

21-17 RCEP Is Not Enough: South Korea Also Needs to Join the CPTPP

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INTRODUCTION

On November 15, 2020, after eight years of negotiation, South Korean officials signed the Regional Comprehensive Economic Partnership (RCEP), which establishes a broad-ranging free trade agreement (FTA) among 15 trading partners in Asia and Oceania: the 10 members of the Association of Southeast Asian Nations (ASEAN)—Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam—plus Japan, China, South Korea, Australia, and New Zealand. For Korea, the pact supplements and upgrades Korea's existing bilateral and regional FTAs and establishes new bilateral trade commitments with Japan, but it leaves untouched key barriers restricting Korea's trade with China and Japan.

RCEP is the world's largest FTA in terms of its aggregate output and population: RCEP countries account for 31 percent of global GDP and are home to 2.3 billion people. But it is not the most comprehensive of Korea's FTAs: Trade liberalization is incomplete and incremental; many important areas are not subject to RCEP obligations; and exceptions to tariff reforms affecting bilateral trade between China, Japan, and Korea hollow out the impact of the free trade commitments with Korea's two largest trading partners in Asia. Ongoing FTA talks between China, Japan, and Korea are meant to break down barriers to trade and supplement the RCEP results, but the RCEP experience cautions that it will be difficult to negotiate Chinese commitments to do so.

RCEP also is important from a political economy perspective. It demonstrates that Asian trading nations are unwilling to decouple from the Chinese economy

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and instead want to strengthen ties with the region's predominant economy. Given increasing US pressure to sanction China for commercial and national security reasons, Korea and other large US trading partners in Asia face the delicate task of balancing growing integration with China and continuing cooperation and partnership with the United States.

In many respects, China is the big winner from RCEP, negotiating a deal that is generous to members of the Association of Southeast Asian Nations (ASEAN) but scrimpy regarding Chinese concessions to Korea and Japan. China offered significant market access to ASEAN exporters and accepted common trading rules, including rules of origin, that will deepen China-centric supply chains in the region. Korean exporters and investors also will benefit from closer integration with ASEAN; however, continuing barriers to the Chinese market will undercut some of their potential gains, especially in the farm and auto sectors.

This assessment does not mean that Korea should not ratify the RCEP but rather that its benefits are limited and need to be supplemented by more comprehensive agreements that deepen Korea's ties to strategic allies in the Asia-Pacific region. The Korean Ministry of Economy and Finance (MOEF) recognized the need to move forward with RCEP as well as other major trade accords in a [policy statement](#) issued on January 11, 2021. It set ten goals for Korea's international economic relations, including participating in megaregional FTAs such as RCEP and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which entered into force at the end of 2018.¹

To complement RCEP, Korea should move forward with two other trade negotiating priorities, membership in the CPTPP and upgrading the Korea-US FTA (KORUS), the latter aimed at encouraging US reengagement in the Asia-Pacific integration pact. Korean trade negotiators still have much work left to do.

KOREA'S EXPANDING NETWORK OF FREE TRADE AGREEMENTS

Since joining the General Agreement on Tariffs and Trade (GATT) in April 1967, Korea has benefited substantially from multilateral trade reforms negotiated in the Tokyo (1973-1979) and Uruguay Rounds (1986-1994) under GATT auspices. GATT reforms bolstered Korean trade and contributed importantly to Korea's dramatic economic development: Merchandise exports grew from \$175 million in 1967 to more than \$400 billion in 2019.

But for the past two decades, with fits and starts and frequent failures of global trade talks in the GATT's successor, the World Trade Organization (WTO), Korean officials have pursued a "Plan B" to complement low-yielding WTO initiatives, negotiating bilateral and regional FTAs to open new access to foreign markets for Korean exports and overseas investment by Korean industries.

