

# **Chapter 6 Northeast Asian Economy: Integration or Cooperation?<sup>1</sup>**

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## **1. A New Era in East Asia**

The 1990s is often dubbed as 'the first decade of globalization.' The cold war effectively ended in 1990 when the Soviet Union stopped to function. With the end of cold war, the global economy began to move to a single economy, meaning that the wall between the socialist bloc and capitalist bloc has effectively fallen down. This meant for South Korean firms that they now could have direct business relations with China, Russia and other former socialist countries in Asia and Europe. In particular, trade and investment relations between South Korea and China have grown very fast in the 1990s and China became the second largest destination of Korean outward direct investment and third largest trading partner by the end of the decade. More significantly, the new era means that the countries in the region can have economic relations with all the other countries.

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Entering into a new century and decade, several new developments are expected to move the East Asian economic cooperation to a higher level. The first event that will enhance the economic cooperation in the region is China's access to WTO. China's membership at WTO means that China will conduct trade by internationally accepted rules. In addition, average tariff rates will fall over the next several years and some non-trade barriers will also be removed. Some of the industries will now be open to foreign investors, including the telecommunications industry and other service industries. By 2005, Chinese economy is likely to adopt more features of the market economy, which in turn will facilitate trade and investment relations with the outside. This is a very good development for both South Korea and Japan because they are closest neighbors and will be in a position to take advantage of new business opportunities.

Another development is the idea of Korea - Japan Free Trade Agreement (FTA). Japanese Ambassador in Korea tossed the idea out in 1997 and two governments agreed to commission a study to assess the impact of the FTA in 1998. Two government-supported research institutions in each country participated in the research and presented research results in 2000. A significant thing is that both sides agreed to study the feasibility of an FTA and began to think about it. As is well known, there is no economic integration scheme in Northeast Asia, perhaps the only region where there is no such agreement. This reflects historical legacy, diverse economic systems and heterogeneity of national economies in the region. Nonetheless, it is time to think about some form of formal regional integration in the region,

and Korea and Japan are closest in terms of the economic and political system in Northeast Asia.

This new mood of cooperation has been greatly helped by recent developments between two countries; especially after Kim Dae Jung government took office. South Korea abolished discriminatory import restrictions on Japanese products and also opened her market to Japanese mass culture in the last three years. And two countries will jointly host the World Cup in 2002. A record number of people visited each other in 2000. Despite recent conflicts over the textbook issue, South Korea and Japan are enjoying the most favorable bilateral relationship in recent history.

The third development is the meeting of three countries at the ASEAN summit meetings. For the first time, heads of Japan, South Korea and China met together at the ASEAN meetings and the so – called “ASEAN+3” meeting will be regularized and formalized starting in Year 2000. This is a significant new development. Until recently the PRC has been cool to a multilateral or regional grouping in East Asia and Japan has been also reluctant to such a meeting. But the ASEAN group invited three Northeast Asian countries to their forum and, as a result, the East Asian region began to have a formal dialogue channel. It is not clear at this moment what would be a desirable configuration of economic regionalism in the region. It could be a broader East Asian bloc or a narrower sub – region of Northeast Asia. But the important thing is that the countries in the region should have various options and evaluate pros and cons of different configurations.

So ten years after the end of cold war, it seems that East Asia is entering a new era of enhanced economic cooperation supported by several new developments mentioned above. And South Korea and Japan are also in a period of closer economic, political and cultural cooperation and exchange.

## **2. Geographical Scope: Northeast Asia or East Asia?**

Large countries in Northeast Asia, China and Japan, tend to look at Northeast Asia (NEA) involving only parts of their territories. For example, China considers three Northeastern provinces as NEA while Japan tends to equate NEA with the inland area or East Sea (Japan Sea) area only. This is understandable given their huge size or global posture. But here I am not so much concerned with sub-regional or multi-local cooperation as a nation-level economic cooperation or integration. In particular, when I say NEA, I would like to include China, Hong Kong, Japan, both Koreas and Taiwan. In addition, East Asia refers to the whole region stretching from North Korea and China all the way down to Malaysia and Myanmar. Thus East Asia includes both NEA and Southeast Asia.

