward and adopted the closed Soviet model of economic development characterized by import-substitution policies and high levels of protection. This remained through the first period. In the second period, India has signed FTAs, including the Comprehensive Economic Cooperation and the Comprehensive Economic Partnership Agreements, with ASEAN as a whole and two members, Singapore and Malaysia. An ASEAN-India FTA in goods was signed in 2014, and the ASEAN-India Services Trade and Investment Agreement was signed a year later. India has also signed FTAs with Japan and Korea. Thus, it accounts for the largest share of South Asia-East Asia trade, with Pakistan and Bangladesh a distant second and third. Other countries trade much less with East Asia.

All South Asian countries have a trade imbalance with East Asia, with India's imbalance being the largest (about \$90 billion). In order to benefit from the new type of parts and components trade, South Asia countries need to link themselves to global production networks—especially those in East Asia. Focusing on trade in components and parts is a proven method for developing countries to move up the value-added chain, benefiting their long-term development. Rana points to the need for logistics development in different forms; business environment and regional economic ties are viewed as possible catalysts of global value chain participation. Rana further stresses that incoming FDI is a key driver of such participation. This implies that countries with conducive business environments to foreign investors tend to participate more in this trade. With this in mind countries should pursue the following policies: improving the investment environment by deepening the reform process begun in the 1980s and early 1990s, reducing logistics costs including trade facilitation “at the border,” and signing regional cooperation agreements with and participating in various on-going regional trade and financial cooperation efforts in East Asia. Rana urges South Asian countries to deepen the economic reform process that they began in the 1980s and the early 1990s. In particular, they need to implement microeconomic reforms comprising sectoral reforms (agriculture and industrial sectors) and second-generation reforms, comprising reforms of public institutions for improved governance at all levels (civil service, bureaucracy, and public administration); institutions that create or maintain human capital (basic and skill-setting education and health); and improving the private sector environment (such as a country's regulatory regime including intellectual property rights, flexibility in labor market); difficulties in registering property, enforcing contracts, paying taxes, and trading across borders. With production fragmented across countries, efficient logistics is a key determinant of a country's competitiveness and ability to attract production blocks. Trade facilitation “at the border” is also important. Delays in customs inspection, cargo handling, and transfer and processing of documents need to be reduced. Customs procedures need to be modernized too.

Rana also argues that South Asian countries should continue to sign bilateral and plurilateral FTAs and comprehensive economic partnership agreements with East Asian countries. India, the largest South Asian country is already involved in negotiating RCEP. Eventually other states in this area should join it.

After over two centuries in the doldrums, the post-1990 period traditional trade (that is, trade in final goods) between South Asia and East Asia has increased rapidly, albeit from a low base. This finding lends support to the view that we are witnessing the “re-emergence of Asia.” Growing economic linkages between South and East Asia can be explained mainly by the partial macroeconomic and structural reforms implemented by the South Asian countries and the Look East policies adopted either formally or informally. Participation in global production network trade (trade in parts and components) is, however, limited. To realize that, Rana concludes with five proposals: 1) further improving the governance system and the business environment; 2) reducing logistics costs including trade facilitation “at the border”; 3) signing regional cooperation agreements with and joining regional trade and financial cooperation efforts in East Asia; 4) improving information and communications technology; and 5) enhancing regional physical connectivity through hardware and software development.

Kim Sangkyom, “Advancing East Asia’s Trade Agenda: A Korean Perspective”

The growing interdependence and interconnectedness of the global economy has intensified the need for most East Asian countries, including Korea, to engage in regional economic cooperation and integration. Korea’s high dependency on trade explains its preference for the rapid expansion of regional trade agreements. ASEAN and China, Japan, and Korea have come to use FTAs for maintaining their economic influence in East Asia. The Composite Regional Integration (CRI) Index serves as empirical evidence to support the argument that East Asian markets have great potential to grow into a larger scale market. The level of economic integration for Western Europe (EU members), North America (Canada, Mexico and the United States), and East Asia is 0.89, 0.70 and 0.50 respectively. If we assume that Western Europe has reached its full potential of integration, with a normalized value of 1, East Asia’s normalized value can be calculated as 0.61, i.e. it has untapped potential of further integration by 39 percent.

The network of existing trade agreements in East Asia creates a positive growth environment for the region. There is potential to consolidate them into a larger scale RTA, such as the Free Trade Area of the Asia-Pacific (FTAAP). A CPTPP engendering greater openness is one of the most desirable pathways for the region, along with RCEP. The flexibility adopted by the Korea-U.S. FTA (KORUS FTA) in terms of coverage, scope, and timing of tariff elimination may provide a good precedent for the successful implementation of an FTAAP if obstacles are addressed.

First, the most fundamental obstacle is the heterogeneity among East Asian countries and the lack of community spirit and political leadership. Second, many cooperation agreements have no specific work plan, time schedule, or review mechanism. There are not many FTAs/RTAs in East Asia containing chapters on next generation issues and behind-the-border reforms. Third, complex rules of origin (ROOs) could disrupt the cross-border production networks which have been central to the region’s successful integration. Uncoordinated proliferation of FTAs may lead to inconsistent provisions in FTAs—especially ROOs—which could hamper the process of production networking across countries. Fourth, the spread of protectionism is a great threat to most East Asian countries and may produce adverse effects for domestic reform agendas. Policy uncertainty imposes a significant additional cost since the launch of the Trump administration.

As of early 2018, Korea had concluded 16 FTAs/RTAs with 52 trading partners, of which 10 are with members of APEC. Korea’s dependency on overseas markets is very high. As of 2015, 84 percent of the Korean economy was open to international markets. Korea became the first East Asian country to have FTAs with the United States, China, and the EU. It will continue to play a meaningful role in advancing the trade agenda in East Asia. “Eliminating trade barriers” is only one aspect of enhancing economic integration, while there is a remaining but still very important arena that requires further cooperation among East Asian countries, which is reducing behind-the-borders impediments. Korea is well aware that promoting and strengthening structural reforms are a prerequisite for achieving sustainable economic growth in East Asia.

Several conditions have been advanced to strengthen Korea's competitiveness, adjust its industrial structure to adapt to the 4th industrial revolution, gain greater access to global markets, share the fruits of economic integration, and reform for greater Asia-Pacific co-prosperity. These include revision to the KORUS FTA in March 2018 and the leaders of Korea, Japan, and China agreeing in principle to accelerate the C-J-K FTA negotiations. In addition, Korea should keep an eye on the progression of the CPTPP while reinforcing its FTA roadmap. If violence on the Korean Peninsula finally came to an end, that may trigger new opportunities for Korea to play the role of linchpin for East Asia economic cooperation and become a much larger force in the world economy.