Formats for Multilateral and Bilateral Economic Cooperation in Northeast Asia

Ya. V. Demina*
Economic Research Institute, Far Eastern Branch, Russian Academy of Sciences, Khabarovsk, 680042 Russia
*e-mail: yandemi@yandex.com
Received July 16, 2020; revised January 23, 2021; accepted January 25, 2021

Abstract—The review studies the formats of bilateral and multilateral economic cooperation between the countries of Northeast Asia (NEA). The subregion includes six states, accounting for 23.3% of the world’s population, 25.7% of global GDP, and 22.1% of global merchandise exports. Despite significant potential, NEA countries do not have six-party agreements on trade, investment, customs, or migration cooperation, preferring projects with a wider range of participants. There are also no such agreements on a trilateral basis between the countries of the Big Three—China, Japan, and South Korea—which act as the “locomotive” of NEA. These areas of cooperation are developing mainly on a bilateral basis. The overwhelming majority of agreements on free trade areas signed by the NEA countries fall on non-regional partners. At the same time, North Korea is characterized by a complete absence of agreements, Russia has no agreements with partners in the subregion, and Mongolia, South Korea, China, and Japan have one agreement within the NEA framework. The process of negotiating and implementing agreements (both multilateral and bilateral) is greatly complicated by periodic exacerbation of Chinese-Japanese and Korean-Japanese relations, as well as by North Korean nuclear weapons tests.

Keywords: free trade areas, Northeast Asia, bilateral economic cooperation, multilateral economic cooperation, Big Three, ASEAN+3, ASEAN+6, RCEP, APEC
DOI: 10.1134/S2079970521020040

INTRODUCTION

Northeast Asia (NEA) includes six states (Russia, China, South Korea, North Korea, Mongolia, and Japan) with a combined population of 1.8 bln people (23.3% of the world’s population), a combined GDP of USD 22.0 trln (25.7%), and total merchandise exports of USD 4.3 trln (22.1%).

Despite significant potential, economic cooperation (in particular, creation of integration associations) in NEA and the Asia-Pacific Region (APR) as a whole for a long time lagged behind similar processes in other regions of the world. Accelerated growth in the volume of trade operations in the region at the turn of the 20th and 21st centuries contributed to strengthening of regionalization, as well as the aggravated competition between the main NEA exporters: China, Japan, and South Korea.

One of the instruments of competition was bilateral free trade agreements, which first led to an even greater increase in trade turnover, and later to negative effects (trade diversion, spaghetti effect, etc.).

The current situation in NEA is influenced by rapidly developing global processes associated with a new alignment of forces in the global arena, as well as increasingly aggravated “local problems,” which include the situation on the Korean Peninsula, territorial disputes, and trade and economic contradictions. In light of these international political processes, an urgent problem is to assess the institutional environment of multilateral cooperation in NEA, as well as foreign policy priorities of the leading players in the subregion.

Despite its relevance, a detailed description of the above topic has not been presented in the economic litera-

---

1 As of 2018. Calculated by author based on UN Conference on Trade and Development Statistics Database/UNCTAD. 2020. https://unctstat.unctad.org/wds/ReportFolders/reportFolders.aspx?CS_ChosenLang=en. Accessed April 2020.

2 Trade diversion implies a reorientation of participants from domestic or foreign producers with lower costs to less efficient producers, members of an integration association, whose product prices have decreased as a result of a decrease in customs duties rather than production costs. The manufacturer with the lowest costs is faced with a protective duty, by which its products become more expensive for members of the integration association. As a result of this effect, the well-being of countries outside the integration association worsens due to the less efficient (compared to the previous, more liberal trade terms) use of resources (Balassa, 1974).

3 As a result of a large number of unrelated agreements, trade liberalization effects are not always positive.
The authors usually focus on the Big Three countries (China, Japan, and South Korea) and exclude Mongolia (due to its low political weight) or North Korea (due to the nuclear issue and lack of cooperation agreements). Therefore, this review studies the existing and potential formats of bilateral and multilateral economic cooperation between the NEA countries.

MULTILATERAL FORMATS

The member countries of the subregion are involved in a variety of multilateral initiatives and projects (e.g., the Shanghai Cooperation Organization (SCO), Comprehensive Progressive Trans-Pacific Partnership (CPTPP), Asia-Pacific Economic Cooperation (APEC) Forum, etc.), giving preference to projects with a wider range of participants and not limited to the six NEA states.

Currently, the only overarching multilateral structure for all six NEA countries is the Subregional Office of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) for East and Northeast Asia (SRO-ENEA). The SRO-ENEA was established in accordance with a resolution of the UN General Assembly and opened in Incheon (South Korea) on May 17, 2010, with the aim of providing assistance to the six member countries (Lukin, 2011). The office also serves as the secretariat for the Northeast Asia Subregional Environmental Cooperation Program (NEASPEC).

The work of the SRO-ENEA covers a wide range of actions taken to alleviate the burden of poverty, reduce social and economic inequality, and create more resilient and stable societies. The SRO-ENEA seeks to connect the member countries of the subregion by eliminating economic, social, and environmental imbalances between them.5

Trilateral cooperation between China, Japan, and the South Korea dates back to 1999. During the ASEAN+3 summit in the Philippines, the Premier of the State Council of China, the Prime Minister of Japan, and the President of South Korea held an informal meeting. During these negotiations, the leaders of the three countries discussed issues related to trade, environment, agriculture, etc. (Lukin, 2016; Srinivas, 2013).

