

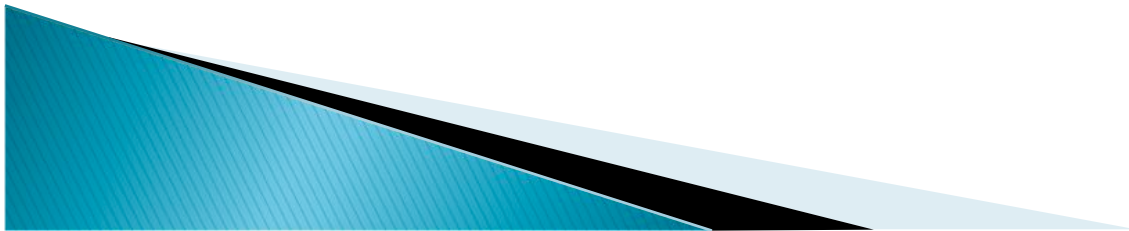
The Cross-Straits ECFA and its Implications for the Korean Economy

Korea Institute for International Economic Policy
Senior Researcher, Jina Yeo

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contents

- ▶ **1. What is a Cross-Straits ECFA?**
- ▶ **2. Impacts of ECFA on Korean Economy**
- ▶ **3. ECFA and K-C FTA**
- ▶ **4. Prospects for Greater China**
- ▶ **5. An important step forward in economic integration in the region**



1. What is a cross-straits ECFA?

Unexpectedly expeditious negotiation process

ECFA negotiation process

Date	contents
2009.12	Agreed to initiate ECFA negotiations
2010.1.26	1 st negotiation round (Beijing)
2010.3.31	2 nd negotiation round (Taipei)
2010.6.13	3 rd negotiation round (Beijing)
2010.6.29	ECFA concluded (Chongqing)
2010.9.12	ECFA came into effect
2011. 1. 1	ECFA EHP came into effect

1. What is a cross-straits ECFA?

Early Harvest Program(EHP) in goods and services included

ECFA EHP in goods and services

	China to Taiwan	Taiwan to China
EPH list in goods	539 items: Agricultural products(18), machinery(107), petrochemicals (88), textile (136), vehicles(50), others (140)	267 items: Petrochemicals (42), machinery (69), textile (22), vehicles (17), others (117)
EHP list in services	11 sectors: accounting, computer, R&D, convention, specialty design, audiovisual, hospital, aircraft repair & maintenance, banking, insurance, securities	9 sectors: R&D, convention, exhibition, specialty design, movies, sporting and recreational, distribution, air transport computer reservation system, banking

In Korea, rising concern over impacts of the EHP on its economy

2. Impacts of ECFA on the Korean Economy

Overlap of Export items to the Chinese market

Korea-Taiwan Export item overlaps in China

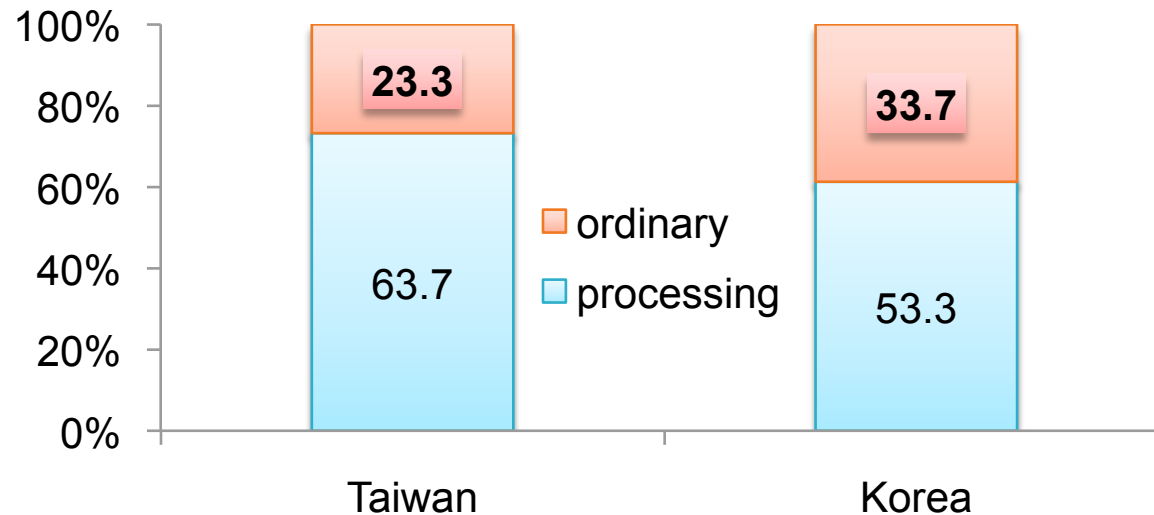
Competition between Korea and Taiwan in the Chinese market	- <u>81 items overlap</u> among top 100 export items (HS 8 digits) - <u>70%</u> of Korean total exports to the Mainland
Overlapping export items to China in the EHP list	- <u>494</u> of 539 items in EHP list - <u>17.9%</u> of Korean exports to the Mainland

The price competitiveness of Korean products will be undermined in the Chinese market.

