

## Activities & Results

### (1) Overview

The CJK Cooperation Dialogue was started based on an agreement reached by representatives of JEF, The East Asian Studies Center of the China Foreign Affairs University, and South Korea's East Asia Foundation at a meeting in South Korea in 2014 to hold an annual dialogue involving Japan, China, and South Korea in order to foster a sense of community in East Asia and contribute to regional peace and prosperity.

Since then, the dialogue has been held on an ongoing basis as a venue for bringing together influential persons in terms of policy creation and public opinion formation in each country to position the meeting between government and the private sectors. This enable communication with both parties with the aim of expanding the scope of then stalled bilateral meetings of regional experts and achieving further development in a trilateral fashion.

The dialogue was held again in 2022 in Tokyo - the first in-person session after three years - and discussions followed themes including common problems faced by the three countries, potential for collaboration among these countries, and the issues of the environment and aging populations that need to be addressed over an even larger region with the aim of contributing to addressing these problems and having the results of these discussions incorporated into the policies of the respective governments.

From FY2020 onward, China's main host has been the China Institute for Reform and Development (CIRD) with the co-host switching from the China Foreign Affairs University to the China Public Diplomacy Association, and the dialogue is currently jointly held along with South Korea's East Asia Foundation and JEF, giving a total of four participating institutions.

This year was the ninth CJK Cooperation Dialogue, held with an audience from 9:00am to 3:00pm on Tuesday, November 15, 2022 with the theme of "Defining common issues amid world uncertainties and risks for building mutual understanding and better CJK cooperation". Subsequently, a closed round table discussion featuring participating speakers only was held separately from 3:30pm until 5:00pm to wrap up the proceedings.

The participants from South Korea arrived in Japan on Monday, November 14, 2022, and attended a welcome dinner party in the evening held by JEF. Due to the country's zero-COVID policy, participants from China were unable to make arrangements to visit Japan and participated remotely on the 15<sup>th</sup> dialogue only.

## **(2) Main points of the dialogue**

### **(i) Main theme**

“Defining common issues amid world uncertainties and risks for building mutual understanding and better CJK cooperation”

This dialogue had not been held in real space since 2019 due to the COVID-19 pandemic. The participants from China who were unable to travel to Japan for the reason described above connected to the venue in Tokyo using a remote system from two locations provided by the China Institute for Reform and Development (CIRD) and from their personal properties, and discussions proceeded with the speakers projected onto a screen set up in the venue.

### **(ii) Agenda**

**Tuesday, November 15, 2022**

**9:00am - 9:20am Opening Greetings from the Hosts: JEF, CIRD, East Asia Foundation**

**9:20am - 9:30am Special Welcome Greeting: Trilateral Cooperation Secretariat**

**9:30am - 9:50am Keynote Speeches**

#### **Main Points from Greetings/Keynote Speeches**

- The RCEP, which officially entered into force at the start of the year, provides a new environment for trade among Japan, China, and South Korea. It is important to take this great opportunity to develop and advance trade among the three countries. Taking advantage of the opportunities presented by RCEP, it is hoped that a breakthrough towards a trilateral FTA can be found as soon as possible.
- The creation of a stable and secure supply network covering the three countries within the RCEP framework was proposed. If a self-contained supply chain could be put in place in East Asia, it would be an important driving force toward global supply chain stability. It would be good to create a pattern of leading the way for RCEP member countries.
- In order to promote liberalization of trade among Japan, China, and Korea, the supply chain system in East Asia needs to be made cheaper and to be upgraded.
- It would be good to take forward integration in the form of Japanese/Korean R&D, Chinese manufacturing, and assembly in ASEAN.
- The three countries have a high industry complementarity, and can expand the scope of industrial collaboration between RCEP regions. The key lies in accelerating the process of industrial liberalization. Opening of the service sector in China will provide a powerful market. It would be good to eliminate interference caused by external

factors outside the region, expand cooperation in industrial services, and bring evolution to collaboration in technology.

- The countries will expand cooperation in emerging industries in the region, and create a supply chain system. As well as goods, the regulations shall be eased and matching undertaken for service trade, and markets created in main sectors such as digital finance and insurance. This also goes for services related to daily life, such as tourism, medical care, health, culture, and leisure.

- Inter-regional cooperation by the three countries that are geographically close to each other is also important. It would also be good to accelerate free trade policies for manufacturing equipment and technology services, and free movement of engineers in the manufacturing sector.

