

# The 7th CJK Cooperation Dialogue

## ‘CJK Co-Navigation and Emerging Opportunities amid COVID-19 Pandemic’

25th of November 2020 (10:30-16:35) Virtual Meeting



### Organized by:



**East Asia Foundation**

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## Opening Remarks

November 25th, 2020 10:30-11:00

### Remarks by:

**KIM Sung-Hwan (Chairman, East Asia Foundation / former Minister of Foreign Affairs and Trade)**

**CHI Fulin (President, China Institute for Reform and Development)**

**KUSAKA Kazumasa (Chairman and CEO, Japan Economic Foundation)**

**MICHIGAMI Hisashi (Secretary-General, Trilateral Cooperation Secretariat)**

**GONG Ro-Myung (Honorary Senior Advisor, East Asia Foundation / Former Minister of Foreign Affairs)**



### **KIM Sung-Hwan**

Good morning! My name is Sung-Hwan Kim, and I have been serving as the chairman of the East Asia Foundation since January of this year. I am honored to represent the Korean side in the 7<sup>th</sup> CJK Cooperation Dialogue. Firstly, I would like to express deep gratitude to the former Chairmen Ro-Myung Gong, President Fulin Chi, and Chairman Kazumasa Kusaka for leading the dialogue for several years. Also, I would like to thank Professor Choong Yong Ahn for serving the overall managing role for the conference from the Korean side. I would also like to thank all the experts from the three countries for their participation. Regrettably, we can meet this year only by an online meeting due to the COVID-19 virus spreading throughout the world. For next year's dialogue, I hope to meet President Fulin Chi and Chairman Kazumasa Kusaka in person and exchange warm greetings.

Due to the pandemic, all of humanity is facing unprecedented hardships across the globe. Many countries are still struggling due to the social and economic problems brought on by the virus. What is worse is that the virus is projected to spread widely during the coming winter periods. However, we also have news of vaccines being at the later stages of development, which gives us hope for overcoming this difficulty.

I think the CJK dialogue, which started back in 2014, contributed significantly towards promoting conversation within a region where there is an evident lack of multilateral experience. China, Japan, and Korea take up about a quarter of the world's economy and one-fifth of global trade volume. Although the three countries are adjacent in terms of geography and culture, cooperation within the region has lacked due to historical and ideological differences. However, I am glad that recent events have led to the promotion of cooperation among the three countries.

Firstly, on November 15th, 2020, the Regional Comprehensive Economic Partnership, which includes China, Japan, and Korea among 16 Asian countries, was formally signed. Although India did not participate, the signing led to creating an economic bloc that accounts for 30% of the global economy and trade. The signing opened up opportunities for further economic growth for the three countries by promoting free trade within the region. I hope that the signing of the RCEP can lead to the three countries agreeing on an FTA deal, which has been in negotiation for the last ten years. Recently, China, Japan, and Korea have declared that the three countries will reach carbon neutrality by 2050 or 2060. Responding to the worsening climate issue, there is a global consensus to achieve carbon neutrality by 2050. The three countries have firmly pledged to participate in this global movement, which is expected to promote active cooperation among the three countries in the environmental field.

With Joe Biden elected as the next president, it is expected that there will be significant changes in the East Asian region. For the last four years, the Trump administration's 'America First' policy has led to US-China relations deterioration. The trade war that has risen due to worsened relations also greatly influenced cooperation among the three countries. I hope that the newly elected president's foreign policy will promote cooperation among the three countries.

For the three countries' cooperation to continue, governments and civic organizations must continue the dialogue and expand cooperation. Regardless of the political circumstances, I think we should continue developing cooperative efforts based on the three countries' geological and cultural closeness. Most importantly, we must promote lively exchange between the growing younger generation of the three countries.

From this perspective, the CJK cooperation dialogue is critical. In the current state of affairs, with the global pandemic, a dialogue to create new opportunities is very important. I hope that practical and fruitful dialogue can be held on tackling issues that we must face together as a region, including climate change and the global pandemic.

Lastly, I would like to thank the experts and staff who have made this dialogue possible, thank you.

### **CHI Fulin**

Thank you very much everyone, for today's event. I am glad to participate in the annual CJK Cooperation Dialogue amidst the ongoing COVID-19 Pandemic. To open up today's discussions, I would like to make three proposals for the trilateral trade agreement of China,

Japan, and Korea. Firstly, I would like to emphasize that China's double circulation strategy would benefit the region's trade agreement. The dual circulation strategy that China is currently pursuing is an economic growth plan based on the domestic market. This economic growth strategy will serve as a basis for higher levels of opening up to the regional market and benefit all parties involved. One prominent example of this would be the semiconductor trade. Japan and Korea are the world's leading producers of semiconductors, and China is vastly expanding its demand for semiconductors. In reflection of this situation, Korea's exports to China have recorded the highest volume recently. Secondly, I would like to propose an expansion of trilateral trade centering on the service sectors. The volume of service-related trade in China is quickly increasing. By 2019, China's service sector rose 7.8% annually, double the amount in product trade. Upgrades in the structure of the industry led to the improvement in R&D related fields. Also, changes in China's consumption market have led to increased demand for medical, health, tourism, and education services. Japan and Korea are leading service providers in the environment, pharmaceutical, and silver industries. This is why I believe the acceleration of FTA in the region is possible. Also, I would like to encourage Japanese and Korean companies to enter the Chinese domestic market. When looking at the interconnectedness of three countries in manufacturing industries, I believe there is a lot of room for improvement in the service sector.

For instance, digital commerce between the three countries can be improved by establishing infrastructure and rules. Lastly, I would like to propose a mutual trade agreement that is beneficial for all parties involved. Not long ago, RCEP was officially signed, and during the APEC meeting, President Xi Jinping expressed that China is actively considering joining the CPTPP agreement. Yesterday, Foreign Minister Wang Yi made an official visit to Tokyo and reached an important trade agreement between Japan and China. The two sides agreed to an early effectuation of the RCEP agreement and the signing of FTA between China, Korea, and Japan. I believe that this talk provided an essential basis for the future understanding of FTA. For signing such a deal, I have four proposals that I would like to make.

First, we must begin negotiations in the service and intellectual property sectors. We must promote digital interaction between the three countries in scientific research, medical field, and the environment. Secondly, we must propose an early harvest list for the FTA deal by beginning cooperation in service sectors such as environment protection, expanding into a trade agreement of the three parties, and beyond. Third, we must stabilize the regional supply chain and achieve greater liberty for investment in various industries. Lastly, I propose the previously mentioned service sectors, including medical and environment, to Hainan free trade area. I would like to end my remarks by saying that the seven dialogues we had in the past greatly enhanced regional cooperation in East Asia. In 2017, under Zhang Yuling's leadership, we participated as one of the members. In 2018, we were able to host the CJK Dialogue in Haikou. Next year, it is expected that the 8<sup>th</sup> dialogue will be held in China. I sincerely hope to meet all of you there.

**KUSAKA Kazumasa**

Thank you very much. Greetings, ladies and gentlemen. I would like to extend my greetings to the Chairman of the East Asia Foundation, Sunghwan Kim; President of China Institute for Reform and Development, Chi Fulin; President of China Public Diplomatic Association Wu Hailong; and Professor Zhang Yunling. Good morning to esteemed experts from China, Japan, and Korea who have gathered online today for this event.

There has been one good news and bad news for the region since last year's Tokyo event. The good news is that RCEP was officially signed. During times of global turmoil, East Asian countries' dynamic nature has led to investment, trade, and technological advancement. This time, with India's eventual participation anticipated, members of RCEP are expected to build a healthy and prosperous economic environment. The bad news is that the COVID-19 pandemic is persisting with continued influence over the various countries' social and economic activities. Also, polarization in societies is becoming more pronounced than ever recently. For instance, as we have seen recently, opposing forces have battled over the United States presidential election this year. Some are still adamant about not accepting the results of the election. These circumstances can lead to severe damage to institutions that uphold democratic societies. In many countries, criticism in response to COVID-19 by some governments and accelerating polarization in communities weaken political leadership. In turn, such weakening is consuming many leaders' political attention and capital, forcing them to abandon common agendas on both regional and global scales. The formerly mentioned RCEP is a regional plan that seeks to move societies and economies forward. Today's dialogue is about how the three countries can respond to the rapidly changing regional and global environment.

From the early 1980s, Japan Economic Foundation has promoted dialogue between governments, experts, and scholars from Europe and the United States. Afterward, centering on ASEAN +6 countries, JEF hosted the Asian-Pacific economic forums. Amidst these activities, JEF has conducted dialogues with Korea and China. Within these dialogues, experts from all three nations discussed how countries' domestic issues could significantly influence the region. Out of such discussion arose a need for more dialogues to better the economic environment of the area. Responding to this need, China's Professor Zhang Yunling, Korea's Former Minister of Foreign Affairs Ro-Myung Gong, and I started the CJK dialogue. All three countries have hosted the event in a cycle, and this is the third time that Korea is hosting this dialogue.

Three countries share a long history with deep and multifaceted connections that bind them. However, in profound relationships such as this, much like friendships and marriages, conflict and disagreement are inevitable. Parties can still engage in conversations while having disagreements. It is a normal phenomenon, not an aberrant situation. The three nations' task is to carefully coordinate the relationship between the three countries and prevent disagreements from shattering the longstanding trust between China, Japan, and Korea. Conflicts allow parties to be honest with one another, which can lead to the deepening of relations. Also, the so-called 2.5 track relations can be beneficial. The multi-layered relationship consists of governmental interaction between the three countries at the first level. This is up to politicians. As an

unofficial channel, our group first seeks out pathways to solve the three countries' problems. In this way, the dialogue can become a public good for the region. I have been emphasizing a vision that I have had since the beginning of this dialogue. That vision creates a continuing dialogue between the three countries, in both best and worst of times. This time as well, thanks to our friends in Korea, we can face each other online. I think this vision has become a sort of DNA for this dialogue. Problems that have hindered the advancement of the economy and society have been in existence even before the pandemic. These problems have aggravated due to the pandemic. Tendencies such as anti-globalism, fervent nationalism, and populism have gained strength through the pandemic.

Fortunately, however, the three countries overcame these challenges better than the rest of the globe. We must then seek out ways to help other regions that are facing these problems. To effectively effectuate the RCEP, expand the TPP agreement and promote free trade in the region, there are challenges that we must overcome collectively. Technology innovation and people falling behind in this aspect, and paradoxes in economic development are some of these issues. For short-term strategies, we must find ways to solve problems related to the low birthrate and an aging society. Also, economic growth for producing means to combat future unknown risks such as a pandemic is needed. These tasks mentioned above can be a common agenda for the region. In a world where economic growth is only possible through healthy cooperation, the dynamic East Asian region leads to better globalism. I hope that we can learn from each other's successes and failures on various agendas. Through this dialogue, let us create a basis for our mutual goal of stabilizing the region. I hope that today's event with various experts may produce fruitful results for the region. Thank you.

#### **MICHIGAMI Hisashi**

Greetings everyone, I am Secretary-General of the Trilateral Cooperation Secretariat, Hisashi Michigami. I would like to express my gratitude to Sunghwan Kim, Chi Fulin, and Kazumasa Kusaka, who have made this event possible. I would also like to thank former Minister of Foreign Affairs, Ro-Myung Gong. I am honored to have been allowed to provide the opening remarks for this event in front of various experts from the three countries. I am especially thankful that we can invite such esteemed guests to this event. The COVID-19 pandemic has wreaked havoc upon the world. Although China, Japan, and Korea have been successful in suppressing the pandemic, it could not be completely safe from the economic and societal impacts that COVID-19 caused. Constriction of the world's economy and poverty is expected to persist. The World Bank has projected that people living under the absolute poverty line will increase. It is time that we seek out ways for effective COVID-19 response, the continued growth of the economy, and establish human-centered economic plans for the poor.

Over six months, the three countries have persisted in ministerial meetings in response to COVID-19 in the field of health, commerce, finance, transports, and economy. Also, we have successfully hosted an ASEAN+3 meeting as well. The Trilateral Secretariat also hosted several online seminars in response to COVID-19, watched by thousands of viewers from over 70 countries. Even webinars on subjects such as smart cities invited many experts from across the region. We have hosted a session in the Jeju Forum as well. In China, Korea, and Japan,



there are 21 ministerial conferences. Our Trilateral Secretariat provides practical support for these conferences. Moreover, we also put great emphasis upon interactions in the private sector. Fields of interaction include businesses, youth, culture, and media. Even among the uncertainties brought about by the pandemic, we are still focusing on issues such as the recovery of the economy, environment, and human security issues. The Trilateral Cooperation Secretariat was established in 2011 and will be at its tenth anniversary next year. Admittedly, the Trilateral Cooperation Secretariat is not very well known, and this is a task we must address. This is why we need teachings and guidance from esteemed guests that we have invited here today. I want to express my respect to all those who have participated in today's event for discussions. We at the Trilateral Cooperation Secretariat are also aware of the collective problems we face in the region. That is why we would like to learn from the experts today. I would like to thank the event hosts and wish that today's event will be successful. Thank You.

### **GONG Ro-Myung**

Hello everyone, I would like to express my greetings and respect to everyone participating in today's event. Despite the hardships we face due to the COVID-19 crisis, I am glad to gather here today via online to discuss pressing matters in the region.

From the very onset of this dialogue, I have had the honor of participating in seven CJK Cooperation Dialogues. Throughout this period, I have time and time again perceived that East Asia's future lies in continued discussion and cooperation between the three countries. Due to the pandemic, unilateralism and protectionism are prioritized, whereas dialogue and collaboration are increasingly becoming sidelined in the international community.

Today's crisis will subside shortly. Essentially we need to make sure the previous seven years of effort through dialogues will continue to build strong ties in the private sector among the three countries and contribute to the region's co-prosperity.

Although conflict and disagreement are unavoidable on the international stage, we have found ways to overcome our differences and move toward the peace, co-existence and mutual prosperity through the spirit of dialogue, compromise and cooperation. I want to end my remarks by wishing that the CJK Cooperation Dialogue continues with such spirit and contributes to overcoming whatever hurdles the region might face. Thank you.

**Session 1****Pandemic Spread, Outlook, and Trilateral Cooperation****November 25th, 2020 11:00-12:00****Moderator: HE Dongni (Vice president, China Institute for Reform and Development)****Speakers:****ZHANG Yunling (Academician and Director-General, Department of International Studies, Chinese Academy of Social Sciences)****KOBAYASHI Keichiro (Research Director, The Tokyo Foundation for Policy Research)****KWON Soonman (Professor and Former Dean of the School of Public Health, Seoul National University)****SEONG Baik Lin (Professor, Yonsei University Medical School / Director, Vaccine Innovative Technology Alliance (VITAL)-Korea)****JIANG Ruiping (Former Vice President, China Foreign Affairs University)****ZHANG Yunling**

CJK cooperation has been experiencing triple challenges as follows. The first challenge we face today concerns the disinfection of COVID-19 as it is still unclear when the pandemic will end. With rapid research and development for vaccines, we can expect a positive outcome of disinfection efforts in Northeast Asia. Therefore, I would like to propose establishing a CJK vaccine supply cooperation center, which will enable the countries to communicate on vaccine distribution under the form of cooperation.

The negative influence of COVID-19 has deferred worldwide economic recovery. As traditional industry supply chains have been cut off due to the pandemic, CJK should continue to stay open and build a mutual communication channel for businesses by introducing a QR-based health certificate system. In China, individuals can easily track travel and health history



with a simple barcode. This system will allow international travel and business during the coronavirus pandemic because a focal point in the economic recovery is in intimate connection. It is required for China, Japan, and Korea to rush the operation of RCEP and realize the FTA negotiations. When the negotiations are completed, we will aim for agreements that will perform functional cooperation.

The last challenge we face is rapprochement with China. The hostile relations between China and the US are even negatively affecting the CJK relations. As the US presidential election ended, I think it is time to push for the restoration of China-US relations. The Trump administration's legacy, blockade of technologies, and cut off of traditional industry supply chains, is very illogical and irrational. Therefore, with the new US administration, CJK should build new standardized industry chains for technology fields that are both stable and credible. Such blockades cannot positively influence either RCEP or Northeast Asia in inducing the US government and strengthening our voice.

