

COMPLETION REPORT

With the rising calls to speed up the process of economic integration among Japan, China and Korea, we conduct this research in the hope of further exploring of the present condition of the JCK cooperation and some constructive suggestions for it in the future.

In this report, we start with a comprehensive investigation of the background and foundation of economic integration among Japan, China, and South Korea. Apart from putting an eye on the driving effect of the regional economic integration and the three countries' FTA strategic progress, we have proved that there lies a solid economic foundation for their cooperation. In practical terms, the increasing volumes of trade, mutual investment as well as the financial cooperation as showed in our research implies that their geographic proximity and economic complementarity has greatly stimulated the integration of JCK.

In the second part, our empirical analysis indicates the profound overall effect of the liberalization on the economy and the specific effect on some key departments. In particular, we employ the SMART model based on the WITS trade database to estimate the economic effect of JCK FTA. Our empirical study shows that trade creation will be inspired by the establishment of the FTA and then the economic welfare of JCK could go up to 0.26 billion, 1.5 billion and 1.1 billion dollar correspondingly. China's exports to Japan and South Korea will reach 11.85% and 11.16% respectively while Japan's exports to China and Korea will increase by 4.07% and 6.4 % respectively. Moreover, the RCA index in our paper shows that China has a relative advantage in agriculture, fishery and textile industry, while Japan and South Korea are more competitive in auto industry. To sum up, the establishment of JCK FTA has the potential to exert a win-win trade effect regardless of the shock of some relatively weaker industry.

Furthermore, in order to test the long-term investment effects of a free trade area according to data from 1980 to 2010, we have conducted a survey of the JCK investment and adopted the gravity model. Our empirical study shows that JCK FTA can stimulate the inward and outward investment. Supported by the results, we have come up with the following conclusions. Although the direction of the investment effect is significantly positive on all variables, its magnitude is the lowest; Among all the variables, it is indicated that the forward industrial transfer effect caused by various types of FTA is relatively weaker, far behind the more direct factors such as scale of production and consumption. Anyway, the internal potential has yet to be excavated.

At last, based on the results above, we try to figure out the trend of the development of JCK FTA according to both the internal and external causes in the process and then come up with some constructive suggestions such as tariff concession, rules of origin and trade relief accordingly.

To conclude, our research report provides a comprehensively theoretical and empirical view on the present process of the JCK FTA and its importance to the development of these three countries. Finally, we can for certain draw the conclusion from our research that the establishment of the JCK-FTA is definitely something worth looking forward to.

Publication of the Results of Research Project:

Verbal Presentation (Date, Venue, Name of Conference, Title of Presentation, Presenter, etc.)

Thesis (Name of Journal and its Date, Title and Author of Thesis, etc.)

Book (Publisher and Date of the Book, Title and Author of the Book, etc.)

1. Zhang Bin ,Liu Chenyang and Yu Zhen,On the free trade agreement among China ,Japan and South Korea, People's Publishing House(China), 2013
2. Yu Zhen,Shen Minghui,Win to win open policy and FTA strategy: China's national interest and policy choice, Social Sciences Academic Press(China), 2013