

Interviewees

Dong Ryul Lee
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During the ROK-China summit in January 2012, President Lee Myung-bak and President Hu Jintao agreed to begin negotiations on a bilateral Free Trade Agreement (FTA). Professor Dong Ryul Lee of Dongduk Women's University and Professor Seungjoo Lee of Chung-Ang University discussed on the strategic implications such an FTA will have for both governments and revealed challenges that the South Korean government will need to address. The following is a summary of the main policy recommendations from the interview.

Q1: What are the strategic motivations behind China's desire to pursue an FTA with South Korea?

A1: "The ROK-China FTA is part of Beijing's strategy of soft balancing against the U.S. alliance system in East Asia."

- China's FTA strategies must be viewed in the context of its grand strategy toward the East Asia region. Rather than directly confronting the U.S. bilateral alliance system that has been in place for the last sixty years in East Asia, China is attempting to pursue a strategy of soft balancing against the alliances. Specifically, this involves 1) establishing strategic partnerships with key players in East Asia; 2) taking the lead in regional multilateral institutions (e.g. ASEAN+3, Shanghai Cooperation Organization, Six-Party Talks); and 3) constructing an economic network in the region through bilateral FTAs.
- China's pursuit of FTAs is driven not only by economic incentives, but also its strategic ambitions to construct a new East Asian order with China at its core. The FTAs signed or being negotiated by China can be categorized as: 1) Integrating or establishing an order for East Asia (ASEAN); 2) Motivated by geopolitical considerations (Pakistan); 3) Securing resources (Gulf Cooperation Council, Chile); and 4) forming a Chinese economic bloc (Hong Kong, Taiwan). It is therefore evident that China is pursuing FTAs mainly for strategic reasons, except in the case of those signed for securing resources. South Korea is a key target in this regard, for geopolitical considerations and considering the Chinese leadership's vision of a new East Asian order.
- In the run-up to negotiations, China will likely approach the FTA with South Korea from its own strategic perspective. Still, as one of China's largest economic partners, South Korea will always have significant implications for trade issues. Therefore, once negotiations do commence, the focus will be more on economic issues.

This product presents a policy-oriented summary of the Smart Q&A.

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Q2: What implications will the ROK-China FTA have on South Korea?

A2: "The ROK-China FTA is a significant opportunity and a challenge for Korean diplomacy."

- South Korea has had success entering into FTAs with large economic blocs such as the European Union and the United States. Further success in negotiating an FTA with China, which is South Korea's largest trade partner, will elevate Seoul's bilateral FTA network strategy to the next level. An ROK-China FTA can also act as a stimulus for Japan to enter into an FTA with South Korea in the future. If it signs an FTA with Japan, South Korea will be the only country to have entered into FTAs with the four largest economies in the world.
- Securing an FTA with China also holds strategic significance, as it would make South Korea one of the few countries to enter into FTAs with both the United States and China. The only other country in the region to have done this is Singapore. This can be a significant diplomatic opportunity to bridge the two greatest powers in the world, as well as a substantial challenge in the event that the two powers would come into conflict.

Q3: What policy measures could be taken by the South Korean government in negotiating an FTA with China?

A3-1: "The strategic options that are available to South Korea must be identified through a realistic evaluation."

- The reason why there is a sharp contrast domestically in the evaluation of the ROK-U.S. FTA is because South Korea has failed to accurately identify its own position and influence in the international community. Both the United States and China chose South Korea as an FTA partner because of their respective regional strategy, so the strategic opportunities that are open to South Korea must be based upon a realistic evaluation of its own capacity.

A3-2: "South Korea must look at the bigger picture with a long-term perspective."

- South Korea must understand that China is approaching this FTA as part of its regional strategy and therefore it should undertake FTA negotiations by keeping in mind the bigger picture of the East Asia regional order. In seeking FTAs with China and Japan, South Korea must also begin to contemplate its next moves after it has successfully established this bilateral FTA network.
- The economic-security nexus is a significant challenge for South Korea's future as it seeks to maintain its traditional alliance with the United States while also balancing its asymmetrical economic dependence on China. Although the FTA with the United States went some way toward reducing South Korea's asymmetrical economic dependence on China, the consequences of entering into an FTA with China will likely reverse this trend.

A3-3: "Difficulties in reaching a domestic consensus must be dealt with."

- Difficulties in pursuing the ROK-China FTA are to be expected considering the current domestic opposition towards the ROK-U.S. FTA. More delays though will create anxiety in Beijing that Seoul is dragging its feet over the FTA issue, especially considering that the two sides reached an agreement on the feasibility of an FTA. Potential domestic opposition must be ironed to avoid further delays which would cause China to place additional pressure on the South Korean government. If these obstacles are not resolved soon and there are more delays, it will put South Korea in an unfavorable position should negotiations resume in the future.

A3-4: “The South Korean government must acknowledge and be prepared for the fact that it is negotiating in an environment which is much less advantageous than before.”

- The motivations for China’s FTA policies are rapidly changing. When the FTA with ASEAN was signed in early 2000, Beijing was willing to make economic concessions to ASEAN members in order to ease their concerns over China’s rise. Today it is evident that Beijing is unwilling to make similar concessions as it has become more sensitive to the cost-benefits of forming FTAs. The South Korean government must acknowledge and be prepared for the fact that it is negotiating in an environment which is much less advantageous than before.■

About the Interviewees

Dong Ryul Lee

Dong Ryul Lee is a professor of Chinese studies at Dongduk Women’s University and currently the Chair of the EAI’s China Research Panel. Professor Lee received his Ph.D in Political Science from the Department of International Politics, Peking University, China.

Seungjoo Lee

Seungjoo Lee is a professor of political science and international relations at Chung-Ang University. Professor Lee received his Ph.D. in political science from the University of California at Berkeley.