Furthermore, CJK's cooperation plan should be made professionally to secure the supply chain and value chain of products and technologies. The current US trade policy is very burdensome to Northeast Asia and affects the region; thus, we should expand domestic demand and increase China's innovation capabilities to achieve a dual circulation economy. Through this series of efforts, CJK will meet new cooperation opportunities. I hope to talk in more detail shortly about how China can integrate domestic demand and innovation and build a new supply chain for CJK through a dual circulation economy.

#### **KOBAYASHI Keiichiro**

I will be presenting on Japan's COVID-19 response. From April to May, Japan declared an economic shutdown. This was a policy measure to buy time against the explosion of infection cases. As a result, Japan's economy suffered a huge blow that amounts to 10% of its GDP. Within this background, we strived to increase the number of PCR testing kits and make them available for more people in order to decrease infections and revitalize the economy. However, this was not followed through.

The availability of PCR testing increased very gradually (or slowly). At the present moment, a surmountable number of people have been tested cumulatively. Currently, Japan has a PCR testing capacity of 70,000 cases per day.

At the end of August, the Japanese government announced its target of enforcing 200,000 antigen tests (not PCR tests) per day. On November 12th, at this present moment, the Japanese government set a new target of achieving 540,000 PCR and antigen test capacity per day. There has been definite progress.

However, I would like to point out there is a considerable gap in the understanding of an infection test between economists and public healthcare workers. Epidemiologists and public healthcare experts have asserted the value of an infectious disease test like the PCR lies in diagnosing patients. It is essential to find infected patients efficiently, and this is the primary

motive. There is no value in proving someone is uninfected. Moreover, they also state medical personnel coordinating tests and quarantine in public healthcare centers are being overworked.

On the other hand, economists argue there is value in test information discerning the infected and the uninfected itself. For the economy and the society to function properly, it is valuable to get data on uninfected (PCR negative) cases. Therefore, economists believe more citizens must get tested.

Due to these deep-rooted differences in perspective, the Japanese government has announced its aims to achieve 540,000 test capacity per day but not provide these tests for free.

At the present moment, Japan has three categories for dividing testing. The first category consists of people who have symptoms. Second category A consists of people with no symptoms but are at high risk. The government funds these tests. People who are not categorized in these categories, second category B, have no symptoms and are at low risk. Therefore, they are not funded by the government. They can choose to get tested at their own expense.

This, compared with other countries, suggests the PCR test system in Japan is not organized enough to guarantee safe economic activities.

In observing recent developments, Japan suffered a second wave of COVID-19 in the summer of 2020. The number of infections has fallen a little over September and October, showing a relatively stable situation. However, entering November 2020-at present- Japan experienced a rapid escalation in infections over the last three weeks. We believe the third wave size will be 4 to 5 times that of the summer second wave. In case this prediction is confirmed, Japan is discussing response measures in economic activity and citizen's lockdown degree. Also, it is predicted hospital capacity will reach its limit. These are some of Japan's most urgent issues.

Whether Japan will overcome the third COVID-19 wave and return to a safer situation will be decided over the next three or four weeks' doings.

In conclusion, considering the overall East Asian situation, I believe the coronavirus will be with us for the next one or two, three years. Therefore, businesses will have to adopt new models to adapt to the New Normal coexisting era with COVID-19. Finally, I would like to conclude by encouraging Japan, China, Korea (three countries), and other nations to resolve the problem of government debt developed over the pandemic period. This global, transnational problem necessitates a global resolution. We need international coordination of fiscal policy and tax systems, such as adopting a common tax. The application of a common tax will discourage and prevent investment from fleeing. Imposing a worldwide or even an East Asian common tax will allow countries to yield tax revenue. This form of international fiscal policy cooperation will solve the government debt exacerbated during the coronavirus era. East Asia can take the initiative and set an example.

### **KWON Soonman**

Today, I will be presenting on Korea's COVID-19 experience and the role of testing. As the previous speaker mentions a third wave of the COVID-19 pandemic in Japan, Korea is

currently on the road to its third wave, with the number of daily confirmed cases increasing to 350-400 people. However, the extent of the pandemic has been smaller in the country compared to Japan and China.

I believe that preparedness and flexibility have been the cornerstones of Korea's unique response to the COVID-19 pandemic. Having experienced the Middle East Respiratory Syndrome (MERS) outbreak in 2015, the nation learned that infectious diseases are not confined to third-world countries. In the process, the government took reformative measures, strengthening the Korea Disease Control and Prevention Agency (KDCA), increasing the coordination between central and local governments, and providing a legal basis for the controversial patient contact tracing. We also realized the importance of quick and practical testing to reduce patient numbers and the consequent damages to society.

With this background, the Korean government responded quickly to the initial COVID-19 outbreak, flattening the epidemiological curve in a short amount of time. With swift approval for mass-scale testing and adopting drive-through methods, it detected epidemiological patients and prevented further infection. Additionally, the government used various digital data such as credit card information and mobile phone tracking to isolate and trace patients. As a result, Korea has not imposed a significant lockdown like China and Japan.

The COVID-19 is a new pandemic, and there was an initial lack of scientific data for a proper response. But through flexibility in policies and learning from newly emerging evidence, the government gradually revised its response to the pandemic, changing the criterion on the discharge of patients from hospitals and prioritizing cases based on severity. This fluid response ensured that the medical system was not overwhelmed with patients and could focus on critical patients.

Additionally, universal health coverage through the National Health Insurance (NHI) scheme decreased the barrier to access for all patient tests and treatment. With the outbreak, the NHI expanded coverage for medicines and services for COVID-19 patients and increased advance payment to hospitals through a pay first, review later policy. The NHI also provided critical data infrastructure by mobilizing all public and private healthcare providers under one program. While data on health care is divided into districts in Japan and China, the NHI spooled information on the entire population to create one of the most extensive data sets on the COVID-19 pandemic. This has helped doctors gain knowledge on the pandemic and prepare appropriately.

However, there are still challenges ahead. Parts of the population remain vulnerable, especially daily workers and staff working in hospitals. They cannot work from home or conduct work online, which has led to job loss and economic hardships. Also, people without access to the internet have had difficulties accessing information, going to school, and getting jobs. A solution might be a change in how we look at testing, increasing the speed of results through rapid testing, and decreasing the risk of offline work and travel.

Korea's exit strategy to the COVID-19 pandemic is not the complete eradication of the disease. Instead, it is the efficient response and minimization of risks to levels when the economy and society can function properly. Just as the government has shown flexibility in measures based on changing risk assessments, future policies on the COVID-19 pandemic should be a work in progress.

### **SEONG Baik Lin**

Today, I will be discussing Korea's status on developing a vaccine and possibilities for trilateral cooperation on this front. The disease that has global impact, COVID-19, now has infected over 55 million today and claimed 1.4 million lives worldwide. The vaccine is typically administered to a healthy individual, which means that its safety is equally important as its effectiveness. Thus, a meticulous testing process must be conducted to ensure both of these aspects, and it typically requires ten to fifteen years to ultimately certify a particular vaccine. However, today's medical field is under tremendous pressure to develop a vaccine rapidly to prevent this unprecedented virus's further spread.

Although rapid development is imperative, the world is still in competition over a platform that has not yet been commercialized. For example, mRNA vaccines have reached Phase 3 clinical tests—the vector vaccines have not been commercialized yet. However, because these vaccines can be rapidly produced, they have been placed at the forefront of our battle against COVID-19. In the case of the mRNA vaccine, it has been developed by companies in the United States and Europe, such as Moderna and Pfizer. For the Vector vaccine, American and European companies such as AstraZeneca and Johnson & Johnson compete with Russian vaccines produced by Gamaleya Institute and China's CanSino. Also, China is leading the world in inactivated vaccines through companies such as Sinopharm and Sinovac.

I would also like to introduce vaccine development situations in Korea. Firstly, the Korean government prioritizes vaccine procurement to vaccinate more than 60% of the population. Korea is adopting a two-track strategy, which consists of developing a domestically produced vaccine and at the same time purchasing vaccines from overseas companies. For domestically developed vaccines, a venture company named Genexine was authorized for Phase 1 clinical test in June for a DNA based vaccine. Also, SK BioScience sent in a request for authorization of clinical trials on its recombinant antigen vaccine, which was recently permitted. SK Bionics agreed on a contract manufacturing deal with AstraZeneca for the delegated production of adenovector vaccines. Not only this, the company recently signed a CDMO deal with America's Novavax for its insect cell platform vaccines. Through such corporate cooperation, Korea moves from mere consignment production to active importation of vaccine production capabilities from abroad. Secondly, for the procurement of vaccines from foreign countries, the platforms considered are vector vaccines, which are in the last stages of clinical trials, and mRNA vaccines will be given priority for purchase. Since recombinant antigen vaccines are not yet fit for clinical trials, these will take time to be imported.

Choosing what sort of vaccines from which companies is a very complicated process for the government. First and foremost, the effectiveness and safety of the product must be verified.

Also, factors such as price, timing of supply, storage, and distribution must all be considered. Vaccinations will begin by administering vaccines that were purchased from overseas. If domestically developed vaccines can be completed in time, we expect to boost the vaccination level. However, since there is no clinical test that verifies safety for children under the age of 18, the vaccination will only cover 70% of the population who are adults. Now, Influenza and the COVID-19 virus can become a pathogen that humans must coexist with. To prepare for this, we must prepare for 'twindemic,' a situation where Influenza and COVID-19 spread concurrently. For this, Korea must begin cooperation with eminent scientists and medical experts from Japan and China to develop a vaccine to prepare for a further disastrous pandemic that is probable to occur in the future.

### **JIANG Ruiping**

When considering the overall situations in East Asia, I believe three circumstances can be witnessed.

Firstly, compared to other parts of the world, I believe East Asia was most effective in preventing the spread of COVID-19. This is not to show off, but statistics tell us that the three countries were very successful in preventing the spread. The proportion of those infected out of 10+3 countries accounts for less than a tenth of the world, according to my calculation. Secondly, the degree of the economic downturn was less pronounced than in other countries, and recovery was swift. According to the IMF, the economic downturn speed of 10+3 countries was 1.27 times slower than that of the world, and the recovery rate was 2.8% higher than other parts of the world. Thirdly, regional cooperation became stalled after the pandemic for different parts of the world, but this was not our region's case. From February, ASEAN countries and China engaged in a Foreign Ministers' conference, a special trilateral meeting was held between China, Japan, and Korea, and the ASEAN+3 conference was also held.

Most importantly, RCEP was finally signed on November 15th of 2020. The signing paved the way for renewed opportunities to promote regional trade. Taking these three situations together, I believe that new opportunities are presenting themselves for East Asian countries.

Previously, the World Bank published a report saying that miraculous economic growth is occurring in East Asia. After the publication of this report, however, many scholars from the United States and Europe disagreed. Significantly, the renowned American economist Krugman was among those that denied this report. On July 2nd of 1997, Asia's Financial crisis began in Thailand, which depressed the region's economy. It was a situation that seemed to suggest that although rapid economic growth can be achieved, there is no way to avoid a financial crisis. After this crisis, however, East Asia once again displayed a strong trend towards economic growth. Also, East Asia's economy significantly contributed to economic growth worldwide.

While there is a clear sign of the East Asian economy's strength, I also believe that the reservations held by previously mentioned scholars on Asia's economy were an argument based on analytical data. Before 1997, two factors severely weakened Asia's economy. First of all,



during this period, mainland China's active participation in the regional economy was absent. When the World Bank discussed Asia, it was usually referring to Japan and 'Four Tigers of Asia.' When the Asian Financial Crisis occurred in 1997, there was very little systemic cooperation within the region. ASEAN countries focused on the security aspects of collaboration. On the other hand, Japan emphasized the 'goose formation' model of collaboration and focused on the Asia-Pacific cooperation, which did not produce practical results. After 1997, we witnessed two critical changes occurring in the region. Firstly, the Chinese economy achieved rapid economic growth thanks to its opening-up policy. Secondly, from November 1997, Asian countries began economic cooperation, which consisted of ASEAN and East Asia. As of today, the Chinese economy, according to the IMF, will achieve a 1.7 increase in GDP, which is expected to rise to 8 percent next year. Also, with the start of the 10+3 mechanism, we have achieved significant growth. This is growing to 10+8, which would include New Zealand and Australia and keep adding regional interested parties. Even with the COVID-19 crisis, East Asia must struggle to prevent the spread and restart the economy.

In the era of Post-COVID-19, the focus is whether or not we can continue to cooperate. Continued cooperation will be made possible by two factors: first is restarting the economy. Not long ago in China, the 19th CPC Central Committee held its 5th plenary session in Beijing, and it was announced that by 2035, we would achieve dual circulation domestically and overseas. To facilitate the circulation within the domestic market, the party decided to strengthen the supply chain within the domestic market. In this way, the Chinese market can have sustained growth. Under this situation, the East Asian economy will benefit through China's growth. The 15 economies involved in RCEP make up 30% of the global economy. This means that the Chinese economic growth will help create an environment where all members can deal with emergencies like we saw in 2019. Secondly, I believe that more comprehensive cooperation within the region is possible through close coordination with partners. Thirdly, disease control and opening up the economy were primarily due to East Asia's cultural and social institutions. We must emphasize this character that has made us so successful, and by this means, I think the region can continue the East Asian miracle. I will talk about ways this can be achieved specifically. Firstly, RCEP has been signed, but effectuation might need time. Each member must effectuate it domestically. Effectuation should entail close coordination even after the COVID-19 crisis is over. Thirdly, going beyond RCEP, we must continue to strengthen regional ties. Fourthly, establishing a stable supply chain in the region between China, Japan and Korea are vital.

### [Q&A and Discussion]

<Question 1> Prof. Zhang shared his insights about China's dual circulation economy and emerging opportunities for CJK. Is there a new cooperation model or a breakthrough that China, Japan, and Korea should pursue?

**ZHANG Yunling:** First of all, a dual circulation economy is based on the premise that China's economy will continue to grow, which will ultimately affect the economy of surrounding regions and the global economy. China will achieve what Japan has accomplished in the past years as it is estimated to become the most significant economic entity in three to five years. Some people say that China's dual circulation economy is a self-relied and closed framework. It is a fair and open framework that integrates domestic and foreign affairs. I believe that we can make a transition to the economy and cooperate under this framework. Then, what should we do? We need digitalization and network-building using high technology such as RCEP, which focuses on the connected network and the three countries' digital economic network. As I mentioned earlier, we should emphasize the rules of economic development, not political ideologies. This is a matter to be discussed in a high-level meeting between the Ministry of Commerce and the Ministry of Science and Technology about how China will set standards for technologies, industries, and supply chains ahead of time in the flow of dual circulation economy. As for the rules, the US's participation is welcome; however, I think CJK's new form should be made with practical goals.

**CHI Fulin:** Adding to that, when China's 14th Five-Year plan ends in 2025, China will enter a society centered on service consumption. More and more demands for the service industry and service trade will be generated in the community. The proportion of service trade in China's total trade is estimated to be larger than the previous year's 46.3%. In this new setting, China will provide a broader market for consumers in China, Japan, and Korea.

**<Question 2>** Can RCEP serve as a model for global trade standards and establish trade regulations on digital products?

**JIANG Ruiping:** Compared with CPTPP, RCEP has a clear distinction when looked at as a whole. The most critical factor in establishing global trade and investment regulations is the overall needs of participants. Of course, there are some difficulties that RCEP faces. One of them is that among 15 participants, some are developed countries like Japan, South Korea, and Singapore, where per capita income is high; however, there are also less developed countries like Laos and Myanmar. The gap among the participants in the economic system makes it harder to sustain a relatively big framework. When setting a global model, it is more important to reflect the participants' objective state and demands to meet all needs. I think that a higher level of cooperation will become available through this effort, and also, RCEP can have a positive influence globally.