Since its initial FTA with Chile in 2004, Korean trade negotiators have concluded deals with a large array of trading partners, which now account for more than 70 percent of Korea's total merchandise trade (see table 1). The most comprehensive in terms of depth of trade liberalization and breadth of obligations on goods and services are the FTAs concluded with the European

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1 Goal #5 specifically called for revising "regulations to effectively respond to mega FTAs, such as RCEP and CPTPP" and noted that the Korean government would "work this year for the joining of the CPTPP" and "revising regulations to meet the CPTPP requirements on sanitary, fisheries subsidies, digital trade and state-owned enterprises."

Union² and the United States, which entered into force in 2011 and 2012, respectively, and cover almost a quarter of Korean trade. Accords with the ASEAN and China, which now account for almost 40 percent of Korea's trade, are more limited in scope with major sectors exempted from the negotiated reforms; in current trade parlance, they would be called "phase 1" pacts that establish a foundation for subsequent negotiations.

Table 1
Merchandise trade and GDP of South Korea's FTA partners, 2019
(billions of dollars)

Partner	GDP	South Korea's exports	South Korea's imports	Percent of South Korea's total trade	FTA status
Bilateral partners					
Australia	1,392	7.9	20.6	2.7	2014
Canada	1,742	5.6	5.7	1.1	2015
Chile	279	1.2	4.0	0.5	2004
China	14,341	136.2	107.2	23.3	2015
Colombia	323	1.1	0.7	0.2	2016
India	2,871	15.1	5.6	2.0	2010
New Zealand	210	1.4	1.3	0.3	2015
Peru	231	0.7	2.3	0.3	2011
Turkey	761	5.3	1.2	0.6	2013
United Kingdom	2,833	5.5	4.2	0.9	2021
United States	21,433	73.6	62.1	13.0	2012
ASEAN					
Brunei	13	0.1	0.4	0.0	2007
Cambodia	27	0.7	0.3	0.1	2007
Indonesia*	1,120	7.7	8.8	1.6	2021
Laos	19	0.1	0.04	0.0	2007
Malaysia	365	8.8	9.3	1.7	2007
Myanmar	69	0.6	0.6	0.1	2007
Philippines	377	8.4	3.7	1.2	2007

2 The Korea-EU pact now covers the 27 EU member states; Korea and the United Kingdom signed a trade continuity pact in 2019 to apply similar obligations to their bilateral trade starting in 2021.

Partner	GDP	South Korea's exports	South Korea's imports	Percent of South Korea's total trade	FTA status
Thailand	544	7.8	5.3	1.3	2007
Singapore*	374	12.8	6.7	1.9	2006
Vietnam*	330	48.2	21.1	6.6	2015
Central America	272	2.4	0.5	0.3	2021
European Free Trade Association (EFTA)	1,163	2.5	4.3	0.7	2006
European Union	15,636	52.6	55.8	10.4	2011
Total	66,724	406.3	331.7	70.6	
Israel	395	1.4	0.9	0.2	Concluded in 2019
RCEP	24,328	269.0	232.9	48.0	Signed in 2020
Japan	5,149	28.4	47.6	7.3	Signed in 2020
Ecuador	108	0.5	0.3	0.1	Under negotiation
Mercosur	2,486	5.4	5.4	1.0	Under negotiation
Mexico	1,269	10.9	6.2	1.6	On hold
Russia	1,689	7.8	14.6	2.1	Under negotiation
Uzbekistan	58	2.3	0.0	0.2	Under negotiation

FTA = free trade agreement; ASEAN = Association of Southeast Asian Nations; Mercosur = Southern Common Market; RCEP = Regional Comprehensive Economic Partnership

*Year in "FTA status" column indicates the year the bilateral FTA with South Korea entered into effect. Korea and Indonesia signed their bilateral FTA in December 2020; it is expected to enter into force in late 2021.

Note: Korea and Cambodia concluded bilateral FTA talks in February 2021 but have not yet signed the deal.

Sources: IMF *World Economic Outlook* database, April 2021 and UN Comtrade data via World Bank's World Integrated Trade Solutions (WITS) database.

