

Summary: The 1st CJK Cooperation Dialogue

Thursday, November 13, 2014

Seoul

Welcoming Remarks

HONG Hyung Taek, Secretary General of the East Asia Foundation, opened the symposium by introducing each representatives of China, Japan and Korea.

*The full text of opening remarks are available in [Annex A](#).

Session 1: Political Economy of FTAs

Moderate

【China】 ZHANG Yunling

Professor and Director of International Studies, Chinese Academy of Social Sciences (CASS)

I think the FTA is about economics for market and businesses but there is politics behind. Let's take a look at China-Korea FTA. It took 10 years from the proposal to the conclusion and there have been so many problems during the negotiation. So the leaders of both countries went through difficult times to make a decision to get the process going. I also think there are very strong social factors which can lead people to understand the process. People have little knowledge about the negotiation. They do not know what will happen and how it will affect them. When APEC (Asia-Pacific Economic Cooperation) was held this week in Beijing, I was interviewed by a Chinese correspondent on TV. One question they asked me is what the benefits for the Chinese people would be from the FTAAP. I said the FTAAP will not happen soon but that is what people are concerned.

Panelists

【China】 QU Bo

**Associate Professor and Deputy Director of the Institute of International Relations,
China Foreign Affairs University (CFAU)**

I would like to focus on the political implications of the FTA and try to find out the underlining political logic of the FTA negotiations in this region, connecting the economic arrangements with security concerns in this region.

What's been puzzling to me is that it's only been a decade since the proliferation of FTA occurred in this region but today we have over 100 FTAs reached conclusion of the negotiations. The FTA is much more institutionalized and rule-based agreement and a higher level of treaty. I think that it doesn't really make sense. Since the 1960s, the East Asian economy has been integrated not by the formal agreements but informal agreements like the US alliance system, the network of Japanese multinational corporations and overseas Chinese businesses connections. Then why are the FTAs proliferating? Answers to this question can be abundant; natural development of trade interdependence, failure of global trade arrangement; regionalism competition at global level; power politics and etc.

From the security aspects and dynamics of the FTAs, we have been witnessing the new reality is emerging over the last 3 decades. China is overpassing Japan as the second largest economy in terms of economic size. How can we deal with this new situation and what is the security implications of this new situation? The global economy played a significant role to make China achieve economic growth. Trade could facilitate the country's economic growth. But if other countries worry about China's economic growth, they could constrain and limit trade access of China. Therefore, I think the underlying reason of the proliferation of FTA in this region depends on our thinking of security implications of the economic trend in this region.

I would also like to talk about the great powers. In this region, we already have trade architecture under negotiation such as FTAAP, the US-led TPP, and also RCEP. Why do we need these free trade agreements? The great powers sign trade agreements strategically. They do not just follow economic benefits but also consider these deals in the security and political perspective. The nature of FTA is the preferential market access. Signing the deal means giving a preferential access to your own market. The United States signing on the TPP seems to limit China's access to its domestic market.

Regarding China, Japan, Korea FTA, I think the China-Korea FTA is a great push for the negotiation for CJK FTA. CJK FTA could increase the economic interdependence between the three countries and would bring benefit from free trade which will support the dialogue to improve political relations. Free trade agreements will also increase the reliability among these countries, which is a way to build mutual trust among the three countries. When you are economically dependent on other countries, it means you want to trust you and improve the relations seriously.

【China】 SHEN Minghui

Associate Professor and Director of the Research Division of National Institute of International Strategy, Chinese Academy of Social Sciences (CASS)

We may notice that there is a big surge in the number of original FTAs in the Asia-Pacific, especially in East Asia since 2001. China has been involved in the process of the original

integration such as the ASEAN-China FTA and other eight FTAs. However, we noticed that the competing efforts in negotiating more FTAs for a hub status by the regional economies may hurt the regional production network, which is essential for East Asian economic dynamism. For instance, it may create new barriers like "Spaghetti Bowl" effect (or Asian Noodle Bowl), which reveals that one same commodity is subject to different tariffs, tariff reduction trajectories, and ROOs for obtaining preