



[EAI Online Seminar] COVID-19 and New World Order Series

Acceding into the CPTPP

East Asia Institute (EAI)

I. CPTPP Expansion: Why it is necessary

Combating Strategic Competition

- Strategic rivalry and securitization of trade, perpetuated by the U.S. – China strategic competition, contribute to the system's disarray through misuses and over-uses of invoking national security in regulating international trade and investment. Therefore middle powers have banded into a middle power trade diplomacy to create mega FTAs to combat the instability in the international trade order.

Strengthening of relationships through economic interdependence

- The U.S. currently faces credibility and marginalization issues after abandoning the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) during the Trump administration. The US can strengthen regional bonds by utilizing the Intellectual Property (IP) chapters as a basis to negotiate plurilateral agreements among like-minded countries. By joining the CPTPP the U.S. will not only be able to more effectively compete with China but will also be able to develop trusted supplier networks.
- South Korea joining the CPTPP could help advance their bilateral relationship through strengthening the relationship in economic interdependence. While the political tensions between Korea and Japan need non-economic solutions, the mutual participation in the CPTPP helps move towards a more normal and friendly relationship through norm building. Joining the CPTPP contributes to norm building in general, helping countries build relationships and connections for addressing other negotiations.
- Professor Wang Hwi Lee takes the idea of political sensitivity combated through economic interdependence and suggests it with the case of Taiwan. Although the One-China policy limits Taiwan politically, economically, it has continued to grow in importance, even being China's largest importer in 2020. The need for Taiwan's semiconductor production has made it very competitive on the world stage to the point where he suggests that it is possible that Taiwan could join the CPTPP sometime in the future.



II. Challenges and Obstacles of Joining the CPTPP

- Not only the U.S. and China, but other states have shown interest in joining the CPTPP. The UK is the first country to formally start the accession process and this will be an important case for future prospective members. However, questions have arisen regarding the participation of the UK due to its geographical location.

Obstacles for South Korea: Accession, Negotiation, and Threats to Domestic Industry

- While the official position of South Korea wanting to join the CPTPP has remained uncertain, the introduction of the Biden administration has created a possible positive progression towards joining the CPTPP. While South Korea originally had a chance to be a founding member, they now have to go through a possibly costly and difficult negotiation process of acceptance.
- Professor Jaemin Lee pointed out that the accession process in the CPTPP requires consensus from 11 members. It is also questionable how strong Korea's negotiation power will be in the CPTPP
- The issue regarding the outdatedness of the CPTPP in certain areas remains. For example, CPTPP member states have their own digital economy agreements. New Zealand, Chile, and Singapore have concluded a trilateral digital economy agreement. As this contains higher-level agreements compared to the E-Commerce Chapter of the CPTPP, updates should be made to improve the CPTPP.
- Korea has FTAs with 9 of the 11 members of the CPTPP, except Japan and Mexico. The relationship between Korea and Japan has been one of complicated history. President Taehoon Park observes that Mexico's reluctance for an FTA with Korea is based on a perceived lack of benefit. On the South Korean side, there is a concern for the automobile industry in Korea should Korea join the CPTPP where Japan is a member. However, it should be noted that through the Korean-U.S. FTA, Japanese automobiles are already being imported into the country.
- With the acceptance process of the CPTPP requiring a consensus of all 11 members, these relationships could make it difficult for Korea to find success in negotiation. However, President Park suggests that the CPTPP is different from FTAs so that even if South Korea faces some difficulties, these could be overcome. Therefore, if South Korea cannot join right away, they can at least follow the U.K., and begin individual negotiation processes and always pull out if the existing members impose harsh conditions.

III. Concerns Regarding the U.S. and China in the CPTPP

- The U.S. trade policy under Biden in his first 100 days in office has not reflected the radical shifts present in his rhetoric of "America's back" and "I'll be leading the trading system." Instead, the steel



quota imposed on South Korea, and the tariffs imposed on China were maintained. However, Dr. Mireya Solis suggests that, while these physical changes have not taken place, there is still great importance to have a constructive president in discussing WTO reforms, willing to discuss with allies and not fixated on the trade deficit as the only metric of assessment.