- Going forward, supply chains that were formed across the globe are highly likely to be formed instead for each region, including East Asia.

- If Japan, China, and South Korea can expand cooperation towards a stable supply chain, this will help overcome the supply chain issues that have occurred due to the competition for technological supremacy between the US and China.

- The three countries are facing inflation and weakened currencies leading to heightened financial risks, and the thrust of economic recovery has suffered a setback. While the three countries face common problems that include societal aging and a declining birth rate, trust among them is weak due to historical, territorial, and political issues, and both nationalism and populism are rising domestically for multiple overlapping reasons. But RCEP, which is the first time the three countries have been included in a single FTA, will provide an important opportunity to analyze risks and chances and find solutions to these problems. It would be good to clarify what the obstacles are when joint actions are not simple and discuss the extent to which they can be overcome.

- After the global financial crisis in 2007, the economic shock on each country resulted in global trade becoming sluggish due to protectionist policies enacted to ensure production and employment. In 2017, President Trump drastically raised import tariffs on goods from China, resulting in China raising tariffs on imports from the US and sparking a tariff war. In the COVID-19 pandemic, countries restricted exports of health and medical products in order to protect their own citizens, and this hindered trade.

- A significant reason for this was the functional failure of the WTO, which is supposed to maintain free trade and resolve conflicts, and its mechanism that requires unanimity has left it unable to fulfill that function. Some member countries have established a provisional system, and are attempting to resolve the conflicts. And although progress is being made on regional trade agreements such as RCEP and pluri-lateral agreements to liberalize specific goods and services, the WTO is important for the global economy as a whole, so it would be good if Japan, China, and South

Korea - who benefit from investment in trade - could play a central role and work together across a range of opportunities to take forward reforms.

- The GDP, population, and trade of the 15 member countries of RCEP make up about 30% of the world's total. They are number one in the world in terms of population and GDP, and in terms of trade, they are second only to the EU. RCEP covers economic cooperation in areas such as trade, investment liberalization, electronic commercial transactions, digital trade, SME capacity enhancement, and economic/technology cooperation that are of use to the many developing countries in the regions it covers. One issue facing RCEP is the fact that it is inferior to the CPTPP in terms of liberalization, the areas it covers, and its comprehensiveness, so this matter must be addressed.

## **10:00am - 11:00am Session 1: Geopolitics**

### **1) Main points of discussions**

The discussion reviewed the current international economy and politics in the context of the crisis in Ukraine and attempted to analyze the impact of this unprecedented situation while looking for opportunities for regional cooperation between Japan, China, and South Korea.

### **2) Main opinions**

- High-technology products are directly linked to security. The boundary between security and economics is becoming blurred, with the two areas becoming deeply linked and facing an extremely large and complex crisis. The supply chain collapsed due to the zero-COVID policy of China and brought great risk to the global economy, but the US has raised interest rates on many occasions and taken a protective approach to trade in some areas, which has brought about disruption and led to countries around the world taking monetary, fiscal, and trade policy measures in order to survive. Without peace, economic support and promotion of trade investment are completely meaningless.

- Currently, there is chaos, conflict, a deterioration in trust and cooperation among nations, while economic recovery is not proceeding, so the three countries must identify what they can do together, respect each other's core interests and put differences on the back-burner as they pursue common ground with a vision for an East Asian community. Cooperation has already produced results, so the three countries should commit to a win-win international, economic, and trade order, and oppose self-destructive economic decoupling.

- There should be strengthened interactions between regions, think tanks, media, companies, and above all, citizens and young people. A situation should be maintained whereby young people can foster friendship with no concern for the quarreling of adults, and enhance their understanding of each other. While the new state of affairs may

deepen misunderstandings, impair inter-state relations, and lead to negative impacts in some cases, if what can be done at the micro-level is prioritized and the awareness of citizens, mutual trust, and perceptions can be achieved, this will be an advantageous factor.

- Interest rates have rapidly increased over recent years, energy costs and food prices have risen, and citizens in a range of countries around the world are exposed to the threat of war. There is increasing decoupling of trade and uncertainty in trade policy, and costs are increasing in Asia. This is a serious situation given that half of US imports, a third of Europe's imports, and half of the world's import demand come from Asia. After the standoff between the US and China started in 2018, investment in the following two years fell by 3.5%. It is said that GDP fell by 0.4% and unemployment increased by 1%.

- In order to prevent economic fragmentation in geographic regions, hold dialogue with precise policy goals, eliminate restrictions, and restore functionality to the WTO conflict resolution system while encouraging trade growth, a proactive approach to international cooperation must be taken.