Subsequent trilateral meetings were also held within the framework of the ASEAN+3 summits and were informal. However, in 2003, at the summit in Indonesia, the leaders of the Big Three for the first time came out with a joint declaration on promoting Trilateral Cooperation. From that moment, meetings of the ministers of foreign affairs, economy and trade, health, science, etc., began to be held (Lukin, 2016; Jeong and Lee, 2016).

Trilateral interaction initially focused mainly on economic, technological, environmental, and cultural–humanitarian areas. In December 2008, Japan hosted the first summit outside the context of ASEAN+3 with the participation of the Prime Minister of Japan, the President of China, and the President of South Korea. The leaders of the states signed the “Action Plan for the Development of Trilateral Cooperation” and agreed that from now on such meetings will be held annually (Lukin, 2016).

The second Trilateral Summit was held in October 2009 in Beijing. During the summit, the leaders of the parties discussed global and regional problems, reaffirming their readiness to deepen mutual cooperation. The next step to institutionalize trilateral relations was taken at a meeting in 2010, when the President of South Korea proposed the creation of a permanent secretariat. The Trilateral Cooperation Secretariat was officially convened in September 2011 in Seoul (Lukin, 2016).

In May 2012, a regular summit was held in Beijing, where issues of cooperation in the industrial and financial spheres, as well as expansion of social and humanitarian exchange were discussed. The Beijing summit produced two important results: (1) the three

See, e.g., (Cheong, 2003; Aminian and Calderon, 2010; Yoshimatsu, 2010; Shin, 2014; Mikheev and Ignat’ev, 2019).

The forms of Mongolia’s cooperation with partners in the region are discussed in articles on the country’s economy and politics or bilateral relations of Mongolia and Japan (Choinkhor, 1995; Batunaev and Grigor’eva, 2019; Ignatov, 2020).

For more details see, e.g., (Kostyunina, 2016a, b). North Korea is considered in papers on the Korean Peninsula or bilateral and trilateral relations (Kwak and Joo, 2014; Owada, 2014; Toloraya, 2014; Kang et al., 2016; Ahn, 2020; The Future..., 2020).

The SCO is a permanent intergovernmental international organization, the establishment of which was announced on June 15, 2001, in Shanghai (China) by the Republic of Kazakhstan, the People’s Republic of China, the Kyrgyz Republic, the Russian Federation, the Republic of Tajikistan, and the Republic of Uzbekistan.

Revised Trans-Pacific Partnership (TPP) Agreement following US withdrawal from the membership. Signed in Santiago, Chile, in March 2018 by 11 states: Canada, Australia, New Zealand, Mexico, Peru, Chile, Japan, Malaysia, Singapore, Brunei, Vietnam (Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)/Australian Government; Department of Foreign Affairs and Trade. 2018. https://www.dfat.gov.au/trade/agreements/in-force/cptpp/pages/comprehensive-and-progressive-agreement-for-trans-pacific-partnership. Accessed April 2020).
countries agreed to begin formal consultations on the creation of a free trade area (FTA); (2) they signed an agreement on the regulation and protection of mutual investments (which entered into force in May 2014). This is the first important agreement reached by the Big Three in the economic field (Lukin, 2016).12

However, shortly after the summit in Beijing, Japan’s relations with the partners deteriorated markedly. This happened against the background of aggravated territorial disputes and a number of disagreements left after the end of the World War II. Despite the obvious cooling in relations, also in 2012, Japan, China, and the South Korea decided to negotiate the creation of an FTA. Territorial disputes could have jeopardized this decision, but, successfully taking advantage of the ASEAN summit in Cambodia, the ministers of economy and trade of the three countries participated in joint meetings (Lukin, 2016).

Summit meetings resumed in November 2015 after more than a three-year hiatus caused by aggravated Chinese–Japanese and Korean–Japanese relations. A Trilateral Summit was held in Seoul, at which the parties proclaimed that “trilateral cooperation has been fully restored” and agreed to deepen and further institutionalize it (Lukin, 2016).13

The next summit was held in Tokyo in May 2018. The leaders of the states discussed regional and international issues such as peace and stability in the region (the North Korea nuclear issue) and promotion of free trade. This summit took place immediately after the inter-Korean meeting and before the US-North Korea summit.14

The last (eighth) summit was held in Chengdu (Sichuan province, China) on December 24, 2019; it took place on the 20th anniversary of the beginning of trilateral cooperation. The representatives of the states reviewed mutual cooperation over the past 20 years and discussed the directions of trilateral cooperation for the next decade. The leaders exchanged views on regional and international issues, including the North Korean nuclear issue.15

It is noteworthy that the project of creating a trilateral FTA was proposed by China back in 2002. It did not receive active support from Japan and South Korea, since Tokyo considered it necessary to first look at how consistently China would adhere to the WTO rules, which it joined in 2001 (Lukin, 2016). In 2003–2009, research institutes in the three countries conducted a study on the impact of FTAs, which showed that it can expand the inter-regional market, promote triangular economic integration and promote mutual benefits between the three countries.

To date, 16 rounds of negotiations on a trilateral FTA have been held (the most recent was in Seoul in December 2019), at which key issues were discussed, including simplification of customs procedures, sanitation standards, investments, public procurement, and rules of origin of goods, intellectual property law, and e-commerce.16

Since the beginning of trilateral interaction in 1999, the group has become a developed and ramified institution. In addition to summits, trilateral cooperation includes over 50 intergovernmental mechanisms, including about 20 sectoral ministerial meetings. In addition, South Korea launched an initiative to create the NEA Development Bank (Lukin, 2016).17

As noted above, countries in the subregion prefer FTA projects with a wider range of participants. Thus, the Big Three act as a participant in the integration processes within ASEAN+318 and ASEAN+6.19

The process of cooperation in the ASEAN+3 format began in December 1997 during an informal summit of the leaders of the ASEAN countries, China, Japan, and the South Korea. Institutionally, it took shape in 1999 during the third ASEAN+3 summit, when the leaders of the states adopted a joint declaration on cooperation in East Asia.20 In 2007, within the framework of the eleventh summit, a second declaration of cooperation was signed, according to which the ASEAN + 3 format was recognized as the main instrument for achieving the long-term goal of creating the East Asian Community.21 In 2017, the work plan for cooperation for 2018–2022 was approved.

16The 16th Round of Negotiation on China–Japan–ROK Free trade area held in Seoul, ROK/Ministry of Commerce of the People’s Republic of China. 2019. http://fta.mofcom.gov.cn/article/chinarihen/chinarihen_news/201912/41963_1.html. Accessed April 2020.
17See also: China, Japan, South Korea to Push for Regional Economic Alliance // Inquirer. December 23, 2019. https://business.inquirer.net/286008/china-japan-south-korea-to-push-for-regional-economic-alliance. Accessed May 2020.
18Ten ASEAN member countries and the Big Three: Brunei, Vietnam, Indonesia, Cambodia, China, Laos, Malaysia, Myanmar, South Korea, Singapore, Thailand, Philippines, Japan.
1910 ASEAN member countries and their dialogue partners: Australia, Brunei, Vietnam, India, Indonesia, Cambodia, China, Laos, Malaysia, Myanmar, New Zealand, South Korea, Singapore, Thailand, Philippines, Japan.
20Overview of ASEAN Plus Three Cooperation/ASEAN Secretariat. 2019. https://asean.org/storage/2016/01/Overview-of-APT-Cooperation-Jul-2019_For-Web_Rev.pdf. Accessed May 2020.
The idea of creating an FTA within ASEAN+6 (RCEP\(^2\)) is based on expanding the scale of trade and economic interactions between ASEAN and six dialogue partners (Australia, New Zealand, India, China, South Korea, and Japan), with whom agreements have been concluded in the ASEAN+1 format. The first attempts to promote this format were made during the ASEAN summits in 2006–2008 (Fukunaga, 2015).

Since 2012, the project has had the status of coordinating the interests of potential participants. On November 4, 2019, at the third summit in Bangkok (Thailand), the leaders of 15 states (except India) announced the completion of negotiations on the content of all 20 chapters of the agreement and, in fact, all obligations on access to markets for goods, services, and investment.\(^2\) In April and May 2020, in a video conference format (due to the COVID-19 pandemic), the 29th and 30th rounds of negotiations between 15 RCEP participants (except India) were held, during which the parties confirmed their readiness to sign an agreement in 2020. The representatives of the countries noted that RCEP, as a region-wide FTA, will provide a more stable and predictable economic environment to support much-needed trade and investment recovery in the region, which had negatively been affected by the pandemic.\(^2\)

India’s reluctance to make concessions specialists is associated with its fears about the possible economic expansion of China in the country, as well as aggravation of competition with the RCEP countries. India is not yet ready to extend liberalization to more than 90% of goods, and New Delhi insists on removing barriers to trade in services.

Four NEA countries (Russia, China, Japan, and South Korea) are participants in the largest project in the Asia-Pacific region—APEC. Initially, the intergovernmental forum consisted of 12 states; currently 21 economies of the region (19 countries, Hong Kong and Taiwan) make up its members. Six additional economies (five countries and Macau) applied for membership, but since 1998 a moratorium has been introduced on the admission of new members. The main areas of cooperation within APEC are trade and investment (Yamazawa, 2012).

The main goals of APEC activities (in accordance with the Seoul Declaration of 1991) include removing barriers to the movement of goods, services, and capital; supporting economic growth of Asia-Pacific countries and strengthening the multilateral trading system in the region.\(^2\)

An extensive and decentralized institutional structure has been created within the framework of the association. The supreme body comprises the annual summits of heads of state in informal meetings, during which major political decisions are made. The leader of the presiding country (which changes annually) is the chairman of the organization, who chairs the meetings of heads of state, ministers, senior officials, and a number of working groups (tourism, small and medium-sized businesses, customs, standards and compliance). The forum includes two more main governing bodies: meetings of foreign ministers and meetings of sectoral ministers in 11 areas of cooperation.

One of the important structures is the Business Advisory Council (BAC), composed of representatives of the business community of the APEC countries (divided into working groups and industry committees). The BAC develops recommendations on economic development and trade liberalization for government bodies.

Since 1994, APEC members have been negotiating the creation of an FTA (FTAAP\(^2\)); so far this process is far from complete. A concrete step in this direction was taken in 2014, when the members of the association approved a roadmap for the FTAAP. As a first step, APEC is implementing a strategic study on issues related to creating an FTA. The study will analyze potential economic and social benefits and costs, as well as various ways of creating an FTA, and identify problems that economies may face in realizing this goal (Arapova, 2016; Tran and Heal, 2014).

In 2016, at the summit in Peru, representatives of the participating countries approved a collective strategic study on issues related to implementation of the FTAAP, and in an addendum to the declaration made recommendations for senior APEC officials (Potapov, 2017). However, at present, the process of creating an FTAAP is frozen due to trade disputes between the United States and China. In particular, at the 2018 APEC summit in Papua New Guinea, the American government bodies.

---

\(^2\) Second Joint Statement on East Asia Cooperation Building on the Foundations of ASEAN Plus Three Cooperation/ASEAN Secretariat. 2007. https://asean.org/?static_post=second-joint-statement-on-east-asia-cooperation-building-on-the-foundations-of-asean-plus-three-cooperation. Accessed June 2020.

\(^2\) Regional Comprehensive Economic Partnership (RCEP).

\(^2\) Regional Comprehensive Economic Partnership/Australian Government; Department of Foreign Affairs and Trade. 2019. https://www.dfat.gov.au/trade/agreements/negotiations/rcep/Pages/regional-comprehensive-economic-partnership. Accessed June 2020.

\(^2\) Joint Statement of the 29th Regional Comprehensive Economic Partnership Trade Negotiating Committee (RCEP TNC) Meeting/ASEAN Secretariat. 2020. https://asean.org/joint-statement-29th-regional-comprehensive-economic-partnership-trade-negotiating-committee-rcep-tnc-meeting/. Accessed June 2020; Thirtieth Round of Negotiations. Virtual Meeting/Australian Government. Department of Foreign Affairs and Trade. May 2020. https://www.dfat.gov.au/trade/agreements/negotiations/rcep/news/thirtieth-round-negotiations-15-20-may-2020-virtual-meeting. Accessed June 2020.

\(^2\) See, e.g., (Schott et al., 2016; EAES..., 2017).
side tried in every possible way to avoid negotiations on further trade liberalization within the APEC framework, preferring to settle contradictions in a bilateral format (Mosyakov, 2018).

At the last summit in Chile in December 2019, issues were discussed dedicated to the 30th anniversary of APEC and echoing the theme “connecting people, building the future.” In particular, the La Serena roadmap was completed, recognizing the urgent need to enhance the role of women in the economy. Also, the chairman of the forum noted the need to solve the problem of marine litter and fight against illegal, unreported, and unregulated fishing.

Thus, in the three decades since the creation of the forum, the institutional shell of free trade within the APEC has not appeared and further progress in negotiations on the FTAAP issue largely depends on the relationship between the largest economies of the association—the United States and China. However, even if trade contradictions between them are settled, one should not expect the creation of an FTAAP in the short term.

**BILATERAL FORMATS**

The vast majority of agreements signed by the NEA countries on FTAs involve nonregional partners (Fig. 1). North Korea is characterized by a complete absence of agreements and Russia has no agreements with partners in the subregion, but a total of 11 bilateral and multilateral agreements have been signed. Mongolia, South Korea, China, and Japan have one agreement under the NEA. For Mongolia, this is the only FTA agreement; South Korea has a total of 18 agreements; China, 15; and Japan, 17.

The China–Republic of Korea Free Trade Agreement was signed, and it entered into force in 2015. President Hu Jintao and former President of South Korea Roh Moo-hyun announced in November 2004 the beginning of an unofficial feasibility study on the creation of an FTA. A study completed in 2006 concluded that the agreement would be mutually beneficial and a win-win for both countries. Formal negotiations to establish an FTA began in 2012 and ended successfully after 13 rounds.

The agreement is comprehensive. The 22 chapters cover 17 areas such as trade in goods and services, investment, e-commerce, competition policy, government procurement and the environment, trade rules, and intellectual property rights. Ninety percent of commodity items, which account for 85% of bilateral trade, should be liberalized (Cheong, 2016). During the first 10 years of the agreement, South Korea will remove tariffs on 79% of its products, while China will remove 71%. It is expected that over 20 years (up to 2034), South Korea will level 92% of its tariffs, and China, 91% (Stangarone, 2014).

Historically, South Korea exported to China mainly intermediate goods (such as electronics) for final assembly, while China exported finished products to third country markets. Low import tariffs in China for raw materials and intermediate goods and high (up to 65%) tariffs for finished goods have supported the current situation. However, demographic shifts and a growing middle class have made China one of the world’s largest markets, creating export

---

28Host Economy Leader’s Statement/APEC. 2019. https://www.apec.org/Meeting-Papers/Leaders-Declarations/2019/2019_aelm. Accessed May 2020.

29China–Korea FTA/Ministry of Commerce of the People’s Republic of China. 2020. http://fta.mofcom.gov.cn/topic/enkorea.shtml. Accessed April 2020.
opportunities for Korean finished goods (Schott et al., 2015).

The elimination of tariff barriers through FTAs is expected to bring substantial economic benefits to both countries and strengthen the upward trend in Korean exports. However, a careful study of the provisions of the agreement shows that both sides will continue their protectionist policies in relation to a number of agricultural, automotive, steel, petrochemical, and other manufacturing products. For South Korea, 960 commodity items will not be liberalized; for China, 766 (Schott et al., 2015).

Currently, the two countries are negotiating a second stage of an FTA on trade in services and investment. The first round of negotiations took place in December 2017; the last (seventh), in May 2020, in video conference format (due to the COVID-19 pandemic) (Kang, 2020).

The Agreement on Economic Partnership between Japan and Mongolia (Japan—Mongolia EPA, JMEPA) was signed in Tokyo in February 2015, and it entered into force in June 2016. The idea of the project started in June 2010; official negotiations started in June 2012. After six rounds of negotiations, the agreement was signed.