**<Question 3>** How will CJK's industrial cooperation be in the New Normal?

**KOBAYASHI Keiichiro:** As a macroeconomist myself, what I mentioned earlier was about financial difficulty. Due to the pandemic crisis, many countries, including China, Japan, and South Korea, experienced a massive increase in financial expenditure and government debt. Considering that it is a common problem we face to figure out how to redeem increased government debt, building a joint framework for a fiscal policy can be helpful. In this manner, we could establish a standard taxation system for the region then distribute profits to each country to pay for debt caused by COVID-19. Maybe this form of cooperation can be a



foundation for a new world order since there hasn't been any significant effort in worldwide collaboration in fiscal policy, unlike monetary policy. Until now, it was complicated to establish a common fiscal policy due to various issues, such as tax haven and tax imposition on global digital platform businesses like Amazon and Google. Therefore, I would like to suggest that CJK lead the establishment of a common fiscal policy to recover the global economy accelerated by the COVID-19 situation.

**<Question 4>** The COVID-19 situation in the U.S. is dire at the moment. Then how should we cooperate with the US to fight the virus? What kind of influence will there be on TPP?

**SEONG Baik Lin:** As the question is a little bit away from my expertise, I would like to answer how to establish a CJK joint fund on infectious disease. There is no national border for the transmission of the virus; therefore, we could say that Korea, China, and Japan share a common destiny. The past decade's history shows that the highly pathogenic avian influenza virus, which has infected humans from animals, is spreading to a fatal infection that kills one in two. Also, Foot and Mouth Disease Virus has become one of the most critical issues in agriculture. There is an excellent opportunity for us three countries to cooperate in a war against viruses like these. Japan is an essential science powerhouse that produced many Nobel prize winners leading immunology and vaccinology. Also, China was the first country to develop vaccines by the historical record even though many people generally think of Edward Jenner of the UK and Louis Pasteur of France to be the first ones. Regarding infectious diseases, Korea has the UN-affiliated International Vaccine Institute. As Prof. Zhang suggested earlier, CJK will need further cooperation to deal with the coronavirus and the post-corona era. In this respect, I would like to offer the CJK the establishment of a joint fund and further discussions in foreign ministers' meetings.

**KWON Soonman:** Although the COVID-19 situation in the U.S. was mentioned, it is not a matter of the U.S. alone. Unless the COVID-19 subsides in South America and other Asian countries, we cannot say that the situation is under control. We can't fight the virus with the cooperation of the three countries only in this open economy. In that sense, I think the three countries will coordinate with each other in the ODA field with various cooperation forms, such as ASEAN Plus Three.

**JIANG Ruiping:** After the Obama administration suggested TPP, the newly elected US President Donald Trump withdrew the US signature from TPP. However, it seems very likely that the U.S. will return to TPP once Biden takes over the presidency. If I tell you about China's position, President Xi Jinping clearly announced that China is willing to join CPTPP. Suppose China and the U.S. get to be in this together. In that case, it is expected that Asia will greet a new phase of regional cooperation, which will enable us to work together in this pandemic and even the post-corona era. I think there is a lot to do for public health as well in the post-corona age.

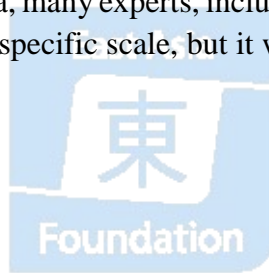
**ZHANG Yunling:** Biden announced earlier that the U.S. would return to the WHO after his inauguration. In this manner, CJK will be able to cooperate more through the WHO. As

COVID-19 is a regional problem and a global crisis, we can lead and play an essential part in the WHO. China's position is also for the WHO.

**KOBAYASHI Keiichiro:** I agree that the pandemic is a global crisis. Firstly, I think that the three countries should control infection through RCEP or such organizations. Secondly, the infection will spread again in East Asia unless the pandemic calms down in developing countries in Africa, South America, and South Asia. Thus, it is necessary, especially for China, Japan, and South Korea, to lead arrangements to support developing countries.

**<Question 5>** According to the media, China had many confirmed cases initially but managed the situation well with successful countermeasures, allowing the daily confirmed case to reach nearly zero. However, it is reported recently that China started to have an increase in confirmed cases again. Tell us the scale of the spread and whether Chinese pharmaceutical companies have executed joint development for vaccines with global pharmaceutical companies.

**TIAN Xueyuan:** On the vaccine development, President Xi Jinping has announced very clearly that China will do its best on the vaccine development. There is some good news as well. If you look at the current situation, the U.S. and other countries are very aggressive on vaccine development. I am sure China, Japan, and Korea can cooperate on this matter. As for the spread of the COVID-19 in China, many experts, including Prof. Zhong Nanshan, estimated that the rebound would happen to a specific scale, but it will not be massive. I also agree with this opinion.



## Session 2

### Climate Change, Green Energy, Environmental Industries, and Trilateral Cooperation Post-COVID-19

November 25th, 2020 13:00-14:00

**Moderator:** AHN Choong Yong (Distinguished Professor, Chung-Ang University)

**Speakers:**

**QI Ye** (Dean, Institute for Public Policy, the Hong Kong University of Science and Technology)

**KANG MoonJeong** (Head of Institute for Hydrogen Industry(IHI), Hyundai Motor Group)

**MATSUSHITA Kazuo** (Professor Emeritus, Kyoto University/Senior Fellow, Institute for Global Environmental Strategies(IGES))

**KIM Sang-hyup** (President, Jeju Research Institute)

**CHANG Xiuze** (Professor, Academy of Macroeconomic Research of NDRC)

**AHN Choong Yong:** The second session will be on the environment, and this topic has been central to this dialogue since the very beginning. We have, time and time again, agreed that China, Japan, and Korea are a single community when it comes to environmental issues. From many different environment experts, we are getting bleak prospects of the end of the world if climate change and the melting of polar ice caps were to continue. Ironically, due to the COVID-19 pandemic, we could see clear skies and enjoy clean air for consecutive days here in Seoul. What this ironic situation tells us is that we need a coordinated response to COVID-19 and climate change. Encouraging news is that the United States will return to the Paris Agreement once Biden starts his term in January of 2021. According to yesterday's news, John Kerry, a renowned diplomatic figure, will be serving as the Special Presidential Envoy for Climate for President-elect Biden. I believe this is excellent news for East Asia and global communities that are concerned with climate change. China, Japan, and Korea must establish a long-term strategy for low carbon usage by 2050, and I believe a written report is due by the

end of this year to the United Nations. Also, I know that many countries are readjusting their environmental and economic policies to achieve this goal. In the post COVID-19 era, I believe that reducing carbon emission would also be an excellent way to facilitate expedient economic recovery after the pandemic. For this session, many experts from three countries are due to present in today's session.

## QI Ye

I will be speaking on the topic of opportunities and challenges in the new era of climate action. I want to talk about this in four aspects. Firstly, I will discuss why we have reached a new age and then discuss the latest consensus in this era. Then I will discuss the opportunities and challenges that we face in this new era.

On September 22nd of this year, during the 75th General Session of the United Nations, President Xi announced that China would reach its peak of carbon usage by 2030 and obtain carbon neutrality by 2060. His announcement had a strong reaction from the global audience. After this, in a series of international seminars, which included the UN Summit on Biodiversity on September 30th, the 3rd Paris Peace Forum on November 12th, the 12th BRICS Summit on November 17th, and the G20 Summit on November 22nd, President Xi repeatedly emphasized China's commitment to carbon reduction.

Looking at other countries, on October 26th of this year, Prime Minister Suga gave an inauguration speech to the Diet and professed that Japan would reach zero carbon emission by 2050, which is ten years ahead of China. In looking at the statement made by Suga, he noted that the transformation of our energy structure is an opportunity, not a burden. He also added that climate change prevention does not necessarily mean constriction of the economy, calling for a change in people's conception and a bold action against climate change.

On October 28th of this year, President Moon Jae-in also announced that Korea would go hand-in-hand with the international society in responding to climate change. He also pledged to achieve carbon neutrality by 2050. Also, he stated that although Korea's reliance on carbon energy is high, there will be an increased investment into the renewable energy sector and electric vehicle industries. European Union's New Deal and Great Britain's pledge are similar to those we have seen above.

Currently, approximately 20 countries have announced their target emission and estimated time of completion. The Biden administration is about to start, and one of the first things that are being discussed is their emission targets and deadline years. We can now extrapolate that a new age of carbon neutrality and climate change prevention has begun.

Now looking at some of the commonalities of this new age, there has been series of climate agreements from 1992 to 2020, which have all emphasized everyday responsibilities. We can say that we view climate change as not just a responsibility but an opportunity. In regards to the new climate change, we have reached a new consensus. The perception of climate change has undergone several phases, and understanding this would contribute to the future consensus-

building measures. Previous approach of the Bush administration's in 2001 was a fundamental contradiction between climate action and economic growth. Then, around 2007, new perceptions grew. The new paradigm was that although climate action can be costly, there will be a more significant burden for humanity in the future if no action is taken now. In 2014, under the slogan of better growth and better climate, there arose an agreement that can be achieved simultaneously. From 2020, we have a new paradigm that views climate action as a vital force needed for the speedy recovery of the green economy.

Of course, we will face many challenges to achieve this. First is the fact that it takes time to reach the point of carbon neutrality. The European Union reached its peak in the 1990s and expected to reach neutrality within 60 years. The US reached its peak in 2005 and needs 45 years. For China, it wants to spend only 30 years, which itself comes as a challenge. To reach these goals, we need a quick transformation of energy structures. For this, we need technological innovations. In past years, China has speedily achieved such innovations. However, when it comes to essential technologies, domestic development is difficult, which needs to be addressed.

Another issue is the problem of cost. In our prospect, in order to achieve carbon neutrality, China needs to invest 2% of its GDP every year. There will be successes and failures for this. Looking at investments, much of it is directed towards overcoming COVID-19. If we can direct some of that fund towards energy structure transformation, it would greatly benefit us. Also, I would like to emphasize that the three East Asian countries can come up with a platform for carbon reduction through this opportunity. Japan has been at the forefront of reduction research for a long time, and China's hydrogen vehicles have recently expanded. If three countries cooperate, we can achieve more. Lastly, China has been contributing to the Green investment commerce. In light of this, I propose that Korea and Japan participate in our endeavors.

### **KANG MoonJeong**

Firstly, I will present Hyundai Motor's efforts to realize hydrogen cars. HMG has a vision of pioneering the future mobility industry based on FCEVs. HMG plans to utilize its hydrogen fuel technology in hydrogen-electric vehicles and railways, vessels, aviation mobility, UAM (Urban Air Mobility), and many other fields. HMG is actively leading the future of mobility realization by securing various domestic and foreign partnerships. HMG's aims in future mobility and hydrogen-electric cars are as follows. We seek clean, autonomous, and connected mobility for our future. FCEVs purify the air while operating. Thus it is a cleaner form of mobility. An FCEV's driving range is superior to an electric car, making it the most appropriate form for an autonomous vehicle with various ICT functions that consume a lot of power. Hyundai Motor's FCEV, NEXO, has already successfully run 200km in level 4 automatic driving during the 2018 Pyeongchang Winter Olympics. Now it is undergoing automated driving tests in Seoul Gangnam province. XCIENT, the world's first hydrogen-electric truck to be exported to Switzerland, has successfully passed the platooning test.

Regarding the HMG's vision for hydrogen fuel, at the end of 2018, HMG announced the Fuel Cell Electric Vehicle Vision 2030. HMG will invest KRW7.6 trillion won by 2030 under the

FCEV Vision 2030. We aim to produce 700,000 fuel-cell systems annually by 2030. Five hundred thousand units will be used for building FCEVS. Two hundred thousand units will be supplied to other transportation manufacturers of automobiles, vessels, and forklifts and sectors beyond transportation, such as power generation and storage systems.

With regards to HMG's recent hydrogen fuel cell trends, In July, HMG started exporting the world's first fuel cell heavy-duty truck, the Hyundai XCIENT, to Switzerland. A total of 50 units have been shipped this year. By 2025, HMG aims to send a total of 1600 units. This September, we began shipping hydrogen fuel cell electric vehicles and buses to Saudi Arabia. Also, we have started exporting our hydrogen fuel cell systems to Europe for non-automobile industries. The companies importing the hydrogen fuel cell system, including a Swiss hydrogen solution firm and many energy solution startups, plan to build emergency power supply systems and eco-friendly mobile generators. HMG's next-generation fuel cell vehicle, NEXO, reached 10,000 cumulative sales in a single country for a single car model. Two days ago, the global British chemical company INEOS and HMG came together to accelerate the realization of a global hydrogen economy. We aim to actively develop a hydrogen value chain encompassing hydrogen production, storage, and transportation in Europe and expand the global hydrogen ecosystem.

Secondly, due to the difficulty of decarbonizing the mobility and industry sectors even with the expansion and development of renewable energy, these sectors are becoming the focus of significant nations' hydrogen industry strategy. Korea, China, and Japan are mainly focused on using hydrogen fuel in the mobility sector. In January last year, the Korean government announced its Hydrogen Economy Roadmap. January this year, the National Assembly passed the first Hydrogen Law, designated a special institution for hydrogen development, and launched the Hydrogen Economy Committee to lay a basis for the hydrogen economy.

Major European countries have consecutively announced their national hydrogen policies and strategies. In April, May, and June, Belgium, Portugal, and Germany announced their hydrogen strategy. In close pursuit, the European Union, France, and Spain made hydrogen strategy announcements in September and October. Russia followed suit by announcing its national hydrogen roadmap in October as well. Europe aims to dominate the hydrogen production sector technology early on, establish a secure, global hydrogen supply chain system to South and East Europe, and Africa, and achieve carbon neutrality. Europe is building a hydrogen engine network that will reach 6,800km in 2030 and a total of 24,000km in 2040. Nine European nations are participating in constructing a trans-European solar and wind-powered hydrogen production and transportation system that runs along the Danube River (Europe's second-longest river), passing through Germany, Austria, Italy to Romania.

The predicted market size of the 2050 global hydrogen industry is at the least US 1 trillion dollars, at the most US 11 trillion dollars. Different institutions have announced other figures, but the hydrogen industry is undoubtedly a growing, future industry. Goldman Sachs' prediction for the hydrogen industry in 2050, US 11 trillion dollars, amounts to 87% of China's 2018 GDP. This is triple the market size of the present global oil and gas market. Bloomberg has defined the recent phenomena of major countries competitively providing subsidiaries to



preoccupy the hydrogen economy as a ‘hydrogen war.’ Goldman Sachs, which estimated the 2050 hydrogen market to be US 11 trillion dollars, asserts this is a once in a generation opportunity.

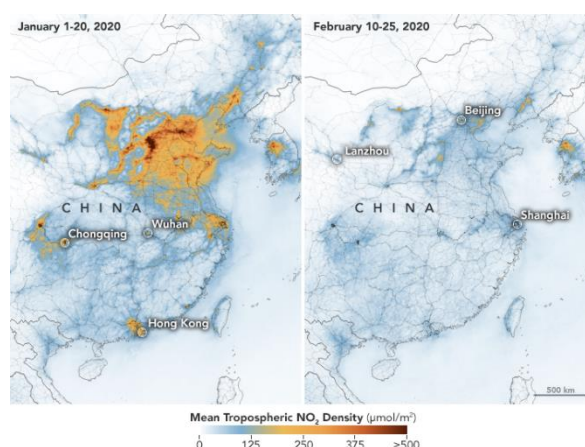
In September, France called upon a trans-European cooperation to get ahead of Asia and the US in its national hydrogen strategy, announcing it will strengthen ties with Germany. In October, a bilateral summit meeting between the two countries was attended by the European Commission President. During the summit, the two countries discussed the specificities of cooperative measures concerning hydrogen production, infrastructure, and mobility.

I would like to end this presentation by thanking the East Asia Foundation for hosting this event at this crucial time when Korea, China, and Japan should also seek cooperation for mutual benefits in the hydrogen war.

### MATSUSHITA Kazuo

I will share my screen to facilitate the understanding of the audience. My theme for today is ‘From Green Recovery to Net-Zero Society under COVID-19.’ Looking at both COVID-19 and climate change, they are both a pressing challenge for the global community that must be solved to ensure humanity’s survival. Both issues are related to globalization. Also, some are pointing out that the pandemic is exacerbating due to the deterioration of environmental conditions. Commonalities exist regarding climate change and COVID-19. Firstly, solid and scientific understandings of both issues are critical. Secondly, the solution for both requires significant changes to society and the economy. Thirdly, the international society must cooperate to bring about changes. Fourthly, we need substantial financial commitment to reach an effective solution. The following picture (**Picture 1**) is an example that shows improvement in air pollution in China.

