

Regional Value Chain Cooperation of High-End Manufacturing Industry Between China, Japan and South Korea under RCEP

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Abstract: The economic contribution of China, Japan and South Korea makes East Asia the fastest growing region in the world, and the economic cooperation between China, Japan and South Korea determines the development of economic integration in East Asia. With the economic and trade cooperation between China, Japan, and South Korea, it has a more important impact on the development of RCEP. Under RCEP, a sound business environment needs to be built so that it can play a more positive role in the economic growth of the China-Japan-ROK region. In the post-epidemic era, the field of industrial cooperation between China, Japan and South Korea has been further expanded. China has opened fast channels with Japan and South Korea and is also assisting each other in epidemic prevention materials and sharing epidemic prevention information, thus establishing a joint prevention and control mechanism and a regionalized supply chain relying on robust geo-relationships. Under the framework of RCEP, we can better expand the areas of industrial chain cooperation among China, Japan, and South Korea in the “post-epidemic era”. Although the relations between China, Japan and South Korea may be affected by many factors, there is always a state of cold politics and hot economy in the field of economic and trade cooperation.

Keywords: RCEP; High-end products from China; Japan and Korea; Manufacturing industry; Regional value chain; Cooperative operation

1. Introduction

RCEP can build China-Japan-ROK industrial chain in many aspects, however, there are many challenges in China-Japan-ROK industry. The three countries' industrial markets may face competition with each other, Japan and South Korea's restrictions on technology imports and exports limit the upgrading of regional industrial chains, and there are some risk factors in terms of party market cooperation. China, Japan, and South Korea must establish a cooperative relationship, jointly tap the RCEP system, and strive to promote the early realization of the China-Japan-ROK FTA, thereby promoting the development of regional economic integration in Asia. In order to play the leading role of China, Japan and South Korea in RCEP, we should jointly promote compliance with the implementation commitments of the agreement, reduce the price of trade costs, and make investment more convenient and promote economic growth. Taking RCEP as an opportunity, we can build an industrial chain between China, Japan and South Korea, so as to form a close relationship of industrial division of labor and promote regional economic recovery.

2. The Significance of Regional Value Chain Cooperation in High-end Manufacturing Industry between China, Japan, and South Korea under RCEP

2.1 Enhance the trade adhesion between China, Japan, and South Korea

The improvement of trade and investment liberalization can better strengthen the trade adhesion between China, Japan, and South Korea, and can also strengthen the trilateral trade exchanges and improve the position in global trade. China's zero-tariff rate on imports from 10 ASEAN countries and Australia has reached 94%, while Japan's zero-tariff rate on imports from China and South Korea is 45%. After the entry into force of RCEP, the zero-customs tax rate promised by China to Japan and South Korea can reach

86%. The reduced tariff will affect the creative effect of trade, thus promoting the development of trilateral trade. Regional value chain is a regional production division system between domestic value chain and global value chain. It mainly needs to rely on technology and market advantages and strengthen industrial cooperation among regional economies through regional coordination, so as to create a more advanced industrial development. The transformation of China's value chain strategy to a region is of great significance.

2.2 Promote the expansion and upgrading of the consumer market in the region

RCEP can broaden the market access for goods, services, and investment, promote the flow of regional economic factors by unifying customs procedures, inspection and quarantine and technical standards, strengthen production and division of labor, upgrade the regional consumer market, and develop the industrial chain, supply chain and value chain in the region. The accumulation of the origin of RCEP can make the member countries tend to lay out the industrial chain in the RCEP region, which can promote the formation of the new development model between China and Japan. With the development of China's economy, it has broken Japan's leading position in the Asian value chain. Building a RCEP platform can make our country have a higher international status. In the context of reshaping the global value chain, China should play a major leading role so as to promote the development of the regional value chain in Asia. In terms of strategic cognition, we can change from the global value chain to the regional value chain, and constantly speed up the development of China's manufacturing industry to the regional value chain. China's regional value chain is an important way to achieve the high quality of "Belt and Road Initiative" in the future, which can reduce the over-reliance on the current global value chain and break through the interception of the "chain owner", which is conducive to the regional transformation of China's manufacturing industry.