JMEPA consists of 11 chapters covering topics such as trade in goods and services, customs procedures and trade facilitation, e-commerce, investment protection, movement of people, competition, intellectual property rights, dispute resolution, and improving the business environment. The agreement does not regulate taxation issues. Key elements of JMEPA include:

1. trade in goods: an agreement on the comprehensive elimination and reduction of tariffs on mining and industrial products, as well as on agricultural products in bilateral trade;
2. customs procedures and trade facilitation: provisions for ensuring transparency of customs procedures, proper application of customs legislation, frameworks for ensuring fast clearance of goods, and facilitating bilateral cooperation and the exchange of intelligence;
3. trade in services: an agreement on equal national treatment, most favored nation status, transparency and market access for service providers;
4. investment: provide an institutional framework to liberalize and strengthen investment protection through commitments to national and most favored nation treatment;
5. intellectual property: ensuring adequate, effective and nondiscriminatory protection of intellectual property rights, which goes far beyond the WTO’s level of obligations;
6. cooperation: bilateral cooperation between the parties (agriculture, forestry and fishing, small and medium-sized enterprises, tourism, information, environment, and other areas subject to mutual agreement by the parties).

According to JMEPA, the removal of import duties in bilateral trade occurs in several stages. Immediately after the agreement’s entry into force, Japan canceled duties on 38.9% of commodity items (15.9% of the value of imports from Mongolia). By 2031, 87.7% of import commodity items from Mongolia should be exempt from duties. Mongolia, in turn, levied import duties on commodity items by 58.9% (58% of the value of imports from Japan). By 2036, 82.6% of commodity items of imports from Japan will not be subject to duties.

Under the agreement, a total of 5700 types of goods from Mongolia and 9300 types of goods from Japan are exempt from customs duties. Mongolia imports from Japan mainly cars, as well as equipment for the construction and mining industries; it exports to Japan products of the textile industry and mineral resources (including coal, fluorspar) (Ignatov, 2020).

Although Japan dominates Mongolia’s auto market, during the JMEPA negotiations, the Mongolian side, among other things, agreed to remove tariffs on most Japanese cars within 10 years. According to the National Statistical Committee of Mongolia, cars assembled in Japan make up 62% of the total number of vehicles used in the country (as of early 2019), and as a result of implementation of the agreement, this figure may become even higher (Ignatov, 2020).

Although JMEPA symbolizes a Japanese–Mongolian “strategic partnership,” the parties are not each other’s key trading and investment partners. Thus, Mongolia is in 58th place in the list of Japan’s export partners and in 119th among import partners. Japan is a more important partner for Mongolia: it ranks seventh among export partners (with a share of 0.4%) and third among import partners (with a share of 10%). Bilateral trade in 2018 grew 1.7 times compared to 2016, from USD 57.2 to 98.5 mln.

Economic Partnership Agreement between Japan and Mongolia/WTO; Committee on Regional Trade Agreements. Report by the Secretariat. 2017. WT/REG373/1. 54 p.

Outline of the Agreement between Japan and Mongolia for an Economic Partnership (FAQ)/Japan Customs. 2016. https://www.customs.go.jp/english/c-answer_e/keizairenkei/4043_e.htm. Accessed May 2020.

Implementation Process of the Japan–Mongolia Economic Partnership Agreement (EPA)/Mongolian Customs. 2018. https://www.customs.gov.mn/en/news/417-implementation-process-of-the-japan-mongolia-economic-partnership-agreement-epa. Accessed May 2020.
In terms of investment cooperation, Japanese corporations, such as Marubeni, Sojitz and Itochu, are important players in the Mongolian resource market and are showing interest in developing new deposits, especially the Tavan Tolgoi coal deposit and Oyu Tolgoi copper and gold deposit (Ignatov, 2020). Experts and entrepreneurs expect that implementation of JMEPA will reduce the risk of doing business in Mongolia, although in practice it may take some time for the effective functioning of the investment protection system and the desired results.

Despite the fact that there are currently only two bilateral FTAs between the NEA countries, there are still a number of agreements at the research or negotiations stage.

Thus, the idea of an FTA between Mongolia and South Korea was proposed back in 2008, but no formal negotiations have yet taken place. Following the signing of an agreement with Japan in February 2015, Mongolia’s ambassador to South Korea, Baasanjav Ganbold, delivered a speech at the Korean–Mongolian Investment Forum. He expressed hope for an early start of negotiations on conclusion of an agreement. This proposal was made against the background of Mongolia’s attempts to diversify trade relations with countries that are not its key partners (Kang, 2015).

In May 2017, during the Belt and Road Forum for International Cooperation, Chinese Trade Minister Zhong Shan and Mongolian Foreign Minister Tseng Munh-Orgil signed a Memorandum of Understanding, announcing the launch of a joint feasibility study for a bilateral FTA. In September 2018, the first meeting of the joint commission on this issue was successfully held in Ulaanbaatar; the second, in February 2019 in Beijing. Both sides reached an agreement on the outline for a joint feasibility report and had an in-depth exchange of views on key areas, economic impact analysis, and follow-up.

A draft bilateral agreement on economic cooperation between Russia and South Korea has existed since 2007; however, official negotiations on an FTA in the field of trade in services and investment began in June 2019. At a meeting held in Moscow on June 20, Minister of Trade of South Korea Yu Myung Hee and Russian Minister of Economic Development Maxim Oreshkin signed a joint statement on a free trade agreement. The last (fourth) round of negotiations was held in March 2020 via video conference (due to the COVID-19 pandemic) (Jung, 2020).