There is no question that Japan, two Koreas and China comprise the main part of Northeast Asia. In addition, Northeastern provinces and territories of Russia is certainly an important component of NEA. Recently, the Russian Far East (RFE) began to have more trade and investment relations with the countries in the NEA. As the Russian Far East have more

autonomy from Moscow in economic decision making and have more direct and intensive economic linkages with other countries in the NEA, it will be useful to include the RFE in the discussions on economic cooperation in the NEA. But if we begin to discuss FTA, it is difficult to include the RFE because parts of a state alone cannot participate in the FTA. As a result, we have to exclude the RFE in this paper. Mongolia is sometimes included in the NEA. The country is a really small player in terms of the magnitude of economic activity. Given the land—locked location and small population base, the potential for trade and investment of Mongolia with the rest of the region is also very limited. But including Mongolia in some form of economic integration in NEA is possible if Mongolia intends to join it.

The most important question in discussing the geographical scope of NEA is whether we should include all or part of China in the NEA. For the same reason why Russia cannot be included in economic integration in NEA, I will argue that the whole of China should be included in the NEA. It is true that three northeastern provinces of China have more active economic ties with Japan and South Korea. There is a large concentration of Japanese investment in Liaoning Province and there are more than a million ethnic Korean Chinese in the three provinces, with the largest concentration in Korean Autonomous Region in Jilin Province. At the same time, however, Shantung Province is the closest to South Korea and has more direct business contacts with South Korea than any other province in China. The Bohai Sea region, including Beijing, Tianjin and Shantung, is perhaps the most important Chinese region for the Korean economy. Shanghai and

surrounding provinces are also becoming important to the region, especially the eastern part of China has more close contacts with Kyushu in Japan, and Pusan and Kyungsangnamdo in South Korea. In fact, these three local areas comprise the so-called the Yellow Sea Economic Subregion. Many Hong Kong firms have close ties with Beijing and other northeastern provinces in China, especially in high technology industries, because the northern China has many good universities with strong engineering and science departments. Although Chinese themselves divide the country into five or six subregions, the division may become less meaningful as interrelations between them increase in the future. Taiwan's economic position in the region is somewhat similar to that of South Korea. It has close investment and technology relations with Japan and has even closer trade and investment links with the mainland. Because of these various inter-linkages, I think that it is useful to include the whole of the PRC, Hong Kong and Taiwan in the NEA region.

If we define the NEA very broadly, there are many subregions in the region. What is the criterion for a meaningful subregion? Since most of these subregions are made up of parts of nation-states, the possibility of a formal economic integration such as a free trade area is ruled out at the outset. Then a proper criteria for an economic subregion is the intensity of business activities in the subregion. If business firms, large or small, in a subregion are engaged in trade and investment activities among themselves and the interdependence among them is increased to a significant degree, a subregion begins to take a form. Transportation and communication linkages in the subregion will be increased gradually and de facto economic

integration will progress. A region with this kind of economic integration based on business initiatives and without any formal economic integration agreement between governments is sometimes called a *natural economic territory*, or a NET. Looking at many so-called economic subregions in the NEA, the only significant one seems to be the South China Economic Subregion that has been made dynamic by direct investments of small and medium sized companies (SMEs) of Hong Kong and Taiwan. Other subregions do not show the same degree of interdependency or economic activity as the South China subregion does. South China subregion is really a spillover of Hong Kong and Taiwan economic dynamism. SMEs in these two NIEs have been driven out of their industrial bases at home due to high costs of production, most notably the labor cost. South Korean and Japanese SMEs do not show the same degree of exodus to neighboring regions, partly because they have to overcome language and cultural barriers. Japanese SMEs are more closely linked with big companies at home and some of them followed big companies in moving production base to Southeast Asian countries. Some Korean SMEs have moved their production to Shantung and Tianjin but not to the degree that Hong Kong and Taiwan SMEs have done.

One can argue that subregions will become even less meaningful in the future. The first reason is the increasing globalization trend worldwide, which makes remote places engaging in business with each other easier. As the information technology, in particular telecommunications technology, is diffused rapidly, the geographical distance is becoming less meaningful. The cost of international communications has been lowered dramatically in the

last ten years and will decline further in the future. It is likely that the major hindrance for inter – continental communications will be the time difference, not the cost, in the future. In addition, the metropolis spillover reaches a limit as the production costs at the nearby hinterland increase rapidly and become less competitive compared to more distant hinterland. This is observed both in South China as well as around Singapore. The Singapore government pushed hard in recent years to expand its industrial parks to Vietnam, China and India. Apparently, the Singapore – Riau – Johore growth triangle has reached a saturation point because of the congestion and high costs of production. Hong Kong and Taiwan firms also began to move to the inland provinces of China as well as to the Philippines and Vietnam. In general, it can be argued that a small NET or a growth triangle will claim a smaller proportion of trade and investment activities of the subregion itself in the future.