2.3 Promote China-Japan-ROK economic and trade cooperation and even production capacity cooperation

Under the framework of RCEP, multinational enterprises can enjoy national treatment in the host country, so as to achieve more smooth flow of raw materials, guaranteed services, capital, technology and production capacity at low cost, further ensure the close cooperation of economic and trade cooperation and even production capacity between China, Japan and South Korea, and better strengthen economic and trade cooperation among the three countries to provide new momentum.

3. Challenges to the Regional Value Chain Cooperation of High-end Manufacturing Industry in China, Japan, and South Korea under RCEP

3.1 The industries of the three countries are facing competition in the market

At the present stage, China's industrial development and technology are developing rapidly, and the international competitiveness of many industries is also improving. According to the study on the dominant comparative advantage index of industrial trade value added and international competitiveness of China, Japan and South Korea, it is found that in the industrial field, the three countries can have strong international competitiveness in computers, electronic and electrical equipment, basic metals and metal products and equipment. In the field of services, Japan is highly competitive in the wholesale and retail trade, transport, and warehousing industries. China and South Korea have strong competitiveness in transportation and warehousing. The three countries can all have their own advantages in the relevant markets, so as to realize the situation of competition with each other. The industries of China and Japan are interdependent, competitive, and complementary. China and Japan can compete for a long time in computer and other fields and can complement each other in other manufacturing and equipment maintenance. and the relationship in the metal products industry keeps strong competition. The higher the degree of complementarity, the more conducive to promote the development of industrial trade, a relatively high intensity of competitive comparison affects industrial cooperation. By strengthening intra-industry and intra-product trade, we can reflect the advantages of the three countries, form a new growth point of trade between China, Japan, and South Korea, and promote the growth of the overall welfare of the three countries, which is also the key to the development of industrial cooperation among China, Japan, and South Korea.

3.2 Japan and South Korea's restrictions on technology exports and imports have restricted the stable formation of regional industrial chains

After China's reform and opening up, the economy is developing rapidly. Up to now, China has changed from the middle stage of industrialization to the later stage of industrialization, and Japan and South Korea have entered the late stage of industrialization. it has realized the gradual change of the division of labor in the high, middle, and low industrial chain. With the continuous improvement of China's position in the division of labor in the global value chain, Japan and South Korea should actively adhere to the dominant position of the industrial chain, improve the technological level of various industries in China, and highlight the impact of China's

technological exports on their technological advantages and often restrict high-tech exports. Moreover, Japan and South Korea are both signatories to the Wassenaar Agreement, and if the two countries abide by the Wassenaar Agreement, they will also prohibit the export of many technologies to China. On the other hand, Japan and South Korea restrict the import of products that China has high-tech advantages, such as communications and telecommunications networks. The larger the market for high-tech products is, the higher the efficiency of achieving economies of scale and accumulating technological experience is.

3.3 There are certain risks in the cooperation between the three countries in the third-party and fourth-party markets

At present, China and Japan, China and South Korea, China, Japan and South Korea have made a series of important achievements in the third- or fourth-party market cooperation, with projects covering different regions of the world and a wide variety of cooperation fields. However, it is also faced with challenges and obstacles at different levels, such as the improvement of industrial competitiveness among the three countries, the decline of traditional industrial cooperation space, the complex national conditions of the third- or fourth-party market, and the intervention of extraterritorial factors, so there is an urgent need to develop emerging strategic industries. Innovate financial support and form a new model of industrial cooperation. The cooperation between China, Japan and South Korea is not progressing smoothly. In order to meet the challenges brought by the Asian financial crisis, the leaders of China, Japan and South Korea held informal meetings during a series of leaders' meetings on East Asian cooperation in Manila and established a meeting mechanism between the leaders of China, Japan and South Korea. In order to deal with the US subprime mortgage crisis, the leaders of China, Japan and South Korea held their first meeting in Fukuoka, Japan, outside the framework of ASEAN and China, Japan and South Korea, and decided to establish a partnership of future-oriented and all-round cooperation. The meeting signed and issued The Joint statement on the Partnership of the three countries, which for the first time defined the orientation of the partnership between the three countries and defined the direction and principles of cooperation among the three countries. The meeting also adopted the Joint statement on International Financial and Economic issues, the Joint statement on disaster Management of the three countries and the Action Plan for promoting Cooperation among China, Japan and the ROK. At the same time, it was decided that the meeting of leaders of the three countries should be institutionalized and held in turn every year. The second summit of leaders of China, Japan and South Korea in 2009 decided to prepare for the establishment of a secretariat for cooperation among China, Japan and South Korea.