Korea's exports and overseas investment are closely linked, and its FTAs support growing foreign direct investment (FDI) by Korean firms. In 2019, the stock of Korean FDI in China, Hong Kong, and the ASEAN was valued at \$174 billion and accounted for 40 percent of Korea's total stock of FDI abroad (table 2). The United States and the European Union (including the United Kingdom) hosted Korean FDI worth \$102 billion and \$58 billion, respectively. In contrast, Japan had only about \$9 billion in Korean investments, even though Korea, Japan, and China have had a trilateral investment pact in place since 2014 (see Schott and Cimino 2015).

Table 2
South Korea's outward foreign direct investment (FDI) stock, 2019

Host economy	Korea's outward FDI stock (billions of US dollars)	Korea's outward FDI stock as percent of total outward FDI stock
Hong Kong	18.2	4.2
Central America	31.5	7.3
EU28	58.1	13.4
Association of Southeast Asian Nations	76.6	17.6
China	79.5	18.3
United States	102.4	23.6
Japan	8.7	2.0
Subtotal	375.0	86.5
World	433.7	100.0

Source: OECD Statistics, "FDI positions by partner country BMD4."

In recent years, the Korea-ASEAN FTA has been supplemented by more detailed bilateral FTAs with several ASEAN countries while Korea and China are now engaged in phase 2 talks on services and investment. The latter overlaps with ongoing trilateral FTA talks between China, Japan, and Korea (CJK), which have made scant progress amid persistent political and commercial frictions between the three countries.³ In addition, Korea has concluded high-quality FTAs with other Asia-Pacific trading partners, including CPTPP members Australia (entered into force in 2014), Canada (2015), New Zealand (2015), and Peru (2011). The only significant Korean trading partners not covered by a bilateral FTA are Japan, Mexico, and Russia, where talks have proceeded slowly and intermittently.

Of course, Korea's largest FTA initiative, the RCEP, is designed to integrate and in many cases augment the bilateral and regional pacts concluded over the past 15 years with partners in Asia and Oceania. The Asian megaregional pact, involving 15 countries with a combined GDP of \$26 trillion, covers almost half of Korea's merchandise trade (table 3). Its biggest achievement is establishing a common set of trading rules for the 15 countries, which is especially important for Korean firms trading and investing in the ASEAN region. It also creates the first free trade pact involving Korea and Japan. However, negotiators came up short in securing significant new trade liberalization among the northeast Asian trading powers. RCEP is a big deal for Korea-ASEAN relations but for Korean trade ties with China and Japan, not so much.

³ Interestingly, the three countries concluded a trilateral investment pact, which entered into force in 2014, but have had more problems committing to trade liberalization, especially in the farm and auto sectors.

Table 3
Key economic indicators of RCEP members

RCEP member	GDP, 2020 (billions of dollars)	Population, 2020 (millions)	Human Development Index, 2019	Trade, 2019		
				Total trade with world (billions of dollars)	Total trade with RCEP (billions of dollars)	RCEP trade as percent of total trade
Australia*	1,359	26	0.944	487	317	65
Brunei Darussalam*	12	0.5	0.838	12	9	73
Cambodia	26	16	0.594	35	21	60
China	14,723	1,404	0.761	4,568	1,427	31
Indonesia	1,060	270	0.718	339	211	62
Japan*	5,049	126	0.919	1,427	659	46
South Korea	1,631	52	0.916	1,045	502	48
Laos	19	7	0.613	11	10	92
Malaysia*	338	33	0.810	443	257	58
Myanmar	81	53	0.583	46	36	78
New Zealand*	209	5	0.931	80	47	59
Philippines	362	109	0.718	188	115	61
Singapore*	340	6	0.938	749	378	50
Thailand	502	70	0.777	447	256	57
Vietnam*	341	97	0.704	518	290	56
China-Japan-Korea subtotal	21,402	1,582		7,039	2,588	37
RCEP total	26,052	2,274		10,395	4,533	44
RCEP as a percent of global total	31			27		

RCEP = Regional Comprehensive Economic Partnership

* = Members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

Note: Total trade is exports plus imports of merchandise. Trade data for Myanmar based on mirror statistics due to limited data availability.