### **3. Economic Cooperation or Economic Integration in Northeast Asia?**

Trade and investment flows have increased over the last decade in the region, in particular after China opened her door more widely around 1990 and South Korea and China established a formal diplomatic relationship in 1992. At the same time, South China economic area has become a natural economic territory driven by private investment and trade flows despite the fact that China and Taiwan remain as potential adversaries. Thus the



question facing Northeast Asian countries is whether they should build a new institutional framework that will support a vibrant economic linkages already developing in the region. In other words, the question is whether the countries in the region should start thinking about some form of economic integration such as free trade agreement (FTA). This new configuration is a very complex one given the security considerations, ideology and historical legacy of the region. In addition, the presence of the United States in the region both in terms of military and economic influence adds another complex dimension to discussions of FTA.

Countries in the NEA region are so diverse in terms of size, level of economic development, industrial competitiveness, economic system, and political system that it is very difficult to have economic integration at present. Japan is the dominant economic power in the region at the moment, although her share in the region will decrease gradually in the future as her economic growth slows down. Japan is one of the triad powers of the world economy and thus has global interests both in trade and investment. The biggest economic partner of Japan is the U.S., both in terms of trade and investment. Japan and the United States are now so closely intertwined that it is difficult to ascertain the country of origin of many products. American cars use so many Japanese parts that they cannot qualify as the American made in some countries. Many electronics products such as computers are also "jointly made in Japan and the U.S." Despite various trade conflicts and negotiations, two countries have learned how to live with each other by now. More realistically speaking, lobby groups in two

countries for the other are so strong that major trade conflicts have to be resolved in the end.

What is the importance of the NEA for the Japanese economy? In the early 1970s when the Japanese economy encountered high production costs at home partly caused by the higher value of yen, many Japanese SMEs moved to Hong Kong, Taiwan and South Korea. These three NIEs began to build their industries based on Japanese technology and, to a lesser extent, on Japanese capital. By the 1980s, however, Japanese firms had to move their offshore production base again to Southeast Asian countries because the first-tier NIEs themselves in Northeast Asia began to experience high production costs and appreciating currencies. In the mean time, they have become more independent from Japanese capital and technology and also have built a more diversified economic relationship with the other countries in the world. China who joined the global trade game lately could not attract Japanese direct investment very much. Japanese firms account for about 7.7 percent of cumulative inward foreign direct investments in China as of 1998. It can be said that the significance of Northeast Asian economy to Japan may have declined in the 1980s and 1990s.

The same cannot be said about three NIEs. Hong Kong firms have most of their production in the mainland, most notably in Guangdong Province. So much of Taiwanese investment and production are now in the mainland that the Taiwan Government began to pressure its companies to invest elsewhere. China in the 1990s suddenly emerged as the third most

important trading partner of South Korea and the recipient of biggest amount of Korean outward FDI. Japan and China put together, Northeast Asia is by now the most important economic partner for Korea. Thus there is this asymmetry in economic relations with Northeast Asia between Japan and the three NIEs. For the PRC, the United States is the most important export destination, but Taiwan and Hong Kong are most important direct investors accounting for some 65 percent of the total inward direct investment (notwithstanding many systematic errors in the FDI statistics of China) in the country. For three NIEs as a group, however, the Southeast Asian region including Indochina emerged as important destinations for outward FDI in the 1990s. The increasing interdependence between Northeast Asia and Southeast Asia has been reinforced by investments by ethnic Chinese firms in Southeast Asian countries into the Mainland. All these facts indicate that it would be more meaningful to talk about the East Asian economy, including both the North and South, than to limit the discussions to the North alone.

