

PART III. Scope of the JKFTA

A. Basic Principles of the Japan-Korea FTA

40. With the view of maximizing the positive economic effects that the JKFTA may create for both countries, members of the Joint Study Group arrived at a mutual understanding that the JKFTA should be in line with the following fundamental principles.

Comprehensiveness

41. The JKFTA should be comprehensive and cover all sectors, not excluding a particular sector from the liberalization process as a whole. First and foremost, the JKFTA should comprise the elimination of tariff and non-tariff barriers in all sectors, not to mention liberalization and facilitation in such areas as services, investment, government procurement, mutual recognition and intellectual property rights. Taking into consideration the complementary role of economic cooperation for trade liberalization, the JKFTA should also concentrate on ways to promote bilateral cooperation in a range of arenas, among others, trade and investment promotion, competition, science and technology, transportation, broadcasting, environment, and human resources development.

Meaningful and Substantial Liberalization

42. Even though the JKFTA may negatively impinge on several individual sectors in the short-run, both Japan and Korea should pursue meaningful and substantial liberalization in all sectors, including the agriculture sector, to comply with Article XXIV of the GATT. In particular, the JKFTA should incorporate means to substantially eliminate non-tariff barriers and realize comprehensive liberalization of trade in services. The transition period for tariff elimination should not be so extensive as to be inconsistent with the relevant WTO provisions.¹³

¹³ Para. 3 of “Understanding on the Interpretation of Article XXIV of the General Agreement on Tariffs and Trade 1994”

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Enhancing Mutual Benefits

43. The JKFTA should pave the way for stronger economic relations between Japan and Korea and greatly contribute to continued economic growth and mutual prosperity of both countries. In this regard, the JKFTA should seek ways to ensure mutual benefits based on a win-win strategy through liberalization and facilitation of trade in goods and services, and particularly cooperation in comprehensive areas with the view of achieving economic integration.

44. In light of the present trend of globalization, both countries need to keep abreast with the rapidly changing international trade environment. The JKFTA can contribute to this end by facilitating ongoing structural reform and abolishing inefficient practices not in line with global standards.

Consistency with WTO Rules and Regulations

45. The JKFTA should abide by the letter and spirit of the WTO, complying with all the requirements stipulated in Article XXIV of the General Agreement on Tariffs and Trade (GATT) 1994 and Article V of the General Agreement on Trade in Services (GATS). Accordingly, as for the trade in goods, the JKFTA should liberalize substantially all the trade between the two countries and the duties and other regulations of commerce should not be higher or more restrictive than the existing ones. The JKFTA should also reflect the current discussions and developments in the WTO on RTAs and set an example for other FTAs to follow.

46. At the same time, the JKFTA should not become a fortress toward outside countries. The negotiation of the JKFTA should be open and transparent to the extent possible so that the JKFTA could act as a building block for the multilateral regime.

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Model of Regional Economic Integration

47. Considering that the interest in pursuing FTAs has been rapidly emerging of late in East Asia, namely Japan, Korea, China and ASEAN countries, the Joint Study Group noted that the JKFTA should serve as a catalyst for creating broader integration in the region and eventually embark upon serious discussions on pursuing the EAFTA and a trilateral FTA among Japan, Korea and China.

48. Furthermore, the JKFTA should strive to become an exemplary model for other regional economic integrations in East Asia, by achieving such ends as high-level of liberalization in all sectors. If the FTAs in the region share a greater degree of similarities than differences, it would be easier to consolidate them into a greater FTA, including all countries in the region in the long run. To this end, the JKFTA should make efforts to contribute to the future discussions in the pursuit of FTAs in this region.