3.4 Great uncertainty caused by American and geopolitical factors

In the field of global economic policy, the Biden administration is more inclined to the development of multilateralism, which has a positive impact on the development of economic globalization, but at the same time, it makes the industrial cooperation between China, Japan and South Korea face a grim situation in the future. Because the Biden administration under the "ally thinking" will promote the United States to develop cooperation with its allies, which is bound to compete with China. Japan and South Korea are allies with close political and military ties with the United States, while Japan and South Korea are neighbors with deep integration of the industrial chain value chain. Japan and South Korea have been trying to develop international relations with China with separation of politics and economy. However, the situation of "neighbors" and "allies" is not easy to balance. Therefore, the US policy will bring great uncertainty to the industrial cooperation between China, Japan, and South Korea under the framework of RCEP. Although RCEP has been negotiated for eight years, it was reached in the special period of China, Japan, South Korea, and ASEAN watching and helping each other to overcome the epidemic and seek common ground while reserving differences under the background of the impact of the COVID-19 epidemic on the global economy and life order. In the post-epidemic era, when the normal economic order is restored, geopolitical factors which have been put aside due to the epidemics such as historical legacy issues, territorial issues, and diplomatic disputes that have often disrupted China-Japan-ROK trade relations and FTA negotiations are likely to be retriggered and disrupt the implementation process of RCEP and thus affect the development of industrial cooperation among the three countries in the RCEP region.

4. The Regional Value Chain Cooperation Response Strategy of High-end Manufacturing Industry in China, Japan, and South Korea under RCEP

4.1 Technological path requires strengthening scientific and technological revolution and scientific and technological cooperation

There are two channels for the construction of regional value chain, that is, the production end and the market end. From the aspect of production, if we want to get technological advantage, we need to improve the status of industrial division of labor. Therefore, only by making continuous breakthroughs in the field of middle and high-end manufacturing, can we build more high-quality technological

advantages and rebuild the regional value chain. From the market end, brands and channels are the key links in the construction of regional value chain. In this regard, China should first realize the transformation from “Made in China” to “Created in China”. Then it is necessary to expand and control the market channels of the final products of the manufacturing industry in the region. From the perspective of production, only through technological innovation to achieve “scientific and technological revolution”, and through “scientific and technological cooperation” can regional value chain cooperation based on RCEP be realized. In terms of the specific path, it mainly involves another aspect. Realize the “scientific and technological revolution” with “technological innovation”. Technological innovation and technological comparative advantage are the key to regional value chain cooperation. There are two main technical paths to realize the reconstruction of the division of labor system of the value chain. First, it is from the bottom up, that is, to achieve the high-end rise of the division of labor position based on the existing value chain, along the existing value chain division of labor system, according to the process of “assembly and processing-parts production-innovative research and development”. This is what we often say to achieve technological upgrading through “breaking the neck technology”. The second is from top to bottom, that is, to directly occupy the technological highland through the development of new technologies or new products, and then establish a new division of labor system from top to bottom, that is, to realize the “scientific and technological revolution”. No matter which path is chosen, the key is to establish technological comparative advantage by stimulating innovation, and finally realize the reconstruction of the division of labor system of the value chain. China’s high-end manufacturing industry with strong development potential can also be divided into two categories. One is to break through key technologies, including optoelectronic equipment manufacturing, transportation manufacturing, and machinery manufacturing. If the international competitiveness of this kind of high-end manufacturing industry can be significantly improved, it will have the basis to break through the key technologies. The other is to achieve scientific and technological revolution, including 5G technology, artificial intelligence, industrial robots, new energy vehicles, smart grid and other key industries cultivated and supported in the Outline of the National Innovation-driven Development Plan. Promote high-end manufacturing cooperation in the RCEP region.

