

Op-ed

Joining the CPTPP And a Korea–Japan FTA Are Imperative

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South Korea's trade-to-GDP ratio was 87.9%, according to 2023 figures, which was almost double that of the United States at 24.9%, Japan at 45.1%, and China at 37.3%. This is the result of South Korea's export-oriented growth strategy, which has served as the stepping stone for growth and prosperity. Given this high level of trade dependency, it makes little sense why South Korea has joined the China-led Regional Comprehensive Economic Partnership (RCEP) but has yet to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The United States and China account for a large share of South Korea's total trade. In 2024, trade with China was approximately \$272.8 billion and trade with the United States was about \$200.5 billion, each accounting for 20.8% and 15.3% of total trade, respectively. These countries serve as both key economic partners and sources of economic pressure. China retaliated against South Korea's deployment of the THAAD missile defense system by exerting economic pressure, and the United States is imposing heavy reciprocal tariffs even on its allies under the second Trump administration as part of its "America First" policy.

In the face of such pressures, South Korea's response strategies are to either reduce its overall trade dependency or diversify its trade partners. The former is not feasible in the short term as it requires a structural transformation of South Korea's industrial base. Therefore, the best alternative for now is trade diversification. In this respect, joining the CPTPP is essential. The CPTPP is a multilateral trade agreement among 12 countries, including Japan, Australia, Canada, Mexico, and Vietnam, covering approximately 15% of global GDP. If South Korea were to join, its real annual GDP is projected to increase by approximately 0.33-0.35%. The elimination of tariffs and reduction of non-tariff barriers are expected to deliver substantial benefits, particularly in high-value-added manufacturing sectors.

The CPTPP encompasses high trade standards in areas such as intellectual property, investment, government procurement, and digital trade. It also includes cooperative provisions on emerging sectors like digital commerce and cross-border data transfers. Therefore, it is a critical framework that South Korea must join in an era of global supply chain realignment and rising protectionism. Since South Korea clarified its intention to join the CPTPP in 2021, there has been no substantial progress. While membership requires accepting all terms outlined in the agreement, there is room for deferring some measures and additional negotiations. Therefore, South Korea should promptly and flexibly approach membership talks to secure new economic opportunities.

Despite signing FTAs with 59 countries, South Korea has yet to establish one with Japan, its neighboring, fifth-largest trading partner. A Korea-Japan FTA could go beyond trade liberalization and contribute to future growth engines and economic risk diversification by enhancing cooperation in supply chain resilience, the joint development of technology standards, and collaboration on semiconductor materials. Of course, there are concerns such as public sentiment, fears about a growing trade deficit, and sensitivities around Japanese agricultural and seafood imports.

Nonetheless, such an agreement could contribute to deeper economic integration, the restoration of diplomatic trust, and the establishment of a stable framework for bilateral cooperation. This aligns with the pragmatic foreign policy approach pursued by the Lee Jae Myung administration. Given the current economic and security landscape, cooperation is imperative even with countries with whom we have differences or unresolved issues. Therefore, a Korea-Japan FTA should not be delayed any longer.

Joining the CPTPP and concluding a Korea-Japan FTA are no longer options but are essential to strengthening resilience to external changes and the future of South Korea's economy.

* The view expressed herein was published on July 4 in *The Munhwa Ilbo* and does not necessarily reflect the views of The Asan Institute for Policy Studies.