Finally, the longest negotiations on a bilateral FTA are between Japan and South Korea (Japan–South Korea Free Trade Agreement, JKFTA). JKFTA was intended to be inclusive without excluding specific sectors from the liberalization process. According to the report of the joint research group, the FTA agreement should include the elimination of tariff and non-tariff restrictions in all sectors and liberalization and simplification of procedures in areas such as services, investment, public procurement, mutual recognition, and intellectual property rights. The project should promote bilateral cooperation in a number of areas, in particular, promotion of trade and investment, mutual competition, science and education, technology, transport, broadcasting, environmental protection, and human resource development.

FTA negotiations started in December 2003 and after a series of deteriorating relations between the two countries were suspended. For example, Seoul and Tokyo have been at enmity since July 2019, after Japan sharply imposed restrictions on the export of industrial materials to South Korea, which are critical for the production of semiconductors and screens for smartphones. As the reason for its export restrictions, the Japanese side cites Korea’s weak export control system for sensitive materials that could be diverted for military use (Japanese officials argued that the materials were illegally sent to North Korea, where they could be used to make weapons). Tokyo also excluded Seoul from its list of preferred trading partners.

South Korea, in turn, believes that restrictions on Japan’s exports are simply retaliation for a Seoul court ruling that ordered Japanese firms to pay compensation to victims of forced labor during Japan’s colonial rule on the peninsula in 1910–1945.

A lengthy trade dispute between the two neighbors led to a boycott of Japanese goods. As a result, the operating profit of Japanese consumer goods manufac-

---

38Second Meeting of China–Mongolia Joint Feasibility Research on FTA Held in Beijing/Ministry of Commerce of the People’s Republic of China. 2019. http://fta.mofcom.gov.cn/en/article/chinamongolen/chinamongolen-news/201902/39843_1.html. Accessed April 2020.

39Korea, Russia Announce Launch of FTA Talks in Service, Investment/Ministry of Trade, Industry and Energy. June 2019. http://english.motie.go.kr/en/tp/ftaeconomiccooperra-bbs/bbs/view.do?bbs_seq_n=888&bbs_cd_n=1&view_type_v=TOPIC&cntPage=1&search_key_n=&search_val_v=&cate_n=4. Accessed March 2020.

41Japan–Korea Free Trade Agreement. Joint Study Group Report/Ministry of Foreign Affairs of Japan. 2003. 90 p. https://www.mofa.go.jp/region/asia-paci/korea/fta/report0310.pdf. Accessed April 2020.

42Seoul Requests WTO to Open Panel on Trade Row with Tokyo//Yonhap. 2020. 18 June. https://en.yna.co.kr/view/AEN20200618010000320?section=economy/economy. Accessed June 2020.
facturers in South Korea fell more than 70% year on year in 2019.\(^2\)

The current pandemic has also exacerbated Chinese–Japanese relations. The Japanese government, which sees China as a strategic competitor, is offering JPY 220 bln (USD 2 bln) to companies moving production from China back to Japan as part of its April 2020 antivirus aid package. The government also allocated JPY 23.5 bln (USD 220 mln) to Japanese companies wishing to move production from China to third countries (McDonald, 2020).

As for the North Korea, which does not have valid agreements on an FTA and does not negotiate on this issue, since 2006 (after the first successful test of North Korean nuclear weapons) it has been under international sanctions.

UN Security Council Resolution 1718 demanded that the North Korea leadership stop nuclear tests and banned the export to the country of a number of types of military equipment, as well as luxury goods. To monitor compliance with the sanctions’ regime, the UN Security Council Committee on sanctions against the North Korea was created. Since nuclear weapons testing did not stop, in subsequent years the UN Security Council expanded and tightened sanctions against the North Korea.\(^3\)

In accordance with UN Security Council Resolutions nos. 2094, 2270, 2321, 2345, 2371, 2375, 2397, 2407, 2464, and 2515, sanctions were imposed on remittances entering North Korea from the international financial system, a complete ban on the creation of joint ventures with the participation of North Korean capital, export from North Korea of its main export goods (coal, iron, copper, nickel, zinc, lead, textiles, gas condensate, and seafood), restrictions on the import of petroleum products, and the use of North Korean labor abroad. The introduced sanctions remain in force until April 30, 2021.\(^4\)

In addition, the United States and its allies introduced “secondary” expansion sanctions aimed at complete financial isolation of North Korea and organization of its trade and naval blockade.

CONCLUSIONS

Many of the trends that characterize the current situation in NEA have been fully manifested only recently. At the end of 20th and beginning of 21st cen-

ties, the situation in the subregion, despite the negative impact of a number of crises and contradictions associated with the Taiwan issue, the beginning of development of nuclear weapons in North Korea, and territorial disputes in the South China Sea, has generally been characterized by the absence of sharp clashes and concentration on issues of regional economic development, including diverse trends trade and economic integration.

Currently, the alignment of powers in NEA has changed: China pushed aside Japan and took the lead; North Korea, after Russia refused to follow the course of the USSR in providing support to ensure its security and establishment of diplomatic relations with Seoul by Moscow and Beijing, felt itself in a disadvantaged, vulnerable position and began a program to create a nuclear missile weapon. As a result, in 2017–2018, the situation on the Korean Peninsula was acutely aggravated and brought to the brink of hostilities.