- High-level dialogue with the aim of lowering the hyper-uncertainty of the recent state of affairs has increased, and security and economics are becoming increasingly inseparable. The important things are transparency, recognizing diversity that can bring vitality to the global economy, and having clear and firm rules to allow peace of mind in competition. It is extremely important to consider how to build these things.

- The development of East Asia over the forthcoming 20 years will be a re-balancing force of the world. The three countries should oppose trade protectionism, populism, and small circles while adapting to trends. New confrontations in East Asia run contrary to development. Japan, China, and South Korea share important cultural values and spiritual values.

- Even in situations where it is hard to know how to restore mutual trust, the three countries share the value of building good relations with neighbors through their long history and through culture.

## **11:20am - 12:30pm Session 2: Common challenges**

### **1) Main points of discussions**

**Seeking better cooperation among Japan, China, and South Korea from the perspective of common future challenges: the issue of energy and its impact on climate change, societal aging, and a declining birthrate**

- China is leading the way in terms of making efforts to reduce carbon. The envisaged progress of reaching peak carbon in 2030 and achieving carbon neutrality by 2060 is ahead of schedule, and it is thought that peak carbon will be reached in 2028. This is due to the changes in energy mix and changes on the users' side. Energy must be made

clean. Chinese solar capacity represents one third of the world's capacity, and its wind capacity is two fifths of global capacity, with clean energy making up 16% of its energy mix. All industries have been tasked with reducing carbon, and the greatest change has been seen in automobiles powered by new energy. China is the biggest producer of these vehicles and their batteries in the world. This is a growth market, and with increasing development and use of technologies for carbon reduction, it has the ability to contribute to global economic recovery. The three countries should cooperate with this.

- Although more than 90% of the countries in the world have declared their intention to achieve carbon neutrality, energy is the most important point and it is directly linked to security. While energy presents new business opportunities, the energy crisis has caused many policies to be reviewed and turned into weapons, and supply chains have collapsed.

- Movements towards rethinking nuclear power, renewable energy, hydrogen, ammonia, and CCUS have been seen in many countries. Decarbonization can only be achieved if there is reform and change in energy supply and demand, transmission systems, and all related industries. Energy efficiency improvement, development of alternative fuels, electrification of energy consumption, and decarbonization of generation are all important. And if a few of these don't go well, it can't be achieved; so technological innovation is important.

- A proposal needs to be made for collaborative development and utilization of new technology as a form of long-term cooperation among the three countries. If this is undertaken, the countries will be able to stay ahead of international markets. If the industrial and construction sectors can be grown with the development of certification policies for hydrogen, which is important as an energy source for these industries, if CCUS technology development can be achieved to store and manage carbon, and if electricity grids could be linked, this would provide security in supply. If the world's largest emitter of carbon, China, the fifth largest emitter Japan, and South Korea work together, they can make a massive contribution to global decarbonization.

- Europe is leading the way in terms of discussions on measures against climate change, and there is an extremely low awareness of energy security. The main measure for energy security is to diversify energy sources and supplier countries. While there is already a network to link countries in Europe, which has proceeded with electrification to tackle climate change, in countries that are islands or have no resources of their own, security is the basis of energy policy. Coal is burned to generate electricity all around Asia, and so this must be tackled incrementally. The establishment of a joint natural gas stockpiling and supply system within Asia is worthy of consideration. The use of nuclear power is being re-examined from the perspective of energy security, measures against climate change, and economic feasibility, but the common challenges of safe use

of nuclear power and disposal of radioactive waste remain among other challenges, making the accelerated development of innovative technology and cost reduction necessary. If it can be used cheaply, it can also enable an energy switch in emerging economies. The demand side must handle the situation in a way that transcends sectors and industries, so it is hoped that each country can leverage their technological specialties to exercise leadership for cross-border industry creation.

- The manufacturing industry is important in Japan, China, and South Korea, and it is not possible for them to give it up in order to achieve carbon neutrality. In the 10th CJK Cooperation Dialogue next year, it would be a good idea for the three countries to decide on the sectors in which they will cooperate, and take forward specific discussions. For example, renewable energy vehicles, SMR, CCS/CCUS, the hydrogen industry and its utilization. For a start, cooperation can be taken forward in specific sectors in which work can be started immediately, and this can be linked to long-term cooperation.