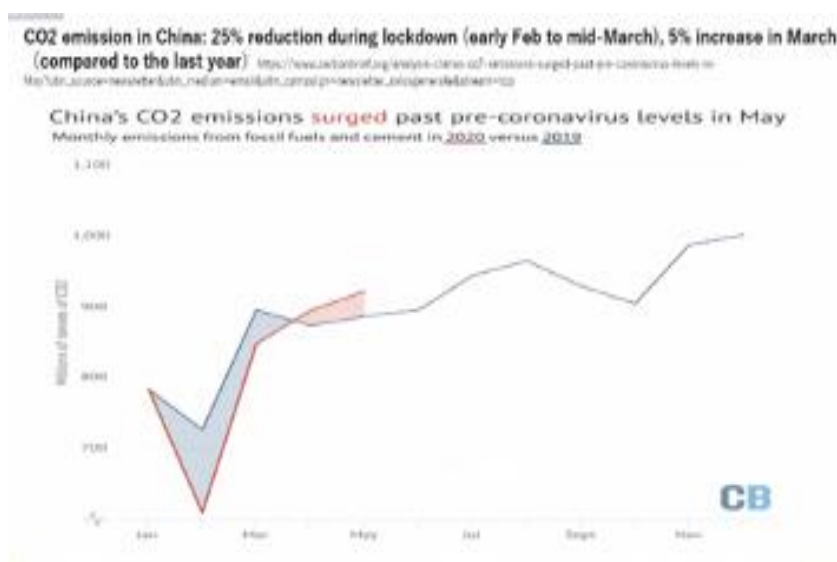
(Picture 1)



After the outbreak of COVID-19 around the Chinese city of Wuhan, there was a massive reduction of NO<sub>2</sub>, CO<sub>2</sub>, and other harmful pollutants in China. However, these improvements were found to be transitory changes. **Picture 2** is another example from China.

(Picture 2)





During the lockdowns, we saw a drastic reduction in carbon emissions in China. However, with economic recovery in May, the emission levels increased 5% compared to the year before. Many are saying, especially the Secretary-General of the UN, that economic recovery in the post-COVID-19 world should be based on Green Recovery”, also known as Build Back Better”.

The recovery that is being argued here is predicated upon actions, including the transition to a decarbonized society and the realization of SDGs. At the vanguard of such thought is the European Union. Last December, the EU adopted the European Green Deal. In July this year, the EU created a next-generation EU fund that amounts to €1.8 trillion. Out of this amount, it is said that 30% of it will be dedicated to stopping climate change. As said before, the newly elected US President Biden has pledged to return to the Paris Agreement on climate change and expressed his will to have the US reach a net-zero emission of GHGs by 2050. Biden stated that the new administration would spend US\$ 2 trillion on establishing green infrastructure. As noted before in the introduction, President Xi declared that China would obtain carbon neutrality status by 2060. In Korea, just before its general election in April, the governing party put forth Korea’s Green New Deal that essentially led to their victory. On October 28th, President Moon stated in his National Assembly speech that Korea will reach carbon neutrality by 2050. For the Korean New Deal, 94.6 billion US\$ will be invested in total. Lastly, Japan’s Prime Minister Suga declared that by 2050, Japan would reach zero carbon emission.

In reality, this is a very ambitious goal and needs several processes to be realized. Firstly, we must strengthen the current reduction plans for 2030 by aiming to emit 45% of the level compared to 1990. Also, the Global Warming Prevention Plan and Basic Energy Plan are currently being reviewed. We must increase the proportion of renewable energy and decrease the portion of carbon emission from fossil fuels. Moreover, we must gradually reduce reliance on coal as our primary source of energy. Initiating tax on carbon emission could also significantly help to establish the concept of carbon pricing. Lastly, to have the green recovery lead to a carbon zero society, there are several challenges.

The first challenge is what sort of decarbonized society we are trying to achieve. One can be Japan's version of green recovery. We must share in the sense of crisis in the society and make it the government's official stance to head to a decarbonized society. With this in mind, areas such as the social system and lifestyle should shift towards renewable energy, efficient use of energy, and IOT/AI/ICT use. Moreover, energy conversion to renewables must be made on the axis of economic recovery. Finally, we must come up with contingency plans for those industries that will be negatively impacted because of the transition to decarbonized society. Thank you everyone, for listening.

### **KIM Sang-hyup**

There was an informal climate talk. From the United States, John Kerry, recently chosen as presidential envoy for climate for the Biden administration, participated. For China, Xie Zhenhua, an expert who has paid close attention to climate change in China, participated in the informal talks. Lastly, Ban Ki-moon, current Chair of the National Council on Climate and Environment, participated. There was a high-level talk on November 11th of this year on climate change by these figures.

Biden has pointed out that the most significant difference between him and the Trump administration will be the climate. According to the New York Times, one of the decisive agendas in this year's election was climate change. What is most significant is that climate is no longer an auxiliary issue but rather a core issue that is fundamental in a presidential election.

Thus, the United States will return to the Paris Agreement immediately and engage in a large-scale Green New Deal for net-zero goals. The new administration highlighted that economic recovery would go hand-in-hand with efforts to thwart global climate change.

During the meeting, John Kerry's strong commitment to climate change prevention could be seen. He stated that climate and energy policies would move beyond the limited realm of environmental protection and be considered an integral problem of national security, economy, and industry. It was not announced at the time but, time and time again, Kerry expressed confidence that everything will change with him as the special envoy. Also, I met Kerry before during the signing of the Paris Agreement and what he was pushing for at the time was Mission Innovation. It consisted of Clean Energy and Technology, but he pledged that it would be a multi-trillion-dollar project. What was emphasized was that it is not our capabilities that were restricting the United States but our will. Also, he stressed that the US would return to multilateralism. In particular, he stated that the US-China cooperation is vital above all else. He believed that trans-pacific collaboration on climate change is essential, and he hoped that Korea and Japan would participate. The Biden administration will hold climate conferences with major countries within 100 days of inauguration.

Xie Zhenhua noted that China would reach its emission peak by 2030 and reach net zero in 2060, and a significant amount of monetary support is being directed towards this. He also expressed how much the world waited for the return of the US leadership. Xie also made a unique suggestion of creating a carbon market. As previously mentioned in our talk by

Professor Qi, this is an initiative of green finance. Korea initially adopted a carbon trading scheme, which was followed by China. Japan is doing it partially, and the US's envoy Kerry proposed a bill of that nature, which was not passed, but California is currently implementing it. Thus, as Xie suggested, emission trading schemes could boost the level of cooperation in the region.

Ban Ki-moon was representing not only Korea but the UN's perspective. As we have seen, Korea pledged carbon neutrality and a multi-billion investment for the Green New Deal. Also, next year, Korea is expected to hold a Green Growth and Global Goals summit. Ban emphasized the need to create a Quadrilateral Cooperation Group, including the United States, Korea, Japan, and China. Cooperation among countries ranked in first, second, fifth, and seventh in terms of emissions would bring unprecedented changes. The Green Climate Fund that Korea is hosting was expected to gather 10 billion dollars, but the United States' rejection made it impossible. Ban emphasized the need for the US participation.

There can be many ways for cooperation, and a global agreement such as the Paris Agreement is not enough. Special Envoy Kerry stated that to promote changes, like-minded countries must cooperate as well. Professor David Victor and I, who also participated in this conference, argued for a Quadrilateral Green Club to solve this problem.

Hydrogen is becoming a favorite in supplementing carbon as it has a significant amount of energy density. Also, Kerry emphasized the need for the future development of nuclear power. China, Korea, and Japan all have essential infrastructure and technology in regards to nuclear power. Also, electric cars, autonomous driving, digital electricity grid, and carbon trading are fields that the three countries are leading. Moreover, the three countries are leading some critical organizations. Japan is leading ADB, China is leading AIIB, and Korea is leading GCF, so multilateral cooperation is also possible in this area. If the four countries cooperate, the Paris Agreement can be significantly improved. Also, as Professor Matsushita stated, green recovery should coincide with economic recovery.

Whether Climate Detente is possible between the US, China, and Northeast Asia, the answer is not clear. When I was in the Jeju Forum, I had the honor of speaking with Thomas Friedman, Sunghwan Kim, and Hee-ryong Won on this issue. During the forum, it was made clear that on the high tech & security front, confrontation will continue. On the other hand, in the field of pandemic and climate change, they will cooperate. However, climate change is a field that needs at least trillions of dollars as an investment. Also, as John Kerry noted, it's a security issue.

## **CHANG Xiuze**

Time and again, experts have discussed three main ways to increase cooperation between Korea, Japan, and China. The first is technological cooperation. The second is economic cooperation about demand and supply, means of production, and investment. The third is information cooperation and the standardization of laws and regulations overseeing the sector.

My contribution to today's dialogue will explain the collaboration between our nations in establishing environmental property rights.

For over 2,000 years, Chinese philosophers have promulgated the idea of “Tian Di Ren”-the three elements of heaven, earth, and people. Subsequently, I introduced the concept of a “Tian Di Ren” for property rights ten years ago and even wrote a book about it. In my book, I proposed a broader meaning of property rights, including environmental property rights.

For a long time, environmental property rights did not exist. However, with the signing of the Tokyo Protocol in 1997, the international control and regulation on CO<sub>2</sub> emissions came into effect. With it began the discussion surrounding the property rights of CO<sub>2</sub>. While CO<sub>2</sub> is not a property, its conversion into an economic resource converts it into a property. This view, in effect, brought environmental property rights into existence. Similarly, in our roadmap to a green revolution, there is a need to create property rights for other elements found in nature. Such rights should not be occupied by one nation but shared commonly between our civilization so that our governments can cooperate further.

Also, we must establish a relationship between the contributors and detractors of environmental property rights. There must be clear guidelines outlining those who have contributed most to the environment's damage and hold them responsible. As Director Kim of the Jeju Research Institute stated before me, environmental rights must be about responsibility.

In China, we have begun to develop parts of environmental property rights. The China Hubei Emissions Exchange opened in 2019 and has seen a market capitalization of ¥340,000,000. Many experts in South Korea and Japan are surprised at the high amount of trade within the exchange. I can say that China has successfully established CO<sub>2</sub> property rights in the region. Two days ago, the Exchange recorded 1,317 tonnes of trade worth ¥367,000,000.

I believe that there is much that our three nations can cooperate on the issue of environmental property rights. I also request everyone to please come to Hubei and witness the world's largest environmental property exchange.

### [Q&A and Discussion]

<Question 1> Please explain China's roadmap to obtain carbon neutrality by 2060.

**QI Ye:** The government has planned the road map under the 14<sup>th</sup> Five Year Plans and the 15<sup>th</sup> Five Year Plans, from 2021 to 2025 and from 2016 to 2030. According to research conducted by the Institute of Climate Change and Sustainable Development at Tsinghua University, which I am also a part of, the amount of carbon emission is expected to peak in 2030, and carbon neutrality will be obtained in the year 2060. Results also show that we could move up the date and achieve carbon neutrality by 2025. There have been different opinions that suggest getting carbon neutrality before carbon emission reaches the peak. However, this plan can face a cost problem. It is more effective to reach the peak then obtain carbon neutrality, as the cost of non-

fossil fuels, such as solar energy, wind energy, and hydrogen energy, is decreasing at a fast pace, which is also reflected in the government's plan. Perhaps a clear vision for government plans will come out before the two sessions are held in March next year.

**<Question 2>** What is Japan's stance on the quadrilateral meetings and do you have any recommendation for figures who may participate in the meetings?

**MATSUSHITA Kazuo:** Japan stands positive on having high-level quadrilateral meetings. In Japan, Shinjiro Koizumi, the Minister of Environment, took the initiative in September this year and established the online platform for green recovery to overcome the COVID-19, climate change, and the implementation of the Paris Agreement where Ministers of Environment and significant figures from many countries participated, including Secretary-General Ban. In that, I think it is meaningful to have quadrilateral meetings aligning with the initiative. We will take a review for qualifying personnel then give you recommendations.

**AHN Choong Yong:** Amid the US-China trade war and the Cold War, we shared good opinions that we can overcome this challenge with Climate Detente. The discussion could be further extended from the environmental issues even to trade points once the three countries create mutual trust. China, Japan, and Korea are the world's leading manufacturing production bases that rank the highest in carbon emissions. Since we are geographically close to each other, I hope that the three countries continue to solve the COVID-19 and climate problem with a firm conviction. Having quadrilateral meetings with the U.S. joining us, which President Kim suggested, can be a key to deal with the COVID-19 issues, economic cooperation, and acts against climate change. A Japanese author's book is crossing my head that says nature also has property rights, just like humans have human rights. I wish that the environmental issues rise to the attention as China, Japan, and Korea continue to work together.

**Session 3****Economic Impacts of COVID-19, Recovery Strategies, and Social-Economic Policies for the Aged****November 25th, 2020 14:30-15:30****Moderator: KIM Sang-hyup (President, Jeju Research Institute)****Speakers:****QIU Guohong (Former Ambassador of the P.R.C to the R.O.K)****INAMURA Takuma (Director of the Healthcare Industries Division at Ministry of Economy, Trade and Industry (METI))****KIM Jung-Sik (Professor Emeritus, School of Economics, Yonsei University)****OGURO Kazumasa (Professor, Faculty of Economics, Hosei University)****TIAN Xueyuan (Academician, Chinese Academy of Social Sciences)****YI Insill (Professor, Graduate School of International Economics, Sogang University)****YOSHINO Naoyuki (Professor Emeritus, Faculty of Economics, Keio University, Visiting Professor of GRIPS)****QIU Guohong**

I would like to thank the East Asia Foundation for inviting me to today's dialogue discussing the future trilateral relations between Korea, China, and Japan. In a post-pandemic world, economic cooperation and close coordination in response to COVID-19 will deepen ties between the three nations.

These partnerships have already born fruit to tangible results. Several bilateral and multilateral cabinets approved the meetings discussing the response to the COVID-19 pandemic, which have created a positive political atmosphere between the three nations. They have engaged in high-level talks regarding quarantine and restriction measures, creating a flow of dialogue. This has bolstered bilateral relations and created a positive political atmosphere. While conflict and confrontation were shared between the three nations before the pandemic, the COVID-19



pandemic has mitigated many such issues and has provided an essential change in the overall political mood.

Also, the three nations have increased economic cooperation by establishing the fast track movement of business personnel. Regular operation of value chains, supply chains, and logistic chains continued as a result, and many companies were able to return to work and production quickly. This has created a solid foundation for the region's economic recovery and future trilateral cooperation.

Finally, through excellent responses to the pandemic, the three nations have left valuable examples for the rest of the world to follow. This has increased the region's influence around the world and has created a common, united identity.

In the future, this collaboration will continue to deepen and internalize the region's trilateral cooperation. China has seen the fastest economic recovery in terms of gross domestic product(GDP), showing a 3.2% gain in this year's third and fourth quarter compared to the first quarter's -6.8% growth rate. This was partly due to the rise in the total value of trade between Korea and Japan, which increased by 1.1% and 1.4% respectively for the third quarter.

How can Korea, China, and Japan further pave this path of cooperation?

A summit meeting will play a key role in bolstering relations between the three nations. It is to my knowledge that Korea is the host of this year's trilateral summit and is in the process of fine-tuning the details. I hope the finalization of the summit's plans is expedited for a summit shortly.

With the signing of the Regional Comprehensive Economic Partnership(RCEP), the legal basis of a trilateral free trade agreement(FTA) has come into place. This agreement will support a trilateral dialogue in a post-pandemic age. Korea, China, and Japan have discussed an FTA for over three years and have achieved a consensus on critical issues. I hope that the three nations make the necessary concessions to bring closer the date of the agreement's formal signing.