Although, as a result of multilateral negotiations, it was possible to achieve a reduction in tensions on the Korean Peninsula, relations between Japan and South Korea, as well as between China and Japan, once again heated up.

Russia in turn was in no hurry participate in NEA and APR as a whole and to devise real initiatives, trying to build its foreign policy based on multivector and committed multilateral diplomacy, hoping to take advantage of maintaining equally good working relations with all leading players in the region.

Despite the objectively existing preconditions for a more active course in NEA and the statements of top leaders of the Russian Federation, so far, a qualitative shift has occurred only in relations with China. This is due to a similar vision of global political processes rather than of a pragmatic trade and financial nature. With regard to Japan and the South Korea, which have less weight in world politics, there has been no such shift yet, although there are prospects for expanding cooperation (despite possible American opposition), as the leaders of both states have repeatedly stated.

When building Russian policy in NEA, it makes sense to abandon the current practice of setting diplomatic priorities in relation to the countries of the region, with a noticeable tilt towards China. An assessment of the importance of bilateral relations should not be based solely on the expectation of political assistance to Moscow from these states in global geopolitical rivalry. Considering that the Russian leadership called the acceleration of Far East development the main task of expanding cooperation with NEA countries, more attention should be paid to specific bilateral projects that contribute to the inflow of investment and high technologies into the Far Eastern Federal District, as well as to regional level of interaction for this goal.

Thus, analysis of the existing and potential formats of bilateral and multilateral economic cooperation of

---

\(^2\) Japanese Consumer Businesses Hit Hard in S. Korea Amid Trade Row//Yonhap. 2020. 5 July. https://en.yna.co.kr/view/AEN20200705001100320?section=economy/economy. Accessed July 2020.

\(^3\) Security Council Committee established pursuant to resolution 1718 (2006)/UN Security Council. https://www.un.org/securitycouncil/ru/sanctions/1718. Accessed April 2020.

\(^4\) Security Council Committee established pursuant to resolution 1718 (2006)/UN Security Council. https://www.un.org/securitycouncil/ru/sanctions/1718. Accessed April 2020.
NEA countries show that, despite significant potential, the countries of the subregion do not have six-party agreements on trade, investment, customs, or migration cooperation.

Both the key players (China, Japan, and South Korea, the Big Three) and minor players of the subregion prefer agreements with a wider range of participants (APEC, ASEAN+3, RCEP, CPTPP, etc.).

There are also no trilateral agreements between the Big Three, and the negotiation process has dragged on for many years. Various areas of cooperation are developing mainly on a bilateral basis (currently, only two agreements are in force between the NEA countries: The China—Korea FTA and JMEPA).

Nevertheless, the process of negotiating and implementing agreements (both multilateral and bilateral) is significantly complicated by the periodic exacerbation of Chinese-Japanese and Korean-Japanese relations, as well as by the tests of North Korean nuclear weapons.

**CONFLICT OF INTEREST**

The author declares no conflict of interest.

**REFERENCES**

Ahn, S., *Policing Northeast Asia: The Politics of Security in Russia and Korea*, Singapore: Palgrave Macmillan, 2020. https://doi.org/10.1007/978-981-15-5116-1

Aminian, N. and Calderon, C., *Prospects for closer economic cooperation in Northeast Asia*, Rev. Dev. Econ., 2010, vol. 14, no. 3, pp. 417–432. https://doi.org/10.1111/j.1467-9361.2010.00562.x

Arapova, E.Ya., *Integration potential of the Asia-Pacific free trade zone*, Mirovaya Ekonom. Mezhdunar. Otrosencheskaia, 2016, vol. 60, no. 1, pp. 68–81.

Balassa, B., *Trade creation and trade diversion in the European Common Market: an appraisal of the evidence*, Manchester Sch. Econ. Soc. Stud., 1974, vol. 42, no. 2, pp. 93–135. https://doi.org/10.1111/j.1467-9957.1974.tb00105.x

Batunaev, E.V. and Grigor’eva, Yu.G., *Mongolia and the countries of Northeast Asia: trade, economic, and integration cooperation (2009–2018)*, Aziat.-Tikhookean. Reg.: Ekonom., Polit., Pravo, 2019, no. 3, pp. 15–28. https://doi.org/10.24866/1813-3274/2019-3/15-28

Cheong, I., *Regional Economic Integration in Northeast Asia: Present and Future: Working Paper Series 2003–35*, Kitakyushu: Int. Centre Study East Asian Dev., 2003.

Cheong, I., *Analysis of the FTA negotiation between China and Korea*, Asian Econ. Pap., 2016, vol. 15, no. 3, pp. 170–187. https://doi.org/10.1162/ASEP_a_00467

Choinkhor, J., *Mongolia and Northeast Asia*, Mongol. J. Int. Aff., 1995, no. 2, pp. 44–50. https://doi.org/10.5564/mjia.v2i0.437

**EAES i ASEAN: otkryvaya novye horizonty sotrudnichestva: analiticheskiy doklad** (EAEU and ASEAN: New Horizons of Cooperation: Analytical Report), Moscow: Vseross. Akad. Vneshn. Torg., Minist. Ekon. Razvit. Ross., 2017.