2. Impacts of ECFA on the Korean Economy

Taking processing trade into consideration lessened impacts on Korean exports

Ordinary and processing trade with China

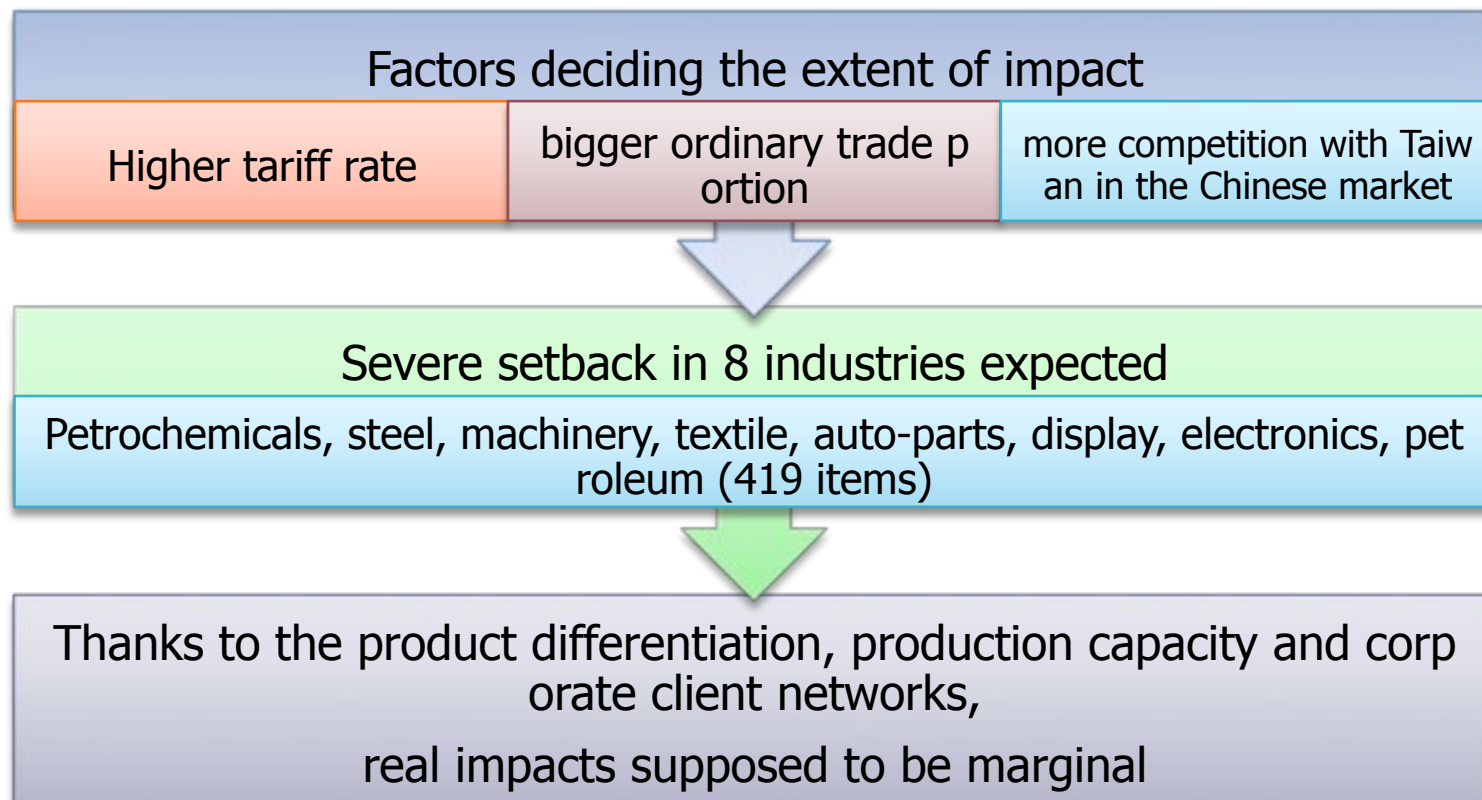


Ordinary trade volume of EHP influenced goods
= 470 mil USD (40.6%), or 7.3% of Korean export to China (2009)