Cooperation in elderly welfare, artificial intelligence(AI), high-speed networks, and environmental protection will also bolster industrial cooperation chains and achieve economic growth for all three nations. Such industries require large investments, high skilled labor, and long value chains. Hence, the three countries can converge industrial structures and put high commercial complementarity to share funds, skills, and talent. There is much potential for future growth together.

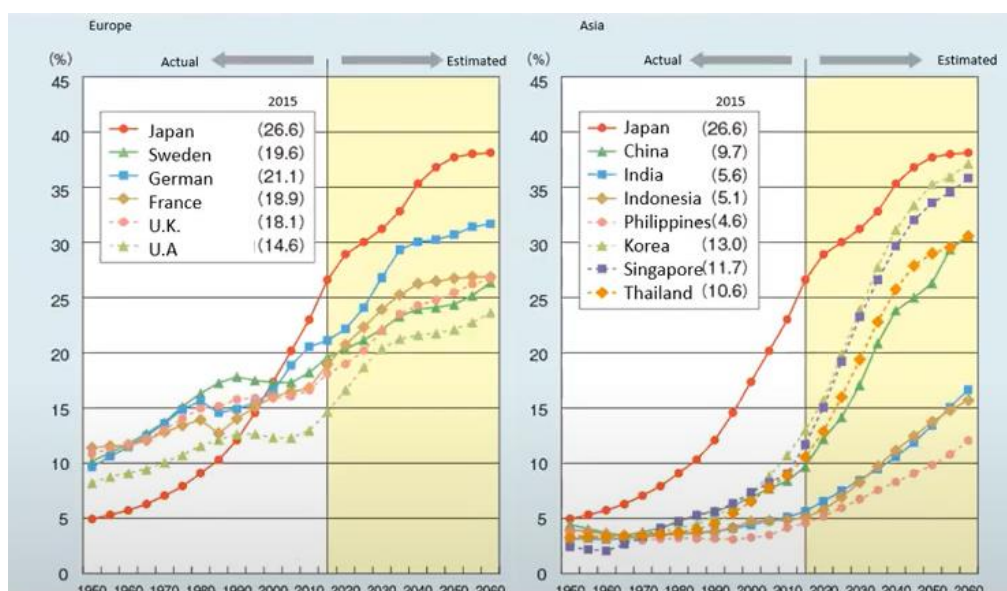
Finally, companies in the region must increase cooperation outside markets, such as in the fields of high-speed networks and rail. In the past, they competed with each other and created a comparative loss for each other. Hence, such companies must increase bilateral or even trilateral cooperation for a win-win situation in foreign markets. They must also actively utilize the Association of Southeast Asian Nations(ASEAN)+3 system to further integrate their businesses.



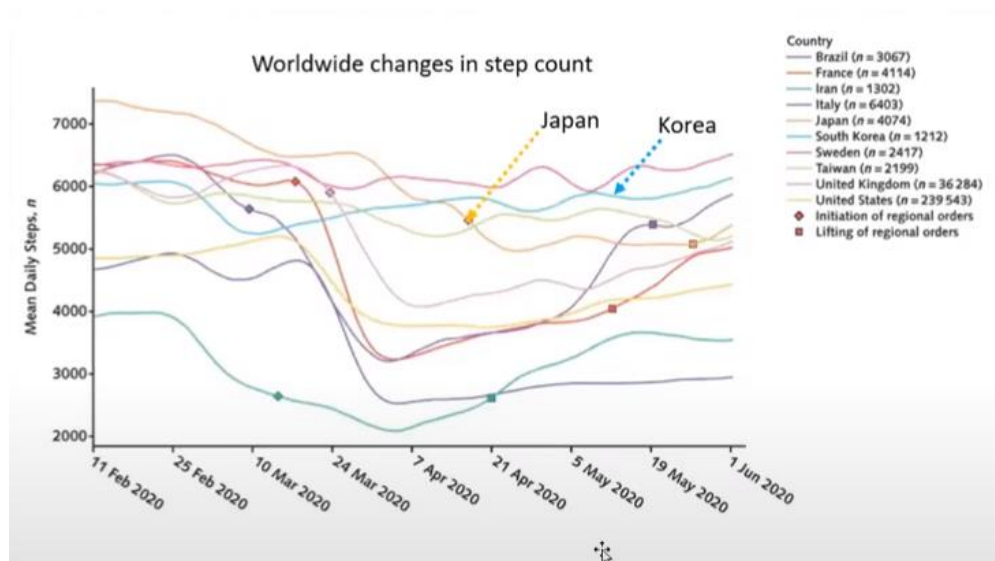
Shifting international situations must also result in a shift in policies. De-globalization and uncertain United States-China relations have significantly impacted the global economy, security, and politics. The United States views China as a competitor and has engaged in pressure tactics. Amid this chaos, Korea and Japan have leveraged their traditional alliance with the United States to check cooperation between the United States and China in the high-tech sector. A complex power tug is expected in the foreseeable future. While paradoxical, the three nations must overcome these obstacles and increase cooperation. I believe that mutual economic growth will benefit all parties involved and even branch out to multilateral trading systems and partnership in fighting climate change. The future is bright for the Korea-China-Japan relations. Thank you.

### INAMURA Takuma

Today, I would like to discuss new healthcare tasks for the government in the age of the COVID-19 pandemic.



In the graph, the red line represents Japan's population aging rate, which has quickly increased in recent times. Compared to the European and American countries on the right, we can observe that our rate of population aging is comparatively high. The nation's share of the population aged 65 and above is 28%, and I expect this to rise to near 40% by the middle of this century. This phenomenon is also occurring in other Asian countries like China, which is experiencing an aging population. Hence, it is the government's job to develop its existing healthcare systems and healthcare industries to increase healthy life expectancy in the long run.



In the wake of the COVID-19 pandemic, there has been a decrease in physical activity. This graph shows the average amount of activity by people in each country. Thanks to developed public transportation network in Japan, we can see that Japanese citizens took an average of 7,000 steps a day. However, after March, the daily number of steps quickly decreased. Measures like work at home increased the time people stayed inside and reduced the total amount of movement. There was an even higher rate of decrease for citizens in European and American countries. On the other hand, Korea was quick to recover from the pandemic, and we can see that its step count soon returned to normal. While all countries experienced the pandemic differently, the overall amount of activity and movement decreased.

80% of elderly Japanese citizens replied that their frequency of going out decreased with the COVID-19 pandemic. Subsequently, the amount of stress from not being able to meet friends and pursue hobbies increased. This was a similar case for working people in Japan, who suffered from “stiff shoulders” and deteriorating mental health due to a lack of communication from working at home.

Such health problems related to COVID-19 affect the elderly significantly. Isolation from social activity lowers them into a spiral of lack of exercise and causes cognitive decline. While such issues have been pointed out before, the COVID-19 pandemic has brought the problem to the spotlight. There is a need for the active use of digital technology to solve this problem. Currently, in Japan, many PCR examination forms are written by hand and submitted via fax. Many have pointed out the low use of information technology during the pandemic, which was keenly felt.

To this end, the Japanese government is pursuing a proper utilization of digital technology for health management. Building up and maintaining an information base is a vital policy task. For most Japanese citizens, there are annual health checkups at schools and work. However, the information is stored in separate databases. We plan to combine the database under one umbrella that can be individually accessed through applications using the National ID number system. Next year, health checkup data will be available through such applications and daily

activity by each user will be stored. This will help people to maintain their health properly. Also, people will be able to share their medical information with doctors for effective treatments. With the proper use of data, the prevention of health risks will become possible. I believe that it is the role of the government to address these issues gradually and respond accordingly.

### **KIM Jung-Sik**

I will approach the effects of COVID-19 from a macroeconomic point of view, highlight the problems it has created for the elderly, and suggest solutions.

The unique characteristic of the COVID-19 pandemic has been the increase of contactless spending, as traditional methods have a high risk of spreading the virus. This has reduced domestic consumption and demand, and the economies of countries with high domestic demands have been the worst hit during the pandemic.

The following table shows the trade dependency ratio of each country.

**Trade Dependence Ratio in CJK  
(2019)**

Country	Trade Dependence Ratio(%)
Korea, South	63.7
U.S.A	19.3
Japan	28.1
China	31.8

Note : Trade Dependence Ratio=(export+import)/ GDP  
Source : BOK, economic data system

As you can see, Korea has high exports and trade while the U.S. and Japan have inverse economic structures, with low amounts of trade. China previously had a high trade dependency ratio but is decreasing the amount of trade. Countries with a high trade dependency ratio and low domestic demand have been the least affected by the COVID-19 pandemic, as seen in Korea, which is relatively well off than other developed nations.

This trend can also be seen in the IMF's World Economic Outlook. China quickly overcame the COVID-19 pandemic to show a 1.9 point growth in 2020. On the other hand, Japan and the USA reported a large deficit in economic growth rate. With a modest deficit of 1.9 points, Korea experienced a comparatively shorter recession than these countries.

The second characteristic of the COVID-19 pandemic is its unique effects on the elderly. It has expanded economic inequality. The pandemic-called recession has led to high unemployment, a decrease in the number of jobs, and an increase in income inequality. Also, low-interest rates

and the subsequent growth in money circulation have led to a rise in property and stock value, further increasing wealth inequality.

The third characteristic is digitalization. The rise of contactless trade has quickly increased the process of digitization. On the one hand, digitalization decreases the number of jobs and increases the number of people working from home, but on the other brings innovation and investment to the economy. Digitalization has a significant impact on the welfare of the elderly, which I will speak about in-depth later.

To address these three characteristics, China, Japan, and Korea are using similar methods. They have implemented expansionary fiscal policies, eased monetary policies, removed government regulations to stimulate investment, depreciated their currencies to increase exports, and propped up protectionism for their domestic economies. This has increased the Base Money Supply, lowered interest rates, and increased exchange rates against the dollar.

So, what are the COVID-19 pandemic's critical, adverse economic effects for the elderly? And what policies can the government implement to combat these issues? First, due to economic recession and a decrease in income, there is a high possibility that the elderly will face a reduction in income. For this problem, the government should increase state welfare for the elderly and help provide jobs.

The elderly also have weaker immune systems and have a comparatively higher mortality rate to the COVID-19 virus. The government must prioritize the elderly for vaccinations.

Digitalization also plays a crucial problem for the elderly in times of the COVID-19 pandemic. The elderly usually cannot use the internet and have less knowledge of online financial transactions. The government must work towards providing solutions to this issue.

Finally, inequality also has the most significant effects on the elderly.

So how can China, Japan, and Korea respond to this issue? From a macroeconomic perspective, the three nations should increase cooperation in trade and decrease protectionist policies. Also, they must cooperate to prevent an exchange rate war. Moreover, all three countries should implement economic stimulus policies to increase jobs for the elderly and promote corporate mutual investment in the process.

### **OGURO Kazumasa**

I would like to share the current status of the economic and Public financial situation regarding the aging population.

As many reported in previous sessions, the aging population is adversely affecting many countries' macro-economy and even registering negative growth, especially in face-to-face service industries. In contrast with the Lehman Brothers crisis, damage to financial institutions was less, and the economic recovery was pretty fast due to a massive public financial policy scale. Looking at the impacts on households in Japan, we can see a distinctive characteristic

that has a limited effect on the aged, whereas massive implications on the young. An annual government budget of approximately ¥140 trillion to finance the pandemic measures later expanded to ¥160 trillion as the first and second supplementary budget was approved by the cabinet. The government debt is expected to increase further once the cabinet approves the third supplementary budget, which is currently being discussed. We must also consider the reimbursement of government bonds that are being issued. Similar difficulties apply to China and Korea as well, and this necessitates joint efforts.

Secondly, the movement for a digital government has been activated in Japan. The new administration is establishing an office of digitalization as an exclusive policy. Korea successfully constructed an advanced digital government. This matter elevated concerns in Japan when the government failed to provide the cash transfer of ¥100,000 per citizen as the COVID-19 infections escalated. The United States, Australia, and Korea were able to distribute funds instantly, but Japan was unsuccessful. This provoked a strong movement for establishing a digital government, and the current administration is operating to implement a specialized office. Amidst such circumstances, within the theme of an aging population, essential financial functions include resource distribution, redistribution, and economic stability. A ‘push’-form administration is crucial. We must perceive the former ambiguity of the administration and redistribute accordingly. Efficient redistribution requires indexing bank account numbers when distributing cash benefits. Japan is presently in need of such policies.

Thirdly, the COVID-19 crisis can also be recognized as an issue between generations. Although accurate data remains inadequate, key factors include the current generation and future population growth regarding an aging population. Social isolation due to COVID-19 could influence the birth rate. Suppressed personal encounters may reduce the birth rate among the younger generation. Additionally, as mentioned in previous sessions, COVID-19 has drastic effects on the younger generation and human resources employment. Digital management devices such as ZOOM conferences may substitute practical work to some extent, which altered employment in Japan. The government is preparing various countermeasures, but research demonstrates that productivity in the workplace plunges 70%. Even with additional devices, we must strive to continue raising productivity.

Furthermore, the problem of inequality persists. Seniors receive stable income through public pensions, whereas temporary workers of the younger generation are severely impacted. We must take precautions against economic polarization in the future.

Lastly, despite such difficult times, crises provide opportunities for reformation. In Japan, online diagnosis and treatment, online education, the digital office, cashless payments, FinTech, and digital Yen rose as discussion points. Alongside this session’s theme, to maintain political and economic stability in the East Asian region, CJK must propose resolutions for such agendas.

I would like to share one final slide on how Japan could resolve this situation. As a developed country with a declining population, new policies regarding the low birth rate and means of work must be considered. Under the theme of an aging population, the reform efforts of public



pension, healthcare, and social security must be shared and implemented among countries. To this, the current slide shows a senior-friendly, workable city.



As COVID-19 infections also impact long-term care, we must collaborate to build cities that can stand against infectious diseases. I look forward to further cooperation among CJK for overcoming the issue of the aging population.

### **TIAN Xueyuan**

My presentation's main subject is 'Effective Countermeasures for the Aging Population in the Post-COVID Era,' and 'CJK Join Hands for Coexistence and Co-prosperity.' Professionals have already proposed profound ideas, and I would like to add to the discussion by briefly introducing my research. As everybody understands, the 20<sup>th</sup> century was marked by a boom in population, while an aging population distinguishes the 21<sup>st</sup> century. According to UN estimates, the population of 65 years or older in the year 2000 was 6.8%. The UN predicts that this number will rise to 10.4% by 2025 and 16.2% by 2050. A large gap exists between developed and developing countries. However, the aging population will continue in the latter part of the 21<sup>st</sup> century at a relatively slower pace. Under the circumstances of a rapidly aging population, elderly in poverty has become a universal social phenomenon. The UN observed the year 1999 as the Year of Elders Worldwide, along the theme of 'A society that everyone enjoys regardless of age.'

Entering the 21<sup>st</sup> century, the coronavirus attacked humanity in three waves: SARS, MERS of 2012, and the recent COVID-19. Now, we will soon encounter the post-COVID era. We cannot disregard the grave impacts of COVID-19 on the economy, population, science and technology, and society. The elderly, one of the weakest groups in society, suffer most from the virus and its aftereffects. This sufficiently proves the vulnerability of elders. Such problems severely burden the recovery from COVID-19, and makes accelerating social and economic development in the post-COVID period and implementing the UN's goals difficult. Thus, confronting the matter of aging population must be seriously reassessed.

The East Asian region centered around CJK experiences the aging population's severity while simultaneously implementing the most effective preventive measures against the pandemic. Therefore, the three nations must move forward to cooperate on this issue. As you may already know, Japan records the most severe case of an aging population, and China and South Korea

are catching up quickly. The three countries have reached a critical state, and CJK all hold theoretical experience responding to the aging population's issue. Therefore, the three countries can learn from and provide models for each other.

Today, I would like to introduce three ways this can be done. Firstly, we must increase academic exchange and share theoretical thinking strategies in dealing with the aging population. Recently, books on the aging population from Japan and South Korea are being translated into Chinese for the Chinese market. A book that I personally wrote was published in Japan around ten years ago. 'Aging Population and the Middle Income Trap,' a book that I also wrote, is soon to be translated and published in Korea. The three nations, similar in culture and social problems, including an aging population, must prompt academic exchange. Secondly, we must reconsider the level of seniority guarantee and ability to prevent infectious disease through the reformation of seniority guarantee policies. Lastly, we must actively seek solutions for an aging population's issues and protect the commonly shared traditional culture of respecting and supporting elders, ultimately constructing a society of co-prosperity. We must move past simple manuals and take immediate action. Such procedures should not be exempt but fully incorporated in the post-COVID era.