In summary, Japan may be least interested in FTA in NEA because she has a global economic interest. But the economic stagnation of the country in the 1990s and strong tendency of regionalism in other parts of the world may change the posture of Japan. In particular, the Asian economic crisis in 1997 showed clearly that the ASEAN Free Trade Agreement (AFTA) was not capable of dealing with the crisis or providing any meaningful reaction. In fact, the other regional bloc, i.e. APEC, was also ineffective in the face of the very acute crisis. As a result, it seems that the whole East

Asia began to have a different perspective on regional economic integration as we move into the new century.

#### **4. Pros and cons of Korea — Japan Free Trade Agreement**

In this context, discussions on the Korea — Japan Free Trade Agreement (KJFTA) are very significant. The issue was first raised by then Japanese Ambassador in Korea in 1998 and two countries have sponsored a research on the topic in 1999. Research reports paint a mixed picture of the FTA but lay a ground for government — level discussions on the subject. Economic effects of the FTA are important and will affect different segments of the economy differently in two countries. But the psychological and strategic impact of the agreement can be more significant than economic effects.

Results of two researches paint a mixed picture in that the FTA will adversely affect some industries. This is what is expected from such a study. Theory of customs union tells us that the trade effect can be distinguished into two types: static effect and dynamic effect. The static effect will again be made up of trade creation effect and trade diversion effect. If and when the tariffs are abolished between two countries, competitively weak companies will be driven out of the market. And more competitive country in each industry will take a higher market share in the industry of the other country. In other words, industries in two countries will begin to be

integrated. Even a very careful study will not be able to reveal all the consequences and effects of the tariff abolition.

Japan's simple average tariff rate was about 4.4 percent in 1998, although it varies widely depending upon products. The tariff rate was less than 10 percent for 87.5 percent of products, but for about 1 percent of products it went up to 30–70 percent. South Korea's simple average tariff rate was about 8.9 percent in 1999, and again the actual tariff rates varied from 0 percent to 70 percent. In case of South Korea, 83.4 percent of products had the tariff rate of less than 10 percent and 3.0 percent of products had the tariff rate of 30–70 percent. Abolishing tariffs for the products that have high tariffs will have a significant effect on the industries and companies affected. If we pay attention to particular industries and companies, it would be difficult to push for the FTA. In particular, when a certain industry is concentrated in a local region, politicians from the region will be strongly opposed to any agreement that will adversely affect their region. Thus a FTA between two countries requires a far-sighted and future-oriented vision of leaders of two countries.

Any study of the impact of FTA that concentrates its analysis on static trade effect, balance of payment effect or impact on specific industries will report a negative consequence of the FTA. But the more significant impact of the FTA will be the dynamic effect and investment effect. It is no secret that two countries currently are faced with a serious task of restructuring the economy. The problem on the surface is with financial

institutions. Japanese commercial banks have non-performing assets what could amount to more than 10 percent of their total assets. The accurate percentage of non-performing assets is hard to estimate because some of the companies may not be healthy but are kept alive by the support of the banks. Even if the banks can reduce their bad assets temporarily with the emergency facility provided by the government, the problem will persist as long as companies are not healthy. The same can be said about Korea. The country is undergoing a difficult task of consolidating unhealthy banks by either merging them or combining them through the financial holding company. But the ultimate success will depend upon the health of the companies.

The task of restructuring companies in two countries requires a heavier dose of competition. Look at the Japanese automobile industry. There were seven Japanese auto companies around 1995. But by 2000, five of them are surviving only by making an alliance with or being a part of foreign companies. Japanese electronics companies are also faced with a serious challenge of regaining the competitiveness that they had enjoyed in the past. In contrast, European companies have already moved ahead with the restructuring in the face of the Single European Market in 1992 and the Single Currency in 1999. The big mergers and acquisitions wave in the second half of the 1990s reflects partly the consolidation efforts on the part of European companies in the process of full economic integration in Europe. It seems that both South Korea and Japan needs to go through the period of serious restructuring of corporations and banks. One method that can put pressure on them to restructure will be an FTA. Actual tariff reduction

schedules and exceptions can be worked out by two sides to smooth the adjustment of companies and industries. But the announcement of an FTA will force the companies to think in terms of the broader East Asia or Northeast Asian region.