4.2 The market path has changed into “demand-driven” and “market cultivation”

By constructing a new model of promoting technological upgrading through the market, it can effectively promote the reconstruction of the regional value chain. In the division of labor system of the global value chain, the market is the basic force to promote technological innovation. In order to reconstruct the division of labor system of the manufacturing value chain, we need to achieve technological innovation in the production side, and break through the market side to achieve sales channels and brand strategy. Through “Belt and Road Initiative”, we can constantly expand and cultivate the external market of the region, open up broader market channels for regional products, realize technological innovation for the manufacturing industry in the region, and lay a solid foundation for breaking through subversive technology. In order to give full play to the power of our market in the process of reconstructing regional value chain based on RCEP. It is necessary to strengthen the role of China’s market, innovate the market end and rebuild the regional value chain. The role of China’s domestic market has been transformed into self-production and self-sale. Moreover, China’s market has a great driving force to promote “North-South trade” and “South-South trade”. China needs to make use of market advantages and form a new model of market path to promote the technological upgrading of the manufacturing industry in the region and at the same time promote the reconstruction of the regional value chain. However, under the influence of geopolitical, historical issues and territorial disputes, the development of the small multilateral cooperation mechanism between China, Japan and South Korea is not smooth, which can be said to be full of twists and turns. In 2005, the seventh leaders’ meeting was postponed for two years because then-Prime Minister Junichiro Koizumi insisted on visiting the Yasukuni Shrine. The leaders’ summit, which began in 2008, has also been interrupted many times because of the Japanese government’s illegal “purchase of islands”, Abe’s visit to the Yasukuni Shrine and historical problems left over by Japan and South Korea. It is difficult to even hold it on a regular basis, let alone substantially promote cooperation among the three countries.

Since 2012, the China-Japan-South Korea Free Trade Area (FTA) negotiations have completed 16 rounds of negotiations. Although there is progress in the negotiations, the prospect is still uncertain. The entry into force of RCEP, in which the three countries are jointly involved, is both an opportunity and a challenge for the FTA negotiations between China, Japan and South Korea. From the point of view of closer to the goal of the tripartite negotiations, it seems to give hope to the China-Japan-ROK FTA negotiations; but on the other hand, the urgency of China, Japan, and South Korea to continue negotiations has also decreased. What’s more, influenced by geopolitics, the intensification of the Sino-US game, the Japan-South Korea trade war and other factors, the relationship between the three countries is sometimes good and bad, cloudy, and uncertain, bringing a lot of uncertainty to the future of small multilateral cooperation between China, Japan, and South Korea. Therefore, the road to deepen trilateral economic and trade cooperation through

the establishment of a regional small multilateral mechanism is still long.

5. Conclusion

To sum up, the trade and investment adhesion between China, Japan and South Korea needs to be strengthened under RCEP, so as to promote the economic and trade cooperation between China, Japan and South Korea to enter a new stage. So that enterprises can take advantage of the new opportunities of opening up services and investment in each country, and constantly expand the layout of industrial space at home and abroad. In the process of formulating the development plan, our government needs to construct the layout of the industrial chain, pay attention to the influence of RCEP on the reconstruction of the regional industrial chain, and strengthen the training and research of the major enterprises, so that the enterprises can make clear the changing situation of the adjustment of regional industrial chain and supply chain, make clear the various risks brought by RCEP to the enterprises, strengthen the competitiveness of the products themselves, and at the same time do a good job in the prevention, assessment, management and control of related industrial risks. Constantly improve the relief system. Through the differential development strategy, we can effectively avoid internal friction and constantly optimize the industrial structure. Through the improvement of trade in services, we can establish a standard statistical system and achieve high-level and high-quality development. The implementation of RCEP can strengthen the cooperation between China, Japan, and South Korea, and enhance the driving force of cooperation among various enterprises. Under RCEP, trade and investment among the three parties can be expanded, thus promoting the formation of a stronger industrial chain. RCEP can ensure a more convenient trade and investment environment, strengthen the resilience of trade and investment adhesion between China, Japan, and South Korea, and promote economic and trade cooperation between China, Japan, and South Korea into a new journey.

6. Acknowledgment

Tender project of Modern Economic Management Research Institute of Zhejiang Yuexiu University 2019 : "Research on the Difficulties and Solutions to the Current Quality Reform of Manufacturing Industry in Zhejiang: Based on the Heterogeneity of Manufacturing Transformation in China, Japan and South Korea" (No. 2019XDJJGL04).

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