## YI Insill

The population is an issue that affects all facets of our lives, including my expertise, the economy. Today, I will briefly discuss the aging problem in Korea and discuss some of the possible solutions.

Although the current aging level is lower than in Japan, Korea is an unprecedented case in the progression rate into an aging society. Previously someone has pointed out that the birth rate might decrease due to the COVID-19 crisis. Actually, in Korea, the total birth rate in Korea in 2018 was 0.98, and this year, we have seen a steady decrease due to the pandemic as it was 0.9 in the first quarter, 0.84 during the second quarter, finally reaching 0.82 in the third quarter.

Also, we see a rapid increase in expected life expectancy, which exacerbates the rate of aging in Korean society. Due to rapid aging, by 2050, the proportion of the elderly (ages 65 and above) will be around 40%. Also, by the same year, it is expected that Korea will be the country with the most elderly population in the OECD and the second-most in the population of ages 80 and above. By 2065, Korea's portion of the elderly is expected to reach 42%, which will be 3.8% higher than Japan.

Thus, it is expected to create various problems such as insufficient labor population, decreased quality of labor, increased medical fees, and higher social costs for taking care of the elderly. The fact that all these problems will have a detrimental effect on economic growth is a well-known fact. This issue is particularly difficult for Korea because the progression is so rapid that measures to counter such problems cannot be developed in time, and Korea does not have an example to learn from when it comes to these issues.

We have devoted a tremendous amount of funds to alleviate this issue, but the reality is that the birth rate is decreasing. Looking at 2018, individual's spending on medical fees were lower



than that of OECD's average. On the other hand, the rate of expenditure on medical fees was the fastest among OECD nations. In the last five years, from 2013 to 2018, the increase was 7.3%, which was the fastest among the OECD nations. However, caretaking personnel per 100 people for the elderly was around 3.5, much lower than the OECD average. At this rate, from 2010 to 2060, the Korean government's spending increase on elderly and medical fees will be the highest among OECD countries. Depending on what sort of policy-decision the Korean government makes, the rise in government spending on elderly care can range from 4.9% to 9.4% of Korea's GDP.

Thus, it cannot be overemphasized that an appropriate course of action must be taken to increase the healthy life expectancy of the Korean people. In the age of the pandemic, active financial measures such as quantitative easing released a large amount of cash in our society. Due to social distancing measures, they have led to the expansion of contactless businesses. However, the aged population was not able to catch up to such rapid changes. According to last October's statistics, the number of infected was around 25,000 in Korea, and the proportion of 60 years or older was about 27%. Among the deceased, 93% were 60 years and above. Over half of the dead were found to be 80 years and older. This statistic shows that COVID-19 is much more lethal to the elderly population.

Also, limited social contact was available for the younger population by commuting to work and social networking services. For the elderly, on the other hand, many community facilities were closed, making religious or social activities difficult for them, which led to their isolation. Closing off from the community has been shown to exacerbate depression and dementia among the elderly population. Specifically, in Korea, elderly households account for 21.8%, and those who live alone account for 34.2%. For the last ten years, the portion of elderly living alone increased 50%. When taking a look at this, COVID-19's detrimental effect is particularly devastating towards the elderly.

In Korea, most of the efforts and resources are currently focused on preventing and tracking the disease. However, less attention is being paid to the elderly, whose health expectancy and the pandemic severely impacts the quality of life. What we see in the media is censures against caring home for the elderly for spreading the disease. Thus, we need a different approach for the elderly population. Specifically, for the elderly, psychological problems such as depression and memory loss are severe issues. More than emotional symptoms, we see more physical and psychological symptoms among the elderly. Thus, we need to develop ways to mitigate the negative impacts brought on to the elderly by the social distancing measures. Also, we hear a lot about vaccines and remedies for COVID-19. I think we need a specific approach for the elderly population on these matters as well.

There is something particularly characteristic to Korea's aging society. Unlike other countries such as Japan, Europe, China, or the United States, the baby boomer period started 7 to 8 years later than other countries due to the Korean War. Recently the baby boomer generation has now become the elderly. This generation led Korea's industrialization, and their purchasing power is different from previous baby boomer generations. Also, this generation is the one that will lead the elderly population in Korea. They have a tendency towards individualism, which

leads them to dedicate a more significant portion of their capital for themselves. Also, they are very adept at utilizing IT services and have a great demand for this. Besides, they have a great interest in health services. For example, according to Auction's (Korea's online shopping venue) statistic from 2014 to 2018, Korea's baby boomer generation's consumption was 1.3 to 1.7 times higher than other generations.

Lastly, according to professionals in the medical field, around 500,000 to 800,000 strands of the unknown virus still exists. Even if COVID-19 is eradicated, we have no idea when a new disease will arise. Medical management services around the world are focused on treatment, facilities, and hospitals. However, I do not believe it is adequately dealing with changing nature of diseases and demands for health services. Around 50% of the elderly population in the OECD countries have at least one chronic condition. Those who are 75 years and older have at least three or more. Thus, we must develop a medical management system that can effectively combat the disease's changing nature and its variety. Especially, digitalization through using big data can be a useful measure. If the three countries can closely coordinate, I think It would be beneficial for all.

### **YOSHINO Naoyuki**

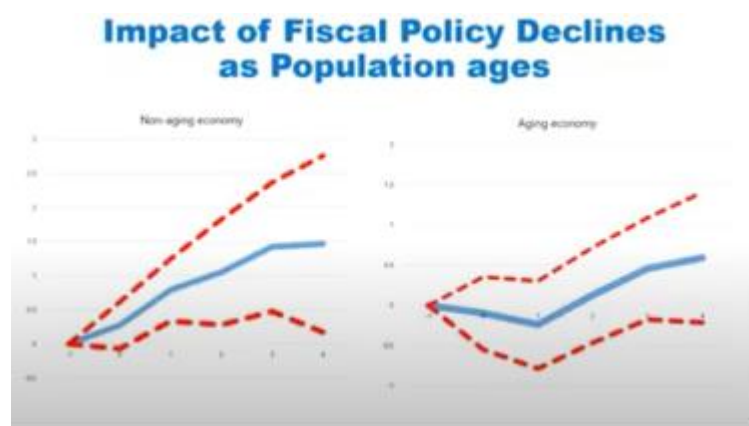
I will be addressing two points today. The first is the declined effectiveness of monetary and fiscal policies in the face of an aging population, and the second is re-thinking the Domar Rule. In response to COVID-19, government spending and budget deficit rocketed in numerous countries. The Domar Rule, which compares interest rates and economic growth rate, can measure economic stability. The Domar Rule only applies to the United States, so the supply and demand of government bonds must be considered to measure fiscal stability for other countries.

Regarding the aging population, I propose the DSGE model that incorporates household and business sectors, financial institutions, and government structures. I will also explain the change in the effects of monetary and fiscal policies as the number of seniors and retired increases. Firstly, the rate of consumption will plunge. As retired seniors become dependent on pension and housing aid without individual income, results verify that spending will significantly decrease. Secondly, as the population ages, the budget deficit will increase taxation, raising the tax burden on the younger generation, resulting in a decrease in disposable income. This will further discourage consumption and investment because less consumption of goods diminishes investment in businesses. Such are the effects of an aging population.

Under such circumstances, what monetary policy should be enforced? Monetary policy focuses on decreasing interest rates and promoting business investments. The effects are significant for a working population. As businesses produce more profit, wages will rise, and subsequently, consumption will also expand. This cumulative effect is the key to monetary policy for economic recovery. However, if the senior population grows, since they do not work, individual company performance will not improve even if the monetary policy lowers interest rates. Seniors in the East Asian region possess financial assets in deposit savings, but as interest rates decline, interest payments will also be reduced. This negatively impacts seniors as they

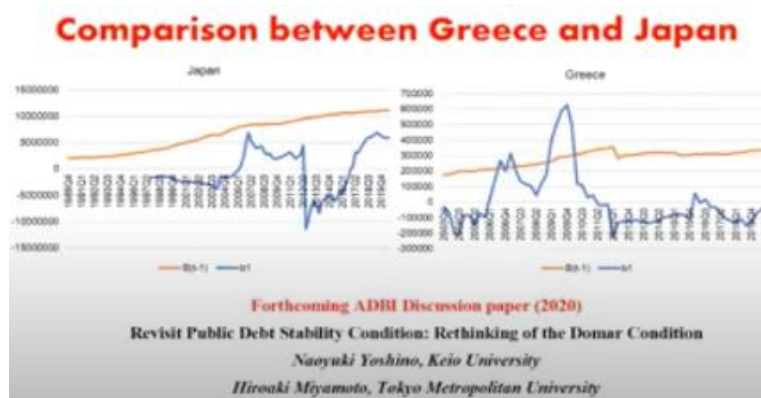
do not benefit from bonus incomes or interest payments. Hence, as the population ages, the effects of expansionary monetary policy become invalid. This is one reason that Japan's monetary policy failed to show effective results.

Secondly, let us examine the effects of fiscal policy. A fundamental principle of macroeconomics is incorporating fiscal policy when monetary policy proves ineffective. However, macroeconomics underlines the assumption of a working population. As the number of retired surge, fiscal policies used to create new jobs will not be applicable. Contrary to this, those searching for new job positions may find long-term work in accordance with the effects of fiscal and reflation policy. As such, fiscal policies are efficient for a working population, but unproductive for a retired population. This graph displays the impact of fiscal policy declines for the aging and non-aging economies of OECD countries.



For the aging economies, the financial increase is only 0.6, in contrast to the 1.5 increase for non-aging economies. In aging economies, the financial increase is less than one, which implies fiscal policy's ineffectiveness. Although Japan is providing for income security in response to COVID-19, this only means government spending, not economic recovery on a macro level. Governments must strive to extend healthy life and transform income to be suitable for productivity to be employed for as long as possible to manage such issues. This also suggests the friendly use of robots and digitalization.

Next, regarding fiscal stability, this graph demonstrates distinctions between Greece, a country that experienced government bankruptcy, and Japan, a country that did not. Japan had domestic investors for government bonds, while two-thirds of Greece's government bonds were held by overseas investors, in which negative impacts ultimately led to government bankruptcy. In this figure, the blue line indicates interest rates. For Greece, interest rates soared, and interest payments also expanded. The black line signifies Japan, and because holders of government bonds were domestic investors, interest rates declined and exhibited utterly different results. Therefore, domestic holders of government bonds drastically influence fiscal stability.



Lastly, Asian countries are suffering from a budget deficit. While the debate of how the budget deficit will lead to bankruptcy is an ongoing matter, a key factor is the Domar Condition, which compares interest rates and economic growth rates. As presented in the bottom part of this picture, when interest rates are higher than the economic growth rate, the economy is unstable. In contrast, if interest rates are lower than the economic growth rate, the economy is stable. The recent Nobel Prize winners Paul Krugman and Tirole applied the Domar Condition to Japan and claimed that Japan is relatively secure since interest rates remain lower than the economic growth rate. However, such assumptions only presume the supply of government bonds. The revised Domar Condition highlights a balance between supply and demand, government bonds' elasticity, and the balance issued. The large B and small B on the bottom is the essential condition for stability. Comparing the elasticity of demand for government bonds and the balance of government bonds is a necessary procedure. In the case of Greece and Japan's public debt stability condition, I propose that a country will suffer from bankruptcy if the blue line rises above the red line and appreciate stability if the blue line resides below the red line. As illustrated in the picture, Japan maintains stability. According to my formula, the reason for Greece's bankruptcy is the decrease in demand.

The Domar Condition alone is insufficient for post-COVID fiscal stability in Asian countries. For the United States, demand from foreign investors increases, especially during crises. Hence, the United States is not concerned about demand but only interested in supplying government bonds. However, other nations must consider both demand and supply for fiscal stability. I will continuously emphasize this point to other countries.

### **KIM Sang-hyup**

As the retired population multiplies, monetary and fiscal policies become ineffective. Furthermore, the balance of supply and demand of government bonds is crucial. If we had the time, we could have addressed fundamental income theories, emergency relief grants, and governmental response to COVID-19. Further debate on subjects involving the increase in female workers' productivity as they work from home may be continued in later sessions. I have participated in the CJK dialogue for seven consecutive years, and as each year passes, I recognize the escalating value of CJK cooperative conversations. Each nation's historical, territorial, and security agenda may vary, but concentrating on commonalities such as COVID-19 and population change will allow for a more constructive CJK dialogue.

## Session 4

### Trade, Tourism, FDI, Regional FTAs, Tourism post-COVID-19 Recovery

November 25th, 2020 15:30-16:30

**Moderator: HARAOKA Naoyuki (Executive Managing Director of JEF)**

#### Speakers

**AHN Choong Yong (Distinguished Professor, Chung-Ang University)**

**FUKAGAWA Yukiko (Vice Dean, School of Political Science and Economics, Waseda University)**

**WU Shicun (President, National Institute for South China Sea Studies)**

**HIRAI Akira (Managing Director, Chief Secretary, Kyushu Economic Federation)**

**KIM Do Hoon (Professor, Sogang University / former President, Korea Institute for Economics and Technology)**

**URATA Shujiro (Professor Emeritus, Waseda University)**

**GUO Yanjun (Director, Institute of Asian Studies, China Foreign Affairs University)**

#### **HARAOKA Naoyuki**

The topic of Session 4 includes trade, tourism, and regional FTA. We will discuss the prospect of change in such areas in the post-COVID-19 era. As Chairman Kusaka mentioned this morning, beta globalization is essential. Exhibited even through the recent U.S. elections, although Biden won, many citizens advocate Trump's America First policy. Also, as was the main subject of Session 3, income inequality is escalating due to the pandemic, which leads to intense movements of domestic populism, nationalism, and anti-globalization. Amidst such circumstances, maximizing the merits of globalization and shaping necessary rules is substantial. Another critical subject will be the global contribution to this region through the RCEP, CPTPP, and CJK FTA, which we discussed this morning.

#### **AHN Choong Yong**

Starting from the first opening statement, many seem to welcome the conclusion of RCEP. About today's topic, I will propose the ultimate amalgamation of the RCEP and TPP for the successful economic integration of East Asia, aligning the challenges and opportunities that

confront us.

As most have mentioned before, Henry Kissinger claimed that COVID-19 is likely to alter the world order forever. As the pandemic progressed, we experienced the inversely related tradeoff between stringent lockdowns and economic recovery. Thus, although numerous countries had adopted outward-oriented strategies, because of COVID-19, most veered to take inward-looking, self-reliant, and even anti-globalization modes.

In such circumstances, South Korea-China-Japan, the CJK has performed better in controlling the pandemic than major western countries. CJK cooperation will provide a silver lining for the recovery of regional and global economies. Above all, the three nations will contribute profoundly to the return to multilateralism.

However, because we still face a high risk from excessive trade dependence on a particular country, after the COVID-19, management systems that diversify trade partners and inventory accumulation will prevail.