Sources: IMF *World Economic Outlook* database, April 2021; United Nations Development Program's Human Development Reports 2020, <http://hdr.undp.org/en/data>; UN Comtrade data via World Bank's World Integrated Trade Solutions (WITS) database.

RCEP: NECESSARY BUT INSUFFICIENT REGIONAL TRADE REFORMS

RCEP is a big deal for intra-Asian economic relations, even though it offers a more incremental and slow-paced pathway to regional integration than its Asia-Pacific cousin, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The accord links the 10-member ASEAN and its main bilateral FTA

partners (Australia, China, Japan, Korea, and New Zealand). The three northeast Asian countries account for more than 80 percent of the RCEP market (table 3).

As a megaregional FTA, RCEP is a big deal; member countries account for 31 percent of global output and \$10.4 trillion in merchandise trade. As in North America, the Asian regional pact is dominated by its largest country, China. The Chinese economy is larger than the aggregate of the other 14 countries and its total trade is almost twice that of Japan and Korea combined. And China will gain the most, in terms of increased real income, when the RCEP reforms are fully implemented. An earlier study by Chung et al. (2017) that includes India as an RCEP member finds that China would garner more than one-quarter of total RCEP gains. Petri and Plummer (2020) estimate that China will accrue about half of the \$174 billion in cumulative real income gains of the 15 RCEP countries once the pact is substantially implemented in 2030.⁴

The pact's most important achievement is its new regional content rule that will encourage deeper integration of supply chains across the 15 markets, a key benefit for Korean industries invested in the ASEAN region.⁵ But RCEP also has significant limitations: The pact does not cover disciplines on support for state-owned enterprises or on cross-border data flows, or obligations covering trade-related labor and environmental issues; it defers tariff liberalization on import-sensitive products; and it allows five countries (China, Indonesia, Korea, the Philippines, and Vietnam) to maintain separate tariff schedules for specific RCEP countries instead of a unified tariff schedule applying to trade from all 15 countries, adding friction to intra-RCEP commercial relations. Overall, it offers Korean firms only incremental trade liberalization beyond the reforms already embedded in Korea's existing bilateral FTAs with the RCEP countries.

RCEP will enter into force 60 days after 6 of the 10 ASEAN members and 3 of the 5 non-ASEAN partners ratify the pact and submit the required documentation of laws and regulations (an unwieldy task for some countries). As of July 2021, China, Japan, and Singapore have ratified RCEP and several ASEAN countries are in the process of obtaining legislative approval. Both conditions could well be met by early 2022, at which point 7 of the 15 RCEP countries, that also are signatories to the CPTPP, will have advantages in both integration areas. That is a status to which Korea should aspire.

THE POLITICAL ECONOMY CASE FOR KOREAN ACCESSION TO THE CPTPP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership, linking 11 countries in the Asia-Pacific region, has been in force for more than two years. Though RCEP is larger in size because of China's participation, the CPTPP also has a large economic footprint, with a combined GDP of about \$11 trillion and population of about 500 million, which are likely to grow substantially due to the accession of new members in the near future (see table 4).

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4 The authors report a business-as-usual scenario and a continued US-China trade war scenario: The former yields \$186 billion in global real income gains related to RCEP by 2030, with China accruing \$85 billion of the \$174 billion going to the RCEP countries. China does even better in the sustained trade war scenario.

5 The regional content rule requires that 40 percent of the value of goods come from the RCEP region to qualify for RCEP trade preferences; this is lower (i.e., less restrictive) than comparable provisions of the CPTPP or USMCA and should promote sourcing intermediate products from within the RCEP region.