The announcement of FTA will have the added effect of confidence building between two countries. It is no secret that both countries have apprehensions about the other. Koreans are suspicious of Japanese motive in the region due to the latter's adventure in the first half of the last century. Japanese are also apprehensive about the sincerity or hostility of Koreans in bilateral dealings. For example, Japanese companies are very reluctant to invest in South Korea because they are worried about labor unrest. Japanese managers are concerned about the hostile attitude of workers to Japan, which could develop into a nasty confrontation between the management and labor. The FTA could significantly reduce the fear and distrust between two countries. And it is about time to think in terms of the future.

Overcoming the resistance of opponents of the FTA will not be easy by any means. There will be three types of opponents to the idea. One will be the companies and industries that will be adversely affected by the agreement. Second group will be ideologists. In Korea there is a group of hard-core anti-Japanese people in both left-wing and right-wing camps. In Japan, it is perhaps the more right-wing elements who are opposed to the agreement between two countries. A more careful study of different

attitudes of people is necessary. The third group will be what I will call 'globalists.' They will oppose the KJFTA on the ground that the world economy is becoming more global and regional economic integration is not desirable. In addition, they will argue that the United States is the most important economic and security partner for two countries and any FTA without including the U.S. is not worth pursuing. This is perhaps the most serious challenge to overcome for FTA supporters. I would like to argue that the KJFTA is just one option, or one bargaining chip, for two countries in the global economic game. One FTA does not make two countries an exclusive bloc. Being a member of NAFTA does not prevent the U.S. from becoming a global economic power and playing a central role in the global economy. In the same token, being a member of a Northeast or East Asian FTA does not prevent from either Japan or Korea from developing closer economic ties with the rest of the world.

## **5. Promotion of Seoul/Hokkaido Flows:**

### **A Seoul Perspective**

Since I am in Otaru and Sapporo area, it is worth thinking about the economic and cultural flows between two areas in the context of Northeast Asian economic cooperation. From a Seoul perspective, Sapporo gives an impression of a "clean but expensive" destination for travel or leisure. Trade and investment linkages are very weak at the moment. But even for tourism, some innovative ideas can be useful. Thanks to the better



atmosphere between two countries since the Kim Dae Jung Government took office, tourists visits have increased very rapidly between two countries. The number of foreign visitors decreased after the economic crisis in South Korea, but it has regained the level of 1997 by year 2000. In 1997 just before the crisis, about one million Koreans visited Japan while 1.68 million Japanese visited South Korea. Japan was the number one destination for Korean travelers overseas in 1997, accounting for about 24 percent or one out of four overseas travelers. On the other hand, South Korea was the third destination for Japanese tourists in the same year, accounting for about 9.1 percent of Japanese going abroad. South Korea and Mainland China shared the third position, following the United States and Hong Kong. It is amazing that 50 percent of Japanese traveling abroad went to the United States in 1997. It is expected that bilateral tourist flows will increase in the future.

There are many ways through which tourism can be expanded between two countries. The first will be providing visa-free entry into Japan for Koreans. Japanese can enter South Korea without getting visa in advance, but Koreans should get one before entering Japan. It is understandable that Japan is concerned about the illegal entry and stay of Koreans in Japan but that is a small price to be paid to facilitate the tourism. Secondly, there should be more flights between two countries. In particular, the Seoul-Tokyo route is famous for the shortage of seats for air travel. Two countries are discussing the possibility of launching a shuttle service between two cities using Haneda and Kimpo airports. This will be necessary especially for the 2002 World Cup games in two countries.

Kyushu is of course the closest location from South Korea and a large number of Koreans visit the island. Sapporo and Hokkaido are at a relatively disadvantageous position with respect to the travel time and expenses. The image of Hokkaido for Koreans is "clean but expensive" place to go. But Hokkaido has many attractions to Koreans. It has excellent eateries: beer, beef, seafood, etc. It has also beautiful nature: mountains, ski slopes and hot springs. I think that Hokkaido is still an unknown place for the majority of Koreans. This means that promotional efforts will pay off. In particular, Hokkaido will be an attractive destination in summer because of the monsoon and hot weather in South Korea. In Korea, locations in Southeast Asia like Thailand and the Philippines will be more attractive to most Koreans except for ski lovers or a small minority of people. If there are attractive package products offered to Koreans in the spring and summer, it will be able to attract a certain number of tourists from Korea.