- Carbon neutrality should not be viewed as a cost, but as the ultimate aim for new business. Instead of seeing it as a matter for environment ministries, if carbon neutrality can be addressed at summit meetings from the perspective of national security, the economy, and technological transformation, with a focus on the economy as in Germany, we could have a substantive discussion.

- The population of Japan, China, and South Korea constitutes one fifth of the global population, and the combined GDP is closing in on a quarter, but population aging has been higher than the global level since the start of the century. An important question to be addressed is how to sustain society going forward and what kind of impact aging will have on the economic, scientific, and cultural sectors of society. One of the factors causing sluggishness in the Japanese economy is societal aging. Services for the elderly to help deal with living alone, shopping, eating, hospital, being bedridden, and other such issues, must be holistic. Various new technologies will be required here, also.

### **1:30pm - 2:40pm Session 3: Rules-based system for international trade**

#### **1) Main points of discussions**

##### **A rules-based international trade system for better development going forward, and the WTO**

- A rules-based international trade system can be considered from three levels. These are the level between two countries, the level of a regional FTA such as RCEP, and the level of global WTO rules.

- The focus in current international trade issues has shifted from the past focus on liberalization to technology, supply chains, digital shifts, and climate change. The WTO-centered multinational trade system is in crisis, with protectionism and an inward focus prevailing. Technology has taken up a position in state security and economic security, and trade has changed significantly from the way it was in the past.

Since the pandemic, global supply chains have been disrupted, and discussions about moving away from globalization are starting to be had.

- Domestic politics is currently overwhelming the logic of economics. Industrial policies for things such as semiconductors, electric vehicles, and batteries are being talked about in many countries, labor and the environment are the main topics of discussion, and trade policy is nowhere to be seen. The percentage of GDP that trade constitutes is decreasing. Goods are decreasing while trade in services and digital trade are growing, but the fact that there are no global standards or rules established in the digital economy presents an obstacle.

- While economic cooperation among the three countries is heading in the direction of digitalization and decarbonization, it is important not to bend market economics and damage trade rules. The long-term challenge behind maintaining a sustainable supply chain and rules-based trade is building trust.

- Achieving recovery in multinational trade is not easy, but bringing back conflict resolution functionality is a must, so trilateral cooperation is required. It is also required for the formulation of new trade policies that take into account climate change and the digital economy. Mega regional FTAs enacted thus far, including the concluded FTAs, RCEP, and CPTPP, can be utilized as communication channels for resolving pending issues.

- It is now, in this historically unprecedented time of difficulty, that the three countries must look for a breakthrough. Economic integration is making progress due to efforts in Asia regarding trade rules, and there are still expectations and confidence in trade. Looking at things relatively, great experience of success is a great strength of Asia. ASEAN's biggest market is ASEAN. The sincere effort made towards trade liberalization is bearing fruit. Manufacturing is extremely strong in this region, where there is also comprehension of new technology paradigms for things such as electric vehicles and the associated lithium batteries, and other advanced products including semiconductors, making it the most competitive region in the world.

- The lag in service trade has led to hopes that many venture companies combining digital with services will be formed, and will have potential for growth.

- For as long as the confrontation between the US and China continues, the WTO cannot take action on global multinational trade and nothing can be expected from it. Geopolitics are in a serious situation, and with ongoing issues between Japan and China, the issues on the Korean peninsula facing South Korea, and problems facing China from lending to vulnerable states, there are triggers for these to develop into serious issues at every turn.

- If growth cannot be anticipated then debt will pile up. Each country has serious debt issues, with fiscal debt in Japan, household debt in South Korea, and regional debt in China. Common issues the countries face include the environment and aging.