Table 4
**Key economic indicators of existing and potential members of the CPTPP
 and trade with South Korea**

CPTPP members and potential members	GDP, 2020 (billions of dollars)	Population, 2020 (millions)	Human Development Index, 2019	Trade, 2019			
				Total trade with world (billions of dollars)	Total trade with Korea (billions of dollars)	Total trade with Korea (percent of total trade with world)	Korea's trade with each existing/potential CPTPP member as percent of total Korean trade
Australia	1,359	26	0.944	487	26	5.4	2.7
Brunei Darussalam	12	0.5	0.838	12	0.4	3.6	0.05
Canada	1,643	38	0.929	863	11	1.3	1.1
Chile	253	19	0.851	139	6	4.4	0.5
Japan	5,049	126	0.919	1,427	76	5.3	7.3
Malaysia	365	33	0.810	443	18	4.0	1.7
Mexico	1,076	128	0.779	916	20	2.2	1.6
New Zealand	209	5	0.931	80	3	3.4	0.3
Peru	204	34	0.777	89	3	3.7	0.3
Singapore	340	6	0.938	749	29	3.9	1.9
Vietnam	341	97	0.704	518	67	12.9	6.6
CPTPP subtotal	10,851	511		5,723	259	4.5	24.0
CPTPP as a percent of global total	13			15			
Potential members							
China	14,723	1,404	0.761	4,568	285	6.2	23.3
EU27	15,167	445		11,074	119	1.1	12.0
United Kingdom	2,711	67	0.932	1,151	10	0.9	0.9
United States	20,933	328	0.926	3,962	134	3.4	13.0
South Korea	1,631	52	0.916	1,045			

CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership

Note: Total trade is exports plus imports of merchandise.

Sources: IMF *World Economic Outlook* database, April 2021; United Nations Development Program's Human Development Reports 2020, <http://hdr.undp.org/en/data>; UN Comtrade data via World Bank's World Integrated Trade Solutions (WITS) database.

From the start, CPTPP members realized that they would benefit from adding new members both in terms of increased political influence and economic gains from a larger integrated market. At their first meeting in January 2019, the 11 CPTPP signatories formulated procedures for negotiating the accession of new members. Any country or separate customs territory around the world can apply to join the CPTPP. Candidate countries are expected to both undertake existing CPTPP obligations and negotiate schedules for the elimination or reduction of trade barriers with all the CPTPP countries. Any existing member can veto the entry of a new member.

CPTPP members already are negotiating accession terms with the United Kingdom, whose GDP of \$2.7 trillion would substantially enhance the pact's economic size and political stature. Several others have expressed interest in joining the pact, including China, Colombia, Indonesia, the Philippines, and Taiwan. But the United States, the country CPTPP members probably would most like to join the pact, seems unlikely to act anytime soon.

The door is wide open for Korean participation in the CPTPP. Many CPTPP members would welcome it (Bark 2021). Korean trade officials considered participating in the negotiation of the Trans-Pacific Partnership (TPP) as early as 2012 but stayed on the sidelines while Japan, Canada, and Mexico subsequently joined the talks in 2012-2013 and influenced the final wording of the pact's rights and obligations (Cimino-Isaacs and Schott 2016).

But Korean officials had more influence over the terms of their participation while the pact was being negotiated than they do today; now they have less flexibility to modify or exempt specific practices from CPTPP disciplines. There is a cost to pay for the poor policy choices of the past; but Korea can recoup. There are several reasons why Korea should initiate accession negotiations with the CPTPP countries.

First, CPTPP accession should be relatively easy since the basic content of the deal, the original TPP, was built on the robust foundation of the KORUS FTA, which entered into force in 2012. Korea applied most CPTPP obligations long ago. Moreover, as previously noted, Korea has bilateral FTAs with most of the CPTPP countries, so accession would simply upgrade and modernize those existing agreements. And RCEP provides Korea additional liberalization commitments from 7 of the 11 CPTPP countries, including Japan, that are parties to both pacts.