One additional comment about increasing the traffic between two locations is the opening of the Incheon Airport at the end of March 2001. The new airport will compete with other hub airports in the region, notably Kansai International Airport and Shanghai Airport. But in terms of the access large metropolitan cities in Northeast Asia, the Incheon Airport will have some advantages compared to the other alternatives. It is within two hours flight from all major cities in Japan and also from Beijing, Tianjin and other large Chinese cities in Northeast Asia. The airport can be an attractive hub for tourists from Hokkaido and northern Honshu. In addition to tourism, Hokkaido and South Korea can increase industrial cooperation in

the areas of environment and information technology. Furthermore, the opening of North Korean economy will offer another business opportunity to Hokkaido in terms of trade and fishery industry.

## **6. Concluding Remarks**

Compared to other major regions of the world, Northeast Asia is in a very unique situation. First, it is a region where four major powers of the world have vied for influence and strategic position for a long time. And yet at least two of those powers, the United States and Russia, cannot be considered Asian countries. Although they may have some strategic interest in the region, they are not members of the region culturally or historically. Second, there is no clear hegemonic power in the region. During the cold war period, the region was effectively divided into two hostile blocs. After the cold war period, the region is in a very unstable situation because power balance could be tipped due to the rapidly growing economic power of China. Because of this unique geographical and power configuration, we might give up an idea of a well-contained economic bloc in the region.

But I argued in this paper that we should start thinking about a free trade agreement in the area. China has moved a long distance to a market economy in the last two decades. China's access to WTO will further integrate the Chinese economy with the global economy. Japan has had a decade of economic stagnation and deterioration of its competitiveness.

South Korea has had one of the worst economic crises since 1997. It seems that even a huge economic power like Japan cannot achieve the economies of scale and global competitiveness by herself alone. It is time to think about some form of economic integration in the region. Furthermore, Southeast Asian countries are looking at their Northern neighbors for some kind of initiative. The economic crisis of 1997 clearly showed them that the Southeast Asian region alone is not enough to ride over the uncertainty and complexity of the global economic shocks.

But it is premature to talk about the FTA in the whole region. Some of the formerly socialist countries have to make further reforms to move toward the market economy. Other differences in terms of size, industrial development and incomes make the adjustment difficult. As a result, I would like to propose the forming a free trade area between South Korea and Japan first. This will be a smallest circle in multiple concentric circles that may develop in the coming years. In the current situation, even the Japan—Korea FTA will not be easy to sell to different constituents in two countries. There will be industries and products that will be adversely affected by the FTA. In addition, there are strong opposition groups in two countries because of historical reasons and pure prejudices. But the FTA itself will help to build trust with each other and send a strong signal to the companies for cooperative ventures in the future. Two governments should start thinking seriously about engaging in negotiations for the agreement in the near future. South Korea is currently negotiating with Chile for FTA. And Japan is also negotiating an FTA agreement with Singapore. Experiences

and incidences of such FTA negotiations will enable Japan and South Korea to start discussions of FTA in a business – as – usual manner.

As an interim step to the FTA and on its own merit, countries in the region should think about a regional cooperation body. The Nordic Council in northern Europe is a model that can provide some insight. The Council is made up of five countries in northern Europe and provides a forum for dialogue and cooperation on specific issues. For example, environment, energy, communication, fishery and air transportation can be specific subjects around which a regional cooperative committee or task force can be established. The Council does not have conflicts with some members of the Council becoming members of the EU. The same concept can be applied to Northeast Asia. There are many issues that require cooperative approaches of the countries involved. For example, cross – border pollution and environmental problems are the issue that requires joint efforts. Energy and food security are other examples. Illegal labor movements and crime are further examples. The Northeast Asian Council can be established as a dialogue and cooperation body in the region. Heads of states and relevant ministers can meet regularly, perhaps on an annual base, and issue – centered committees can be organized either temporarily or on a more permanent base. At the moment, environmental ministers have a regular meeting among three countries. It can be extended into other areas, too.

Northeast Asian regional cooperation has come a long way since the opening of the PRC in late 1970s. Economic interdependency has increased

more rapidly after the end of the cold war and after the PRC took more steps toward the market economy. Trade and investment flows have increased largely due to the initiatives taking by private businesses and individuals. Now it is time for governments in three Northeast Asian countries to institutionalize the closer economic ties by either start discussing free trade area or establishing a permanent body of cooperation in the region. Korea-Japan Free Trade Agreement will be the first stepping-stone toward a broader regional integration scheme.