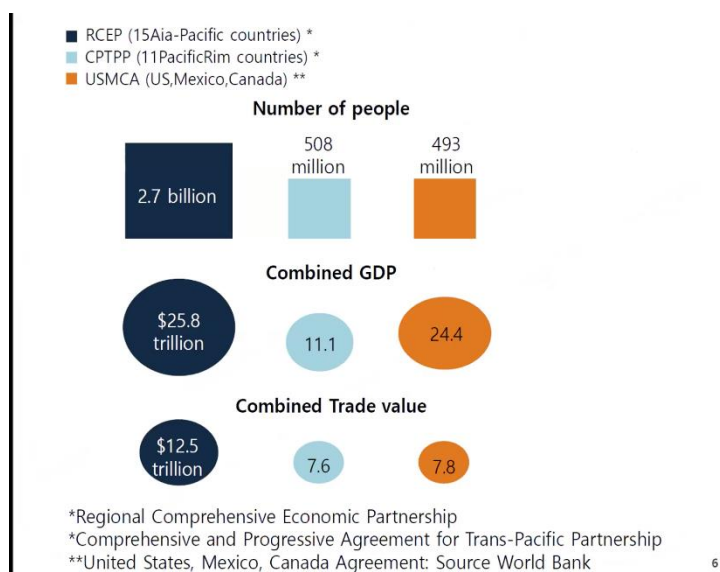
All the while, as some have stated this morning, the adoption of RCEP is encouraging news. Compared to the CPTPP, the RCEP's spectrum of liberalization and tariff reduction rate is of lower quality. However, the conclusion of RCEP signifies to reverse inward-looking strategies and invoke multilateralism and liberal order, as the RCEP contains twenty or so provisions related to such issues. RCEP can be a substantial contribution to East Asia's integration. The 28 rounds of negotiations have provided valuable lessons for various signatory countries to open domestic markets. Another significant aspect of RCEP is that it has resolved the commotion arising from differences in origin regulations of various bilateral FTAs by establishing unified rules of origin, or common rules. RCEP is the first official and multilateral framework in which the three countries, South Korea, China, and Japan, have become connected. This creates new momentum for an accelerated CJK FTA negotiation.

Even before the RCEP, the regional value chain, or the global value chain formed through the market, accounted for 50% of total trade worldwide. RCEP will reinforce the already developed regional or international value chain, and CJK must join efforts to avoid artificial damage to the natural supply chain.

This graph shows RCEP, CPTPP, and NAFTA, newly named by the Trump Administration as the USMCA.

The dark blue represents RCEP, and we can see that the number of people, combined GDP, and combined trade value is overwhelmingly higher. Although the spectrum of openness and tariff reduction rates of RCEP remains relatively low, such a comparison of statistics confirms the historical meaning of the RCEP.





The TPP, in which the U.S. was once a member, included the most comprehensive and liberalized provisions, especially the ISD and extended intellectual property rights. Such clauses were omitted during the transition to CPTPP. Efforts to revive the advanced provisions of the TPP is crucial. Despite the reduction to CPTPP, the Biden Administration is likely to return to the TPP, and the critical point is that when the U.S. joins again, we must not halt at twelve countries but expand the TPP. As mentioned in the opening remarks this morning, President Xi of China at the APEC summit has expressed interest in joining the TPP. South Korea, the UK, Indonesia, Thailand, Philippines, Colombia, Taiwan, and China have stated hopes to become members. Although the U.S., Australia, and Japan's stance on China's entrance are uncertain, embracing all these countries will take a long time, especially for the U.S. to rejoin the ISD, and the IPR extension clause must be incorporated. Although the process will be prolonged, I would like to emphasize the amalgamation of the expanded TPP and RCEP.

The convergence of these two massive free trade blocs, as I stated in my thesis from 2018, can be interpreted into three scenarios. The first is the convergence of the two gigantic blocs. The second is that, as observed through the Korea-US-China commerce policy, the U.S.-China conflict will continue, diminishing any possibility of convergence instead of bringing forth a two-way race. The third is muddling through the status quo. I, of course, claim that efforts towards convergence are essential. Singapore's Prime Minister Lee Hsien Loong asserted in the Foreign Affairs Journal that East Asian countries aside from China must avoid situations that compel them to line up behind either the U.S. or China, for this will result in the division and downfall of East Asia. This raises the significance of the U.S. and China to work as partners in the Asia-Pacific region.

Therefore, within East Asia, as I have used the term "Constructive Powers" here, an association of nations consisting of middle powers excluding the U.S. and China is necessary to propose constructive alternatives. This is not a matter of whether countries such as Japan or Australia side with the U.S. or China, but rather a matter of binding the U.S. and China within a common fence through maintaining an open and transparent trade order.

As you can see, the seven countries in the middle are members of both the China-led RCEP and U.S.-anchored TPP. If countries such as Korea, UK, and Indonesia join, the influence of

constructive powers will increase, and such enhanced power can be utilized to converge the two gigantic blocs. A necessary condition for eventual amalgamation is the upgrade of the quality of RCEP to match the TPP, including the level of liberalization, tariff cuts, and the abolition of various regulations related to non-tariff barriers, all working towards establishing a level playing field.

CJK can play a significant role in this process. CJK FTA negotiations started in 2002 and have gone through 18 rounds but have failed to show any progress. The conclusion of RCEP creates momentum for the CJK to collaborate. If the three countries effectuate the CJK FTA, this can function as a linchpin to trigger East Asia's eventual amalgamation. The fact that China, Korea, and Japan share a common framework through the RCEP is of great importance. This will also provide means to develop further the Korea-China FTA that remains at a superficial level.

Because this process requires a lengthy period, the CJK needs a combination of top-down and bottom-up approach. The top-down approach is for the institutional framework, such as the RCEP. The bottom-up approach incorporates local to local cooperation, including tourist and student exchange, between Fukuoka-Busan and Incheon-Qingdao. We must diligently cooperate in this area.

In conclusion, the middle powers, or constructive powers, must prevent the U.S. and China competition from turning into a trade war while boosting the quality of RCEP to match the TPP. Regarding North Korea's issue, if East Asia integrates under a free trade system with common norms and enjoys common prosperity, North Korea will not be able to stand on its own. Therefore, we can work together to bring North Korea into "CVID" denuclearization while constructing an external framework that North Korea cannot help but join. Korea, China, and Japan, must continue multilateral negotiations on a level playing field, accumulating mutual trust through non-aggressive relations on equal terms.

### **FUKAGAWA Yukiko**

The information that I will share today is perhaps similar to the opinions of various international trade experts. The conclusion of RCEP and the impact of COVID-19 is notably significant. Japan is already a member of both the TPP and RCEP, so the single remaining extensive economic negotiation framework is the CJK network. I would like to discuss how the CJK economic network should be designed with professionals from China and Korea.

As many have already mentioned, RCEP has yet to reach a high level. Nevertheless, because it covers a broad spectrum and involves young countries of great potential, the evolution of RCEP may resolve various matters. Amidst depressive times, the conclusion of RCEP is encouraging news. Its practical aspects are less emphasized, but RCEP impacts not only bilateral FTA but also the TPP. Members share an accumulation of a rule of origin that applies to this vast region. Common tariffs may not have been achieved, but the adoption of a common rule is noteworthy. For Japan, tariff lines between China and Korea have been liberalized. Zero-tariff items between China and Japan have increased from 8% to 86%, and the rate between Korea and Japan has increased up to 92%. Unfortunately, India was not able to participate.

Despite successful outcomes, the impacts of COVID-19 generate changes in the trade

framework. Firstly, trade in services was more severely impacted than the hardware trade. To break this down, traditional services, including travel, transportation, construction, and entertainment, were negatively impacted. Digital services, finance, and R&D experienced less damage. In terms of hardware trade, the calculations show interesting results. Actually it was more the supply chain disruption, rather than demand and supply themselves, that depressed trade. The first is ‘sustainability.’ Regarding the global value chain, efficiency and lowering costs were prioritized. However, the value of stability and sustainability will escalate, and consequently production base will diversify despite higher costs. Portions of FDI will be supplied by home countries, especially in the perspective of innovative enterprise with a large domestic market. Alongside, as digital transformation advances, manufacturing will not require physical labor, and thus, the value of data will exceed labor costs. Lastly, data related rules must be established. Currently, hardware trade is regulated by WTO guidelines, but data related rules remain insufficient. Ultimately, the deepening of the Security-Trade nexus and connection will emphasize institutional tools regarding data sharing. Similar countries that share data will intricately connect each other.

Under such circumstances, the agenda for CJK FTA is as the following. Firstly, the TPP in effect applies common tariffs through its emphasis on zero-tariff policy, utterly different from bilateral FTA. RCEP must decide whether to use common tariffs or halt at incrementally lowering tariffs. Through RCEP, service, and investments progressed to some extent. Because CJK has already established a global supply chain through FDI, the three countries will have to increase service and investment liberalization levels. The collapse of the supply chain has become an obstacle for trade.

Moreover, because CJK maintains dense relations, tariffs will be inadequate in settling areas such as SPS, Standard, IPR, and Competition. Unfortunately, Japan failed to resolve agricultural protectionism through RCEP. China and Korea are also relatively deficient in agriculture. We must alter our conceptions to incorporate food and energy security as a collective agenda for CJK cooperation. Aging society and the environment are topics that others have previously discussed, but I would specifically like to emphasize the issue of data.

As I have already stated, institutions affect economic ties very deeply these days. In all honesty, CJK relations are not at best terms, and the three countries encounter numerous conflicts. This all the more signifies the necessity to build trust. The business sector, including tourism, entertainment, and education, builds upon mutual trust to promote understanding as well. The Japan-Korea semiconductor supply chain undergoes friction, but Korean entertainment is widely consumed in Japanese homes, even more so during a lockdown. This is the essence of consumer-based service.

Furthermore, in the academic sector, basic research for public goods must be conducted together, as European countries do, to vaunt any particular country’s superiority and cooperate towards providing public goods. If the three countries do not cooperate in this area, it would be difficult to expect any other countries to take action in Asia. Establishing multiple interfaces for trust-building channels is vital as well. Gaps between generations exist within each country. The young generation is borderless through social media and, hence, conforms to similar ideas, even more so than with the older generation. The channels must not be simplified and limited

to governments but expanded to generation, gender, and local exchange.

Data is unquestionably a new agenda. Because various sectors utilize AI and data, common data-related rules are crucial for FDI and service sectors, especially since B to B, B to C, and C to C models are dissimilar. Concerns related to an aging society and the environment continuously are challenging and inefficient to resolve without involving social business. Cooperation for data pool/archives and evidence-based policies is essential. Because data qualitatively differs from goods, data flow would be unlike free trade of goods. Consumer protection, Cybersecurity, and privacy protection issues exist. We must construct appropriate regulations and guidelines.

This animation is currently prevalent in Japan, and I have heard that it has also appealed to the audience in China and Korea. The world of the new generation will transform through such media.

### **WU Shicun**

The main topic of my presentation is the reinforcement of East Asian cooperation centered around RCEP and CPTPP. RCEP has already been signed, and China has expressed intentions to join the CPTPP. We hope that Japan will provide practical assistance through the necessary procedures. President Xi has announced that China is considering entering the CPTPP, of which Japan has voiced its warm welcome. As experts have clarified, the regulations of CPTPP are stricter than those of RCEP. Therefore, joining the CPTPP will not be simple for China. The U.S. initially prompted the TPP to rival China, and whether the members of CPTPP will embrace China is uncertain. However, we request that Japan fully support China in the CPTPP.

The newly concluded RCEP will take time to fully come into effect, as ASEAN nations and the other three nations must complete the signing. After the conclusion of RCEP, the three CJK countries proceeded with further cooperation, including the China-Japan bilateral tariff negotiations and China-Korea FTA. Such circumstances provide an opportunity for the CJK FTA. The CJK FTA held 16 rounds of talks from 2012. The accumulation of trust and constructive experience among the three nations within the RCEP framework will allow for a more mature multilateral cooperative system.

Secondly, the three countries, Korea, China, and Japan, must notice post-COVID-19 economic recovery and stability of the supply chain or value chain. CJK successfully collaborated in preventive measures, and the situations in Japan and Korea are incrementally improving. The members of RCEP and the WHO will jointly confront vaccines' distribution, thereby forming a cooperative system against the pandemic. Currently, China is in the process of developing and testing vaccines. Korea, China, and Japan must take the lead in distributing vaccines through a collaborative mechanism. We must also gradually open doors for travel and tourism. CJK has established the first track for human interchange during the COVID-19 period through macro-level compromise. Wang Yi, the Minister of Foreign Affairs, visited Japan and agreed upon implementing the first track for such human interaction within this month. A green path for human interaction and distribution logistics may be established. Political interference of the supply chain must be prevented for stability and economic recovery.

Thirdly, I propose utilizing the competitive advantage of free port districts such as Okinawa, Jeju Island, and Hainan to form integrated tourist zones. CJK is vital to inbound tourism markets for each other. The number of visitors among CJK in 2019 exceeded 30 million, as there were more than 10 million visitors between China-Japan and China-Korea, and over 9 million between Korea-Japan. Recently, China is seeking to promote the tourism industry in Hainan. Okinawa, Jeju Island, and Hainan can partner through mechanisms such as a Minister of Tourism Summit, Hainan International Golf Alliance, and MOU between travel agencies to form joint travel agencies or set off additional tourist routes. Essentially, a CJK tourism brand could be designed through the advancement of cruise travel, golf tourism, and more. We propose creating a free traveling region based on Hainan, Okinawa, and Jeju Island.

We have launched tourist routes from Boao to Seoul and Haikou to Osaka. With such foundations, we can initiate round-trip routes from Haikou, located in the northern region of Hainan, and Sanya, a famous tourist attraction in the southern part of Hainan, to Jeju and Yokohama. Centering around Sanya's international cruise home port, cruise tourist routes that cross Sanya, Jeju, and Okinawa may also be launched. Indeed, the validity and economic efficiency of such roads must be thoroughly examined. Golf leisure tourism can likewise be vitalized starting from Jeju Island and Osaka. More Korean and Japanese tourists will visit Hainan and enjoy outstanding golf tourism at a relatively low price.

Lastly, practical affairs of marine environment protection and environmental governance require extended cooperation. The CJK are close neighbors sharing a common sea. Indeed, the three CJK nations have maritime boundary disputes; China and Japan also have territorial disputes. However, collaboration for marine science research and development is a pressing matter. Partnership in the rational use of marine resources, marine environment protection, and maritime crisis management must be reinforced. Furthermore, an exchange mechanism for such cooperation must be employed. The National Institute for South China Sea Studies, Sichuan Marine Policy Institute, and teams from Korea are progressing in think tank exchange. Sharing marine policy experiences will initiate CJK cooperation for marine resources.

## **HIRAI Akira**

I am Hirai Akira from Kyushu Economic Federation. Kyushu Economic Federation is an economic organization from Kyushu, the nearest region in Japan to South Korea and China, full of active interaction with the neighboring nations. Mainly, Kyushu has hosted the annual Yellow Sea Economic and Technical Exchange Meeting with China and South Korea since 2001. This year marks the meeting's 19<sup>th</sup> anniversary; however, this year's conference has been postponed to next year due to COVID-19. With the slogan 'Move JAPAN forward from Kyushu,' Kyushu Economic Federation strives to make achievements in various sectors, including symbolic efforts such as the export of Kyushu agro-fishery and livestock products and inbound tourism promotion.

Despite the COVID-19 crisis, we utilize this time to prepare for immediate action when stability is restored. We are striving for complete and thorough preparation. Firstly, I will discuss the status of agro-fishery and livestock products with some visual representation. As



Professor Fukagawa has mentioned previously, in terms of the reality of Japan's agriculture, food security and energy security are serious challenges. Recent statistics state that farmers' average age is 66.8 years old, evidently affected by aging society waves. The food self-sufficiency rate is 38%, which marks the lowest among developed countries. Kyushu, stated to be 10% of Japan's economy, provides 20% of the Agriculture, Forestry, and Fisheries and especially 40% of the nationwide share in the aquaculture industry. As Kyushu Economic Federation's initiatives indicate, companies that entered the agricultural field increased by six times from 2009 to 2016, with a total number of 277 cases. We have successfully transformed the negative impression on agriculture, namely the 3Ds(Dirty, Dangerous, Difficult), by employing IT such as spraying agricultural chemicals with drones. Such attempts have drawn back to Kyushu, the young people who had moved to Tokyo and Osaka areas. Income has also increased, and such changes help foster 'happy agriculture.' As a symbolic endeavor, we have specifically set the agriculture, forestry, and fisheries exports from Kyushu to 120 billion yen. However, this was unachieved because of COVID-19.

Consequently, we are going through a preparation phase. As I have asserted earlier, Kyushu's direct exports to mainland China and South Korea hold symbolic meaning. Exports are shipped from the Hakata Port in Fukuoka to Busan, South Korea. The products are then transported to Gunsan, South Korea, through the highway from Bussan, and shipped to Shidao Port in Shandong Province. This way, the export procedure is completed quickly, and the products are maintained freshly refrigerated. Such routes are under construction.