Why bother with CPTPP if Korea already has a partnership with all the CPTPP countries (through either a bilateral FTA or RCEP) except Mexico? The answer is straightforward: First, CPTPP is more comprehensive than Korea's other FTAs in terms of depth of trade liberalization and breadth of rulemaking obligations, and thus constitutes an upgrade from the existing pacts; and, second, the pact's rules of origin allow Korean firms to source more efficiently from suppliers within the CPTPP region. Korean firms thus will have advantages in both the RCEP and CPTPP regions on a par with producers in the 7 countries that participate in both agreements.

The Korea Economic Research Institute (KERI) estimates that CPTPP accession could boost Korea's industrial output by 0.44 percent; if Korea and the United States both joined, the gains for Korea would jump to 1.08 percent (Jung

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2018, table 1, p. 15).⁶ In both cases, however, dairy and livestock show large drops in output, presaging strong domestic opposition to the pact if Korea is asked to implement reforms in those sectors. Judging by the limited reforms agreed by other CPTPP countries in the dairy and livestock sectors, one would expect changes in Korean policies to be modest; the KERI estimates likely exaggerate the costs and undercount the benefits of CPTPP accession for Korean GDP.⁷

The key question is how much more Korea will be asked to contribute by current CPTPP members in terms of tariff cuts and reforms of nontariff measures affecting trade in industrial and farm goods, and services. In large measure, Korean concerns about the price of admission to the CPTPP focus on potential Japanese demands regarding reform of Korean restrictions on agricultural trade.⁸ Unlike the KORUS FTA, which exempted Korean rice, all products have been subject to trade reforms under the CPTPP. However, in the case of sensitive agricultural goods, CPTPP required only minimal changes in existing border barriers; for example, Japanese rice and other sensitive farm goods were subject to only modest increases in tariff-rate quotas. One would expect that precedent to apply in Korea's accession talks and not require significant increases in Korean rice imports.

Second, membership in the regional pact, with important trading partners like Japan and Australia, better positions Korea in ongoing bilateral and trilateral (CJK) trade negotiations with China. Japan and Australia need Korea in the pact for the same reason, so are likely to temper their requests for major liberalization of Korea's most sensitive farm trade policies.

Third, CPTPP membership has its privileges, including setting the market access terms for the accession of future members. In a sense, early accession to CPTPP would recoup the first mover benefits foregone when Korean officials stayed on the sidelines of the original TPP negotiations. Korea lost out by not being an original negotiator of the pact, but it still can be in the first tranche of new members and be able to help determine the terms of future accession talks with prospective candidate countries...possibly even China!

In sum, Korean concerns that the terms of entry will be costly seem to be exaggerated. At a time of growing US-China economic friction, Korea and Japan have strong incentives to work together, and with the United States, to safeguard shared national economic and security interests. Those broader shared interests will constrain pressures by Japan and other CPTPP members for major new Korean trade concessions.

If Korea decides to apply for CPTPP membership, it could pursue several different approaches:

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- 6 If Korea stays out of the CPTPP, Ciuriak, Xiao, and Dadkhah (2017) report that Korea's real income will fall slightly as Korean firms do not benefit from the pact's tariff cuts and rules of origin cumulated across the region.
 - 7 During the TPP negotiations, Petri (2013) estimated that if Korea became the 13th TPP member, its real income would increase by 2 percent (\$46 billion) over baseline by 2025. Those numbers fall substantially without US participation in the pact. Furthermore, some of the gains derive from broad liberalization of barriers to Korea-Japan trade that the authors assumed would be greater than those achieved in the RCEP negotiations.
 - 8 Korea also would face strident market access talks with Mexico in industrial sectors where the two countries compete sharply with each other. However, these frictions have a much lower political profile and are much less contentious than the Korea-Japan talks, so should not impede Korea's accession to the CPTPP.