2. Impacts of ECFA on the Korean Economy

Estimated impacts of EHP effectuation by industries and items

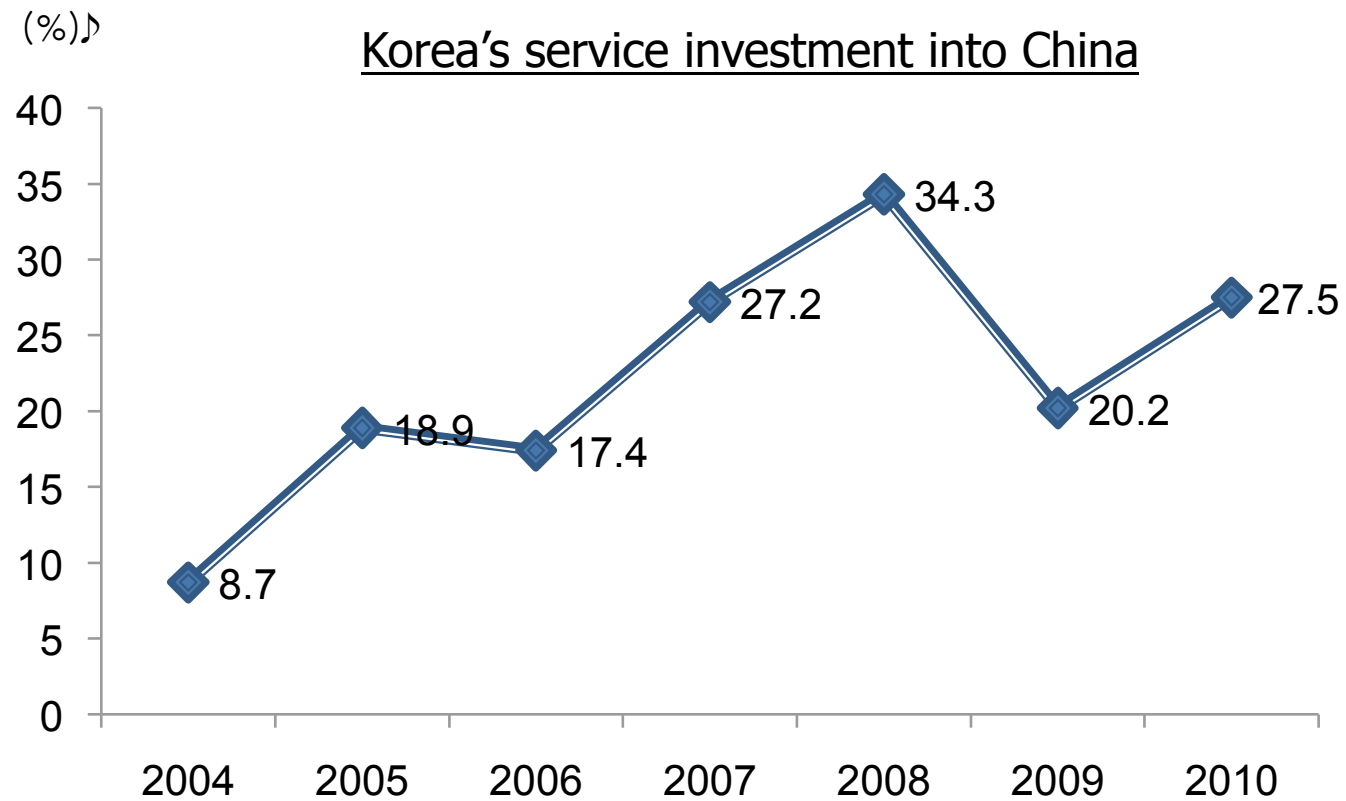
Methodology of Survey



Source: survey by Ministry of Knowledge and Economy

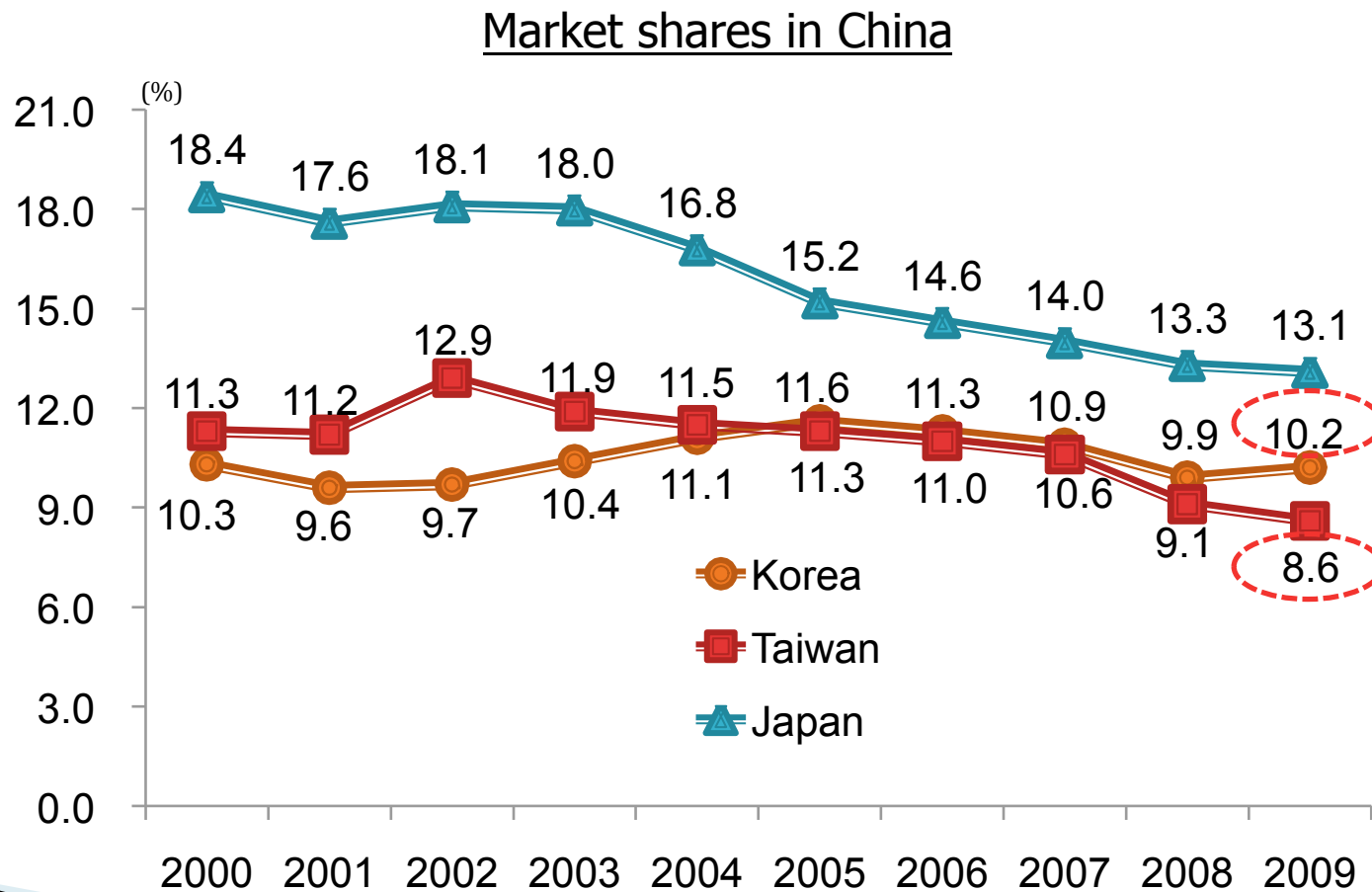
2. Impacts of ECFA on the Korean Economy

Taiwan stepping ahead into service market in China



3. ECFA and K-C FTA

Korea and Taiwan: Major competitors in the Chinese market



3. ECFA and K-C FTA

Taiwan will become the China's first FTA partner among major manufacturing exporters

China's current FTA Partners

status	Partners
Signed	ASEAN, H.K(CEPA), Macao(CEPA), Pakistan, Chile, New Zealand, Singapore, Peru, Costa Rica, Taiwan(ECFA),
Under negotiation	GCC, Australia, Iceland, Norway, SACU
Joint study	India, Korea

Taiwan will acquire competitive edge in approaching the Chinese domestic market.