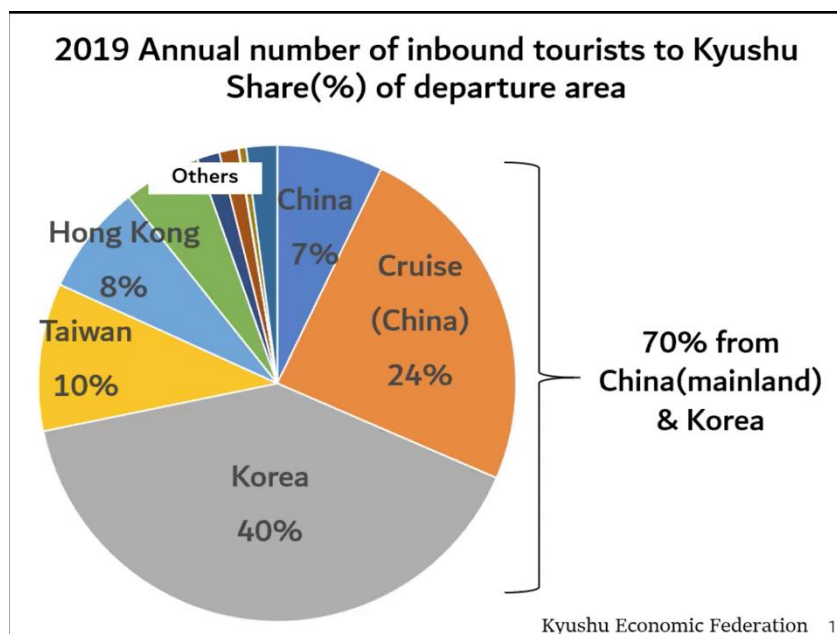
Kyushu Economic Federation strives to achieve five tasks. Firstly, exporting agricultural products Kyushu has an advantage in, such as strawberries and sweet potatoes. Secondly, exporting beef, pork, chicken, and processed foods. Third, adding designated rice mills to Kyushu, which I am diligently pursuing by communicating with various related institutions, including Japan's Ministry of Agriculture, Forestry and Fisheries, the Chinese Embassy, and the Chinese consulate in Fukuoka. Fourth, abolishing or significantly relaxing radioactivity regulation to Kyushu in advance. Lastly, reducing risks of delay of quarantine or customs clearance.

Next, I would like to assess the tourism sector. The graph illustrates the number of inbound tourists to Kyushu in 2019 by nation or region.

Visitors from mainland China and South Korea account for 70%. The previous year, we had numerous visitors from Europe, United States, and Oceania because the World Cup Rugby was hosted in Japan. We are working to attract additional visitors from such regions to Kyushu. The following graph depicts the number of inbound tourists to Kyushu from January to August



of this year, organized into national and regional categories.



After April, the numbers plunged due to COVID-19. As Japan is gradually accepting tourists from China and South Korea, Kyushu is preparing to act as soon as such measures are implemented. Therefore, our next action is first to encourage outbound tourism. We will welcome visitors to Kyushu and concentrate on inbound customers and face outward so that outbound, inbound two-way tourism may be propelled. Countless tourist routes have been blocked; thus, intriguing tourist routes must be developed. Secondly, we seek to promote adventure tourism. Much like the “Tour de France” cycling race that is famous in not only in France but Italy and Spain, we are preparing the “Tour de Kyushu, Yamaguchi” in 2023 to increasingly attract foreign tourists. Lastly, developing human resources for tourism industries is essential, primarily through the coordination of tourism curriculum for universities and colleges.

### [2020Jan-Aug] Number of Inbound Tourists to Kyushu

Departure Area	2019 Annual Total	2020							Year on Year
		Jan-Mar	Apr	May	Jun	Jul	Aug	Apr-Aug	
<b>Total</b>	<b>4,222,099</b>	<b>400,781</b>	<b>37</b>	<b>273</b>	<b>11</b>	<b>81</b>	<b>89</b>	<b>491</b>	<b>12.8%</b>
Airport	3,107,270	331,723	37	273	11	81	89	491	14.0%
Asia	2,964,851	316,837	31	273	9	77	79	469	13.9%
China	302,735	34,637	0	1	0	0	1	2	17.3%
Taiwan	422,924	57,726	27	3	9	10	36	85	20.1%
Hong Kong	316,466	47,119	0	0	0	0	0	0	23.0%
Korea	1,700,432	140,982	1	1	0	0	0	2	9.6%
Europe	63,973	6,386	3	0	1	0	0	7	16.7%
N-America	54,487	6,254	0	0	0	0	10	15	17.5%
S-America	1,689	193	0	0	0	0	0	0	15.3%
Oceania	20,994	1,918	0	0	0	0	0	0	14.5%
(Sea)Port	1,114,756	69,058	0	0	0	0	0	0	9.1%
China	1,026,694	68,241	0	0	0	0	0	0	9.8%
EXP.Chi	88,062	817	0	0	0	0	0	0	1.2%

Kyushu Economic Federation 2

As we take such symbolic measures, Kyushu Economic Federation is entirely prepared to take action as soon as the COVID-19 situation stabilizes.

### KIM Do-Hoon

I will mainly present on how to secure the global supply chain in East Asia. At GSIS of Sogang University, I lecture on the industrial ecosystem in East Asia. The efficient operation of the global value chain in this region surges the industrial competitiveness of each nation. Although CJK appears to compete against each other in the automobile and communication device industry, the three countries internally cooperate for intermediary goods such as components and materials. Professor Ahn previously mentioned the term “constructive powers.” I believe the “constructive powers” are comprised of industrial figures. East Asia cannot accommodate each other politically or culturally, but constructive power for international cooperation is active in the industrial world.

The industrial world recently experienced quite a shock because of COVID-19, as Wuhan went into lockdown. Wuhan has historically functioned as the center of the Chinese industry, manufacturing numerous components and materials. Alternatively, China’s sharp ascent in industry alarmed Korea and Japan, which fronted suspicions that China controls rare-earth elements for weapons. The COVID-19 outbreak that began in China generated a bad memory for the Korean automobile industry as the industry experienced the most significant shock and was completely halted. This was because the wire harness, a less substantial piece, could not be imported.

COVID-19 also negatively impacted world trade. On the graph to the left, the COVID-19 mark indicates the expected decline in trade of 2020. Alongside the decrease in global trade, China and Korea have also been negatively affected by imports and exports.



As Professor Fukagawa stated in her presentation, firms and industries’ strategies shifted from efficiency to resilience and safety. I have already highlighted the productivity of the East Asian industrial ecosystem, which focuses on cutting costs. Several methods have emerged as a

means to attain security and resilience. The first is reshoring or returning to one's own country, which seems to overcome the global supply chain crisis. Examples of reshoring include Apple initially attempting to establish India's production units through Foxconn and TSMC, the largest semiconductor provider, building factories in the United States. Secondly, neighboring nations tend to cooperate, such as in Europe and nations in the southern hemisphere like Australia and New Zealand.

Internationally, separate safety networks for security exist (although this may be mitigated by Biden, the recent U.S. presidential candidate). The following countries supported the U.S. Global Prosperity Network (GPN) initiative (Japan, India, Australia, New Zealand, Vietnam, and [Taiwan]). Korea was also heavily encouraged to join. In contrast, nations relatively less amiable with the U.S., such as Russia, China, and Brazil, came together. The effectiveness of such methods as solutions is unclear.

Korea found itself in a dilemma. It is reliant on the U.S. for diplomatic matters and concurrently associated with China economically, with 30% of exports depending on China and Hong Kong.

Hence, CJK must pursue the global supply chain in the following three ways. While cooperation is desirable in various aspects, CJK has attained a highly efficient industrial ecosystem and global supply chain through specialization, or "putting all eggs in one basket." However, each country must establish an independent minimum portfolio. Secondly, a framework that will assure the constructive powers of the industrial world must be instituted. The continuous attempts to initiate CMIM (Chiang Mai Initiative Multilateralization) as a security initiative against Asia's financial crisis have been moderately successful. CJK must begin forming a security initiative against the supply chain crisis in East Asia in favorable industries. If the political and institutional sectors concede, the industrial sector will undertake the operation immediately. Thirdly, as everyone has underlined, the CJK FTA must be accelerated, especially for the efficient operation of this region's industrial ecosystem and global supply chain. Additionally, businessmen's free movement must be guaranteed, as they are the constructive powers that can be responsible for the worldwide supply chain under a COVID-19 security network.

### **URATA Shujiro**

Because of the lack of time, I will shortly address points that have not been mentioned. Firstly, in line with Professor Kim's presentation, I would like to expound on responses by Japanese companies to the COVID-19 crisis. Similar to in case of Korea, Japan's automobile industry was severely damaged. Businesses and industries each responded differently, in ways such as diversifying the supply chain, suppressing production, managing inventory, and more. However, companies that seek more effective solutions propose simplifying and rationalizing the extensive and complex supply chain. This implies the strategies such as the enhancement of regional production in a place of consumption and 'reshoring,' the process of bringing production bases back to a company's original country. As Professor Fukagawa has specified, COVID-19 devastated the labor market, as businesses began employing robots instead of human labor. In terms of trade in parts and components, products that were physically transported across borders are now exchanged through data sharing and 3D printing. In the

future, infectious diseases and natural disasters, and protectionist policies will escalate uncertainty in the international trade system.

Thus, businesses and governments must formulate appropriate strategies. Governments must provide a free and open environment for trade and investment. Yet, in reality, some governments adopted protectionist policies in response to COVID-19, intervening with the market by regulating exports. Businesses expect a market of free decision making, and RCEP is a notable application of this. The advancement of RCEP remains a crucial agenda for governments. When the APEC summit of 2010 was held in Japan, all participants agreed upon setting Free Trade Area of Asia-Pacific (FTAAP) as the ultimate goal, which can be approached through the TPP, and RCEP. RCEP marked a historic accomplishment, but we must move forward to expand RCEP and TPP and reform the world trade system.

### **GUO Yanjun**

Because time is limited, I will briefly discuss my opinions regarding cooperation in East Asia. Numerous experts have claimed throughout today's morning and afternoon sessions that the world is experiencing massive change. The U.S.-China competition and COVID-19 have notably altered the world order. Fortunately, East Asian countries, particularly CJK, look to strengthen economic partnership regardless of such complications. The cooperation of CJK will likewise benefit other nations within the East Asian region. COVID-19 provides new opportunities for regional association, especially multilateral and bilateral relations. Governments can overcome ideologies and collaborate on public health.

As levels of uncertainty and risk escalate, working together on preventive measures is the only way to surmount COVID-19. China seeks to reinforce close relations with Korea, Japan, and other East Asian nations. A new era of cooperation in East Asia has begun. East Asia engaged in an open, cooperative structure, stressing the process rather than the results. However, structural problems surfaced as some nations prioritized relative gains, which emphasized a result-centered collaboration model. Now, the process and beneficiary results must both be taken into consideration. We have conceded on attaining balance and mutual prosperity to distribute the benefits of cooperation equally.

This region must recognize the significance of the global supply chain, and China, Japan, and Korea must consider the importance of the value chain. Essentially, Europe and America are the destinations for final products since CJK primarily produce intermediate goods. Issues within the European and American markets create difficulties for East Asia as well. Therefore, the construction of a regional value chain will expand the potential of our markets. I believe that CJK is capable of joining efforts for such causes.

Regional cooperation must be enhanced separately from the U.S.-China framework. East Asia has been under the U.S. influence and swayed by U.S. interests. Henceforth, we must break away from such pressure and put forth regional interests. To escape the U.S.-China structural contradiction, there needs to be a reinforcement of valid regional exchange and cooperation centered around regional crisis management. Such movements may be executed through ASEAN+ and CJK structures, as important figures in East Asia must lead.

Cooperation in East Asia should be accelerated to a higher level. The U.S.-China trade war has significantly impacted China. I have observed that cities in China are increasingly eager to partake in East Asian collaboration. As indicated by Director Wu Shicun's proposal about Hainan, cities in the coastal and inland regions of China hope that local governments of East Asia will partner together. Significant developments are in prospect, especially for trade in services such as tourism. Lately, the tourism industry has been maturing more rapidly than the GDP, and trade in services is significantly contributing to the rise of GDP. As China will resume its open-door policy, the three CJK nations can invigorate the tourism market to overcome the COVID-19 crisis. President Xi has proposed the innovative idea of "Health Cards," which may also trigger travel amongst East Asian countries. Travel and tourism will prompt economic recovery, allowing us to formulate the ideal model for trade in services. Lastly, China's market capacity and South Korea and Japan's sophisticated skills for the silver industry allow for great possibilities in this sector. Thank you.



## Special Closing Remarks

November 25th, 2020 16:30-16:35

### WU, Hailong (President, China Public Diplomacy Association)

Thank you. Many experts have offered profound insights and opinions today. As neighboring nations, China, Japan, and South Korea have maintained close relationships throughout history. During the COVID-19 pandemic, the three countries have cooperated in taking preventive measures against the epidemic. As the saying goes, “We are all on the same boat,” we have continued to extend a helping hand to each other. The citizens of China commend such exceptional examples of collaborative practices and traditions. We are experiencing an economic recession, and according to statistics, the amount of trade amongst the three countries is at 260 billion dollars by this year October, which is a 0.4% decrease compared to the same period in the previous year. However, despite the effects of COVID-19, trade among the three nations remains relatively stable, as the amount of trade between South Korea and China have reached 320 billion dollars. This proves that the South Korea-China-Japan economic trade is indeed compelling.

The RCEP has successfully been signed. This is positive news for all three nations, as we can collaborate within a single framework. Furthermore, China-Japan and Japan-South Korea tariff agreements have been signed for the first time. This sets appropriate measures for a trilateral FTA. Trade relations are advancing, and trade integration is accelerating. At the APEC summit, President Xi has defined China’s intentions to join the CPTPP, verifying that China advocates multilateralism and free trade. China joining the CPTPP will provide another framework to fortify cooperation among South Korea, Japan, and China. This will hasten the economic integration of East Asia. We must seize the current historic opportunity. However, we must simultaneously acknowledge the difficulties that exist for the three nations. We must resolve the following issues throughout the cooperation process.

Firstly, we must reinforce mutual trust. Political mutual trust is the basis of our trilateral relations. The three nations’ differing political systems will not hinder the enhancement of mutual trust. Recently, international affairs are rapidly shifting intricately, and mutual trust is being seriously challenged. Favorable attitudes toward other nations are declining. We must reinforce confidence through heightened collaboration and exchange. The deepened trust will lead to a brighter future. Indeed, everyone concurs that the South Korea-China-Japan cooperation will substantialize and actualize.

Secondly, from a strategic stance, we must overcome the interference of a third-party.



Thirdly, we must enhance cooperation. Economic collaboration must be the primary driving force for the three nations, as mutually beneficial and complementary relations remain solid. South Korea and Japan obtain advanced technology, while China offers a vast market, which allows an excellent potential for trilateral economic cooperation. Through the domestic and international dual circulation economic strategy, China is looking to extend its open-door policy. This will provide a significant opportunity for South Korea and Japan. This will also provide space for South Korea-China-Japan+ cooperation and further enhance collaborative efforts within a third market. A partnership is viable for energy, tourism, manufacturing, and infrastructure business sectors. As a fellow expert from China has previously mentioned, cooperation for maritime governance is promising. South Korea has also suggested this afternoon to reinforce mutual assistance for the silver industry. The trilateral cooperative community will be beneficial for all. For effective implementation, we must provide an environment for a closer “people-to-people bond” through extensive humanities exchange projects, in which South Korea and China have a competitive advantage. A vital aspect of humanities exchange is the interaction among international youth. The new generation, namely Generation Z, is the future of our nations. They will be the core force of the development of South Korea, China, and Japan. Looking onward, we must boost interaction among international youth through humanities exchange programs to raise amicable relations, ultimately connecting citizens’ hearts and minds. The South Korea-China-Japan trilateral network is essential not only for government partnerships but also for regional and global stability and peace. We expect the South Korea-China-Japan trilateral cooperative relations to vitalize during the COVID-19 crisis successfully. Thank you.