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- Follow the recent example of the United Kingdom and formally apply for membership, on terms largely covered by Korea's existing bilateral trade agreements with CPTPP countries.
- Link Korea's application with that of the United Kingdom: There is some safety in numbers when negotiating membership terms to an existing club in accession negotiations. But note that the CPTPP members will decide whether to pursue talks with one country at a time or simultaneously with a group of countries.
- Wait for US officials to return to the table and join them in accession talks. But that could mean being on the sidelines for some time while other countries move up the queue, become members, and thus add to the specific demands that each CPTPP member can ask of prospective new members.

By far the preferred option for Korea would be to move forward with the CPTPP in joint negotiations involving the United Kingdom and the United States. But the best strategy seems unlikely in the near term.

Conventional wisdom argues that the Biden administration will not move on CPTPP or a new version of it before the crucial US mid-term elections of 2022, concentrating its energy instead on challenges to rebuild US infrastructure and reconstitute US climate initiatives. I suspect, however, that there could be action-forcing events in the region that convince President Biden of the need to strengthen economic ties with key allies more quickly against the economic and security challenges from China. Part of that response could involve deepening existing US FTAs with Asia-Pacific partners; US officials also might revisit US participation in the CPTPP or propose a similar but somewhat new Asia-Pacific pact.

Korea should prepare for that contingency. As a first step, Korea should propose modernizing the KORUS FTA, which will mark its 10th anniversary in March 2022. Korean officials understandably may be reticent to do so given the KORUS FTA rewrite in 2018, where the United States pressured Korea to sharply reduce its steel exports to the US market and roll back liberalization in the auto sector as the price for maintaining intact the rest of the KORUS FTA. However, US officials may soon propose revisions of the KORUS FTA in any event, drawing on precedents in the newly-minted United States-Mexico-Canada Agreement (USMCA) to update the KORUS FTA yet again. Korean proposals for strengthening the bilateral trade pact should cover areas where the interests of both countries closely align and where the Biden administration is seeking to rebuild international cooperation after the unilateralism of the Trump era. That effort could focus on countering vaccine nationalism, initiatives to promote decarbonization, and developing rules on the nexus of trade, technology, and national security issues that are sparking increasing friction and uncertainty in bilateral and international commercial relations. Such a positive and collaborative agenda would help bolster US-Korea collaboration in addressing key challenges in the region and the global commons and should deflect concerns about a repeat of the illiberal outcome of the last KORUS "reform."⁹

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9 The two sides could also work on new disciplines on support for state-owned enterprises, building on the proposals under construction in trilateral talks between the United States, the European Union, and Japan.

Embedding these new rulemaking initiatives in the KORUS FTA also would establish useful precedents that Korea and the United States could then try to export to the CPTPP or a successor Asia-Pacific pact as part of the deal for the United States rejoining the Asia-Pacific club. The KORUS FTA was the initial template for the negotiation of the Trans-Pacific Partnership, and an updated and augmented KORUS FTA could provide a model for how the current CPTPP could be transformed into a new agreement.

If the United States reengages in a regional Asia-Pacific pact, it will almost surely require some updating and augmenting of the existing CPTPP, and a rebranding of the pact, to surmount US political opposition. That is what Trump did to save face by turning the North American Free Trade Agreement (NAFTA) into the USMCA, maintaining most of the old pact and adding new rules developed in the TPP along with a dose of auto protectionism. Like in the USMCA negotiations, the required changes to the CPTPP would likely be additions to, rather than deletions of, existing provisions.

Restoring US participation would enhance the benefits of the Asia-Pacific pact for all members and strengthen the influence of the pact's rules on regional and global trade. It would create a strong buffer against China's near-term entry as US officials would insist on strict compliance with the pact's high standards before accepting China into the club, shielding other US allies from having to confront China directly if and when Chinese officials apply for membership. Korea should promote US reengagement in the regional pact, preferably as a new member supporting US participation. Doing so would benefit US-Korea economic relations and bolster ties with strategic allies in the Asia-Pacific region.

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