- While RCEP is in place, it is only accelerating very slowly. Work on liberalization must be brought forward to suppress inflation. Chinese participation in CPTPP is a pressing matter that TPP members should continue to discuss.
- Green issues and human rights should be reflected in rules in Asia's strong value chain. Trust between Japan and South Korea concerning semiconductors has been damaged, and conflict is occurring so the lack of accountability and dialogue needs to be corrected. There are many things that can be done.
- The three countries are deeply related in terms of semiconductors and lithium battery manufacturing, which depend on data, so rules for this are very important. A value chain that enables the quantification of environmental burden needs to be constructed. Europe is not a major player in manufacturing, but it has created rules. Things that place a burden on the environment are highly likely to be viewed as problematic. Both Japan and South Korea rely on lithium from China, so serious thought needs to be given to ensuring sovereignty in terms of both carbon neutrality and security, especially data.
- Although currently facing difficult times, the WTO framework has universal open rules, so this multilateral framework must be maintained, and must not be allowed to decline. RCEP is a major opportunity for a breakthrough. The rules have become highly influential and must be followed in world trade, but one approach to strengthen area rules is to simplify the rules and obtain mutual certification.
- Companies also work out supply and receiving standards between each other, but if countries enact differing policies then this leads to concerns over disruption in the supply chain, and this is disadvantageous to global trade. The three countries need to give consideration to maintaining supply chain stability within the RCEP area.
- Differing standards are also a limiting factor in the trade of products. Differing inspection standards are also a problem. Technical standards need to be unified. If Japan, China, and South Korea take forward the establishment of common standards for electric vehicles, in which the three countries are world leaders, this would likely to make a progress on the problems in CPTPP and RCEP. The focus needs to be on practical matters at the start and the countries need to work on economic development together.
- By making an application to join, China has indicated its position of aligning with the standards through internal reforms concerning the subsidies required by the CPTPP and issues such as labor, the environment, and intellectual property. In order to upgrade RCEP to higher standards from an early phase, efforts must be made toward integration, even if it would be done just by the three countries at first.
- e-Commerce includes issues extending as far as personal information protection, movement, AI, and FinTech. If the countries work together in these smaller areas, it could create chances for SMEs in the area to participate in trade.

- There is also an open door to the IPEF for countries who have made the preparations, and if the system is an all-encompassing one, China will likely to attempt to participate. Such a framework would give substantial impetus to cooperation among the three countries.
- Problems with security and trade tend to fall into superpower logic and become a double-edged sword. If superpowers can enact regulations and put as many restrictions as they like on trade then order in trade will collapse. It is necessary to understand where trade items conflict with security and hold dialogue in advance.
- Companies boldly tackle market risks, but they are very bad at political and policy risks, and they don't like it. However, even in the face of major political risks, such as the confrontation between China and the US, companies are adept at finding and creating a path forward where there isn't any track. They are very determined in their economic activities, but a government framework/public presence should play a role in providing more stability.
- For example, if there are multiple rules concerning climate change, who is going to coordinate and at where? It is impossible for the WTO, but can we attempt to integrate rules? Moves to expand the extraterritorial application of each country's economic laws will greatly constrain business activities.
- The use of subsidies and government procurement to expand strategic industries and attract critical goods to the country in the name of supply chain resilience is an issue to address. There are no signs of a move toward cooperation.
- CPTPP and RCEP have a much bigger economic effect than bilateral FTA. If a Japan-China-South Korea FTA had been in effect prior to RCEP, the standard would have been much higher than now.
- Rules are not the goal; the goal of the three countries is to promote cooperation. The essence is to gain a consensus on needs for cooperation, determine what kind of rules to make, and how to encourage cooperation.
- There are diverse merits with RCEP, but in order to realize them, what has been promised and committed must be delivered. Implementation is important.

## **2. Results**

A total of 36 participants were in attendance, with 23 keynote speakers, panelists, and moderators from Japan, China, and South Korea, and 13 observers.

Almost all of the opinions given were specific and are connected to future action, and the speakers spoke highly of the dialogue, saying it had the richest content so far.

Against the backdrop of an opaque global outlook, the discussion focused on creating a single large mechanism and coming up with proposals through cooperation among

Japan, China, and South Korea, based on a cool-headed assessment of the current situation instead of just being led by the US and Europe as a response to critical common issues such as the Asian economy, energy and climate change, and societal aging and birth rate.

The next dialogue will mark the 10th anniversary, and so new suggestions such as improving the format to make it more fruitful and involving younger people were proposed. This was a major step toward continuing the dialogue, making it even more meaningful in the future.

#### Evaluation of speakers from Japan

1. Overall evaluation: Satisfactory-4, Somewhat satisfactory-1 (Reason: Chinese participants could not attend in-person)
2. Discussion quality: As expected-4, Mostly as expected-1 (Reason: Deciding themes that allow in-depth discussions and exploration for specific areas of cooperation under increasingly difficult situation China is an issue to be addressed)
3. Comments
  - Members are fixed and seem to be getting aged. It would be good to have a session for younger researchers, especially in fields such as environment (though it is difficult to ensure a certain level of professionalism and majors if they are students). Interaction among students from Japan, China, and South Korea seem to be undertaken already by universities through student exchanges and other means. Maybe enough is being done through offering common degrees etc.
  - It would be good to have hard copy handouts of the presentations.