- On the other side of the strategic conflict and the trade war is the idea that China could be interested in joining the CPTPP. However, China's introduction into the CPTPP would come at the possible costs of demanding exemptions or conditions to their joining, possibly hurting the quality of the CPTPP for the other members.
- Suppose both China and America join the CPTPP. In that case, there is a possibility of hurting the current thriving middle power and stagnation of progress from the rollover of strategic competition between the United States and China.

IV. WTO Reforms

Lack of Innovation and ability to enforce rules

- The introduction of the COVID-19 pandemic shined a light on the current vulnerability in global value chains. With backlashes to the ideas of neoliberal globalization, increases in political and populous support of widespread protectionism among the advanced industrial countries have continued to increase. Looking to protect their own internationally competitive sectors, regions, and workers, has introduced further management of international trade and open-rules based trading.

Key industrial Areas and Subsidies Agreements

- With many countries growing recognition of key industrial areas, the international stage has seen massive support for manufacturing industries relating to semiconductors and infrastructure. With countries like the U.S. considering providing massive support to these industries, the current lackluster state of subsidies agreements inside of the WTO showcases the outdatedness of its abilities. With few legitimate government industrial measures for critical concerns like COVID-19 response measures, coal industry support measures, and environmental protection measures, the WTO cannot distinguish between good and bad subsidies, forcing individual agreements and support measures and creating disagreements and conflict between countries that find each other's agreements problematic. ■



V. Speaker, Discussant, and Moderator Bios

- **Mireya Solís** is director of the Center for East Asia Policy Studies, Philip Knight Chair in Japan Studies, and a senior fellow in the Foreign Policy program at Brookings. Prior to her arrival at Brookings, Solís was a tenured associate professor at American University's School of International Service. Solís received a doctorate in government and a master's in East Asian studies from Harvard University, and a bachelor's in international relations from El Colegio de México. Solís is an expert on Japanese foreign economic policy, U.S.-Japan relations, international trade policy, and Asia-Pacific economic integration. Her publications include *Banking on Multinationals: Public Credit and the Export of Japanese Sunset Industries*, *Cross-Regional Trade Agreements: Understanding Permeated Regionalism in East Asia* (co-editor), *Competitive Regionalism: FTA Diffusion in the Pacific Rim*, *Dilemmas of a Trading Nation: Japan and the United States in the Evolving Asia-Pacific Order*. Solís has offered expert commentary to The New York Times, Financial Times, Washington Post, Los Angeles Times, Politico, The New Yorker, Nikkei, Kyodo News, Asahi Shimbun, Jiji Press, Japan Times, NHK World, Bloomberg, CNN, and BBC, among others.
- **Jaemin Lee** is a Professor at Seoul National University School of Law. Dr. Lee received his LL.B., LL.M., and Ph.D. in Law at Seoul National University, his J.D. at Boston College, and LL.M. at Georgetown University. He was a lawyer at the Washington D.C.-based Willkie Farr & Gallagher LLP and was also a Professor at Hanyang University School of Law. His main area of interest is international law (international trade law, international investment law).
- **Wang Hwi Lee** is a Professor of Political Science and Dean of the Division of International Studies at Ajou University, Suwon, South Korea, where he has taught international political economy since 2006. He is the author of *The Politics of Economic Reform in South Korea: Crony Capitalism after Ten Years*, *Pulling South Korea away from China's Orbit: The Strategic Implications of the Korea-US Free Trade Agreement* and *Crisis Management of the COVID-19 Pandemic in South Korea, Taiwan, Hong Kong, and Singapore*. His research interests have been focused on issues of the political economy of economic policy and institutions in East Asian countries. Lee received his Ph.D. from the London School of Economics and Political Science.
- **Taeho Bark** is the President of Lee & Ko Global Commerce Institute and Professor Emeritus at Seoul National University. Dr. Bark graduated from Seoul National University and obtained a Ph.D. in economics from the University of Wisconsin-Madison. He served as the Minister for Trade of Korea (2011-2013), Ambassador-at-Large for International Economy and Trade (2013-2014), and the Chairman of the Korea Trade Commission (2007-2010). He was a visiting scholar at Stanford University, World Bank (2004), and IMF (1998). Professor Bark also acted as the Dean of the Graduate School of International Studies at Seoul National University (2006-2010), Assistant Professor of economics at Georgetown University, Vice-president at the Korea Institute for International Economic Policy (KIEP), and a Research Fellow at the Korea Development Institute (KDI). His major publications include *Principles of International Economics* and *Understanding the Korean Economy*.



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