Time for Korea to consider accelerating FTA negotiation with China

3. ECFA and K-C FTA

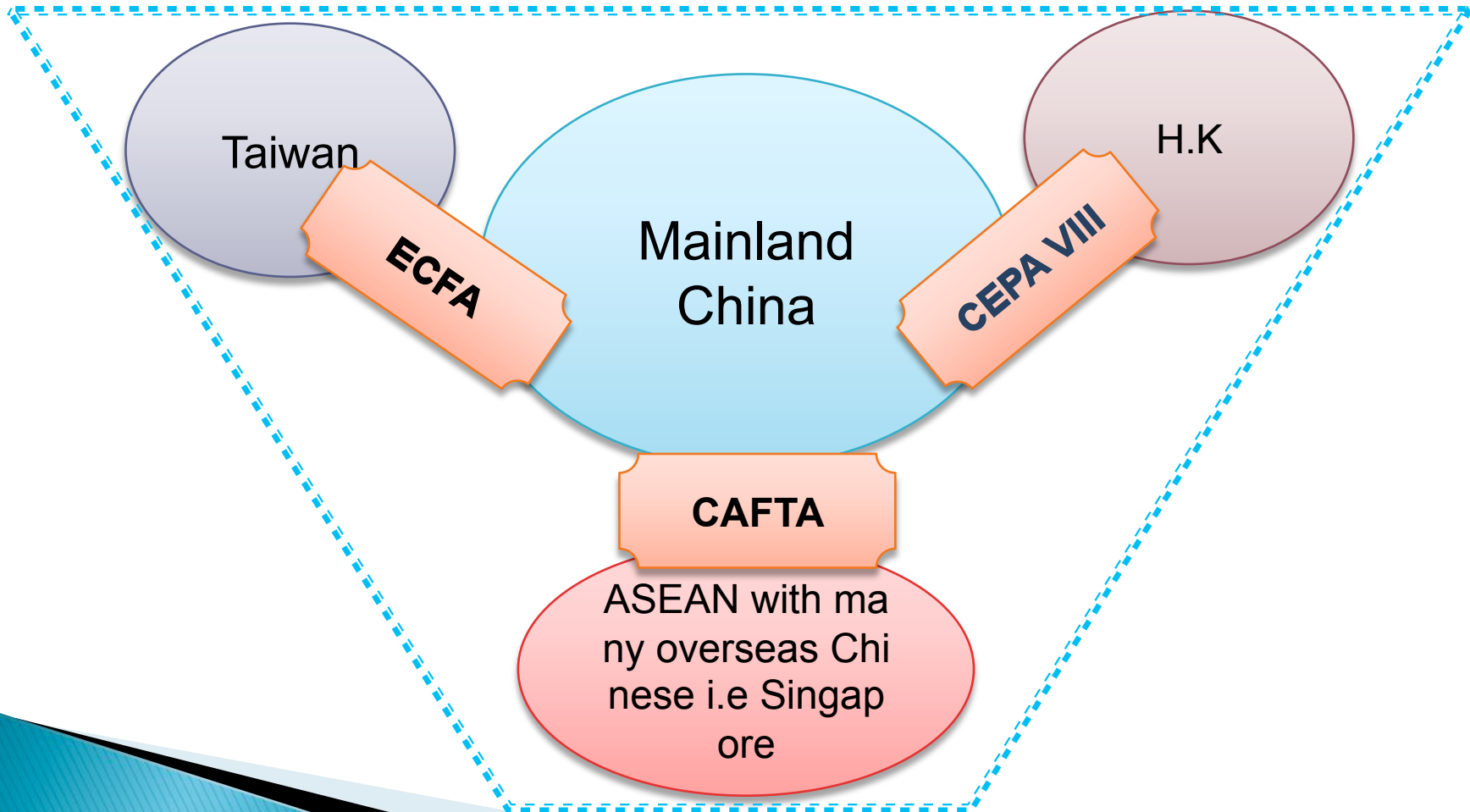
ECFA as a benchmark for K-C FTA

3 points for benchmarking in ECFA negotiations

Expeditious negotiation process and conclusion	<ul style="list-style-type: none">- Only 6 months needed for 3 rounds of negotiation- About 2 months thereafter for effectuation
Inclusion of EHP	<ul style="list-style-type: none">- Early implementation of economic effects (from 2011)
Similar position in FTA negotiation with China	<ul style="list-style-type: none">- Strong manufacturing exporter- Future negotiation result will provide a benchmark for K-C FTA

4. Prospects for Greater China

FTAs accelerating the formation of "Greater China"



5. An important step forward in economic integration in ASIAN region

A likely scenario: sequencing of FTA consolidation

The acceleration of an ASEAN Economic Community(AEC) by 2015

Either through a Korea-Japan-China trilateral FTA or three bilateral FTAs among 3 countries

The formation of EAFTA (ASEAN+1 connected to a new K-J-C FTA)

The formation of a CEPEA including India, Australia and NZ

Region wide FTA with US through FTAAP, and with Europe through an FTAAE

Source: ADB (2010), Asian FTAs: Trends, Prospects and Challenges ♪

Thank you for your attention.

