

# Economic Integration in Northeast Asia: Integration vs Confrontation

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China, Japan, and Korea have become big countries of manufacture and big exporters of machineries and machinery parts. Concerning intra-East Asia export or intra-CJK trade, machinery parts are exported to Asia, especially CKJ, so you will see how CKJ or East Asian countries are interrelated in the production activity.

China is the “world’s factory” and a big manufacturer. Japan provides machinery parts or sometimes final goods. Korea is also a big manufacturer, and they import machinery parts from ASEAN countries.

This is one of the most critical elements driving economic growth in Northeast Asia. So, the final products are exported to non-Asian countries, especially US and Europe.

However, these days there are some problems. I am going to focus on automobile. Auto production has increased substantially and continuously so far. Here, I am going to focus on machinery parts for additional production in recent years in China. In 2005, China’s share in the global auto production was just 9%, but 4 years later, it increased to 22%. In 2014, it increased to 26%. Now, definitely, China is the number one automobile manufacturer.

Capacity of China’s auto production is growing. These days, China has been facing an overcapacity problem. As a result, China began to export automobiles. If they don’t export, overcapacity becomes a big domestic problem.

Not only automobiles but also chemicals and machineries in the most traditional manufacturing sectors of Northeast Asia have been facing overcapacity problems.

The last thing I would like to mention is competitive FTA regionalism in East Asia, especially Northeast Asia.

In the morning session, several panelists discussed and made a proposal for the process of integration and cooperation in Northeast Asia. However, regarding FTA issues, actually I don’t take an optimistic view.

The number of FTAs is growing rapidly. In fact, a larger portion of growing FTAs in the world is coming from East Asia.

These days, they have some cooperation structure through mega FTAs. In one

example, now Japan is trying to conclude FTA negotiation with European Union. Also, Japan established a free-trade system with the United States and TPP coalition; however, we see serious problems such as rivalry between EU and Russia. In Northeast Asia or Asia Pacific, China has a confrontation with US regarding mega FTA issues. China and Japan have the same problem.

Now China is implementing international policy, so called One Belt-One Road initiative. So, my concern at this kick-off meeting is, in case China is going for One Belt One Road, Japan definitely tries to implement the TPP. I'm also concerned that China revealed the low degree of interest regarding CJK or even others after the Chinese government announced initiative in the name of One Belt One Road. So, my question is, what is its impact regarding FTA regionalism in the future, especially for Northeast Asia?