Fukunaga, Y., *ASEAN’s leadership in the regional comprehensive economic partnership*, Asia Pac. Policy Stud., 2015, vol. 2, no. 1, pp. 103–115. https://doi.org/10.1002/app5.59

Ignatov, I.A., *Japanese-Mongolian relations in the post-bipolar period in the context of the Mongolian “third neighbor” policy*, Yaponskie Issled., 2020, no. 1, pp. 69–84. https://doi.org/10.24411/2500-2872-2020-10004

Jeong, H. and Lee, B., *CJK FTA rationale, prospects and challenges*, in *Trade Regionalism in the Asia-Pacific: Developments and Future Challenges*, Sanchita, B. and Kawai, M., Eds., Singapore: Iseas-Yusof Ishak Inst., 2016, pp. 213–236.

Jung, S., *South Korea and Russia to have FTA talks by video conference*, Business Korea, 2020, Mar. 24. http://www.businesskorea.co.kr/news/articleView.html?idxno=43129. Accessed April, 2020.

Kang, H., *Mongolia wants free trade with Korea*, Korea Times, 2015, Mar. 1. http://www.koreatimes.co.kr/www/news/nation/2015/03/176_174333.html. Accessed April, 2020.

Kang, M., *Kim, H., Lee, M., Lee, Y., Lee, J., Lee, H., Park, S., and Pyun, J.*, *Gradual Economic Integration between South and North Korea and Economic Cooperation in Northeast Asia: KIEP Research Paper No. 14-31*, Seoul: Korea Inst. Int. Econ. Policy, 2016.

Kang, Y., *S. Korea, China to discuss expanding scope of FTA*, Yonhap, May 26. https://en.yna.co.kr/view/AEN2020052607000320?section=economy. Accessed June, 2020.

Kostyunina, G.M., *Integration processes in Northeast Asia*, Part 1, Ross. Vneshekon. Vestn., 2016a, no. 7, pp. 28–39.

Kostyunina, G.M., *Integration processes in Northeast Asia*, Part 2, Ross. Vneshekon. Vestn., 2016b, no. 8, pp. 31–37.

Kwak, T. and Joo, S., *North Korea and Security Cooperation in Northeast Asia*, New York: Routledge, 2014.

Lukin, A.L., *New structure for multilateral cooperation appeared in Northeast Asia*, Oikumena, 2011, no. 1, pp. 137–139.

Lukin, A.L., *Russia and developing economic community of Northeast Asia: the role of the Republic of Korea*, Oikumena, 2016, no. 3, pp. 136–143.

McDonald, J., *Companies prodded to rely less on China, but few respond*, Diplomat, 2020, June 30. https://thediplomat.com/2020/06/companies-prodded-to-rely-less-on-china-but-few-respond/. Accessed July, 2020.

Mikheev, V.V. and Ignat’ev, S.V., *Strategic planning in the Northeast Asia neighbor* policy, Yaponskie Issled., 2020, no. 1, pp. 69–84. https://doi.org/10.24411/2500-2872-2020-10004

Mosyakov, D.V., *Situation in East and Southeast Asia after the 21st century, ERINA, 2014. https://www.eri-
Potapov, M.A., Economic integration in the Asia-Pacific Region: search for models, *Mirovaya Ek. Mezhdunar. Otnosheniya*, 2017, vol. 61, no. 11, pp. 57–65. https://doi.org/10.20542/0131-2227-2017-61-11-57-65

Schott, J., Jung, E., and Cimino-Isaacs, C., An assessment of the Korea–China free trade agreement, *Policy Brief*, 2015, no. 15–24. https://www.piie.com/sites/default/files/publications/pb/pb15-24.pdf. Accessed March, 2020.

Schott, J., Cimino-Isaacs, C., and Jung, E., Implication of the trans-Pacific partnership for the World Trading System, *Policy Brief*, 2016, no. 16–8. https://piie.com/system/files/documents/pb16-8.pdf. Accessed May, 2020.

Shin, K., Prospects for regional cooperation in Northeast Asia, *Asia Pac. World*, 2014, vol. 5, no. 1, pp. 28–35.

Srinivasa, M., China–Japan–Korea FTA: a dual track approach to a trilateral agreement, *J. Econ. Integr.*, 2013, vol. 28, no. 3, pp. 375–392. https://doi.org/10.11130/jei.2013.28.3.375

Stangarone, T., *Three Questions about the Korea–China FTA*, Washington, DC: Korea Econ. Inst. Am., 2014. http://keia.org/three-questions-about-korea-china-fta. Accessed May, 2020.

The Future of South Korean–U.S. Security Relations, Cha, Y., Blodgett, J.Q., Mazarr, M., and Taylor, W.J., Jr., Eds., New York: Routledge, 2020. https://doi.org/10.4324/9780429311123

Toloraya, G.D., Current problems of Russia related with the Korean Peninsula, *Vestn. Mosk. Gos. Inst. Mezhdunar. Otnoshenii*, 2014, no. 4 (37), pp. 82–91.

Tran, D. and Heal, A., A free trade area of the Asia-Pacific: potential pathways to implementation, *ESCAP Trade Insights*, 2014, no. 4. https://www.unescap.org/resources/free-trade-area-asia-pacific-potential-pathways-implementation-escap-trade-insights-issue. Accessed March, 2020.

Yamazawa, I., *Asia Pacific Economic Cooperation (APEC): Its Structure, Activities and Achievements*: Lecture, Moscow: Russian APEC Study Center, 2012.

Yoshimatsu, H., Regional cooperation in Northeast Asia: searching for the mode of governance, *Int. Relat. Asia-Pac.*, 2010, vol. 10, no. 2, pp. 247–274. https://doi.org/10.1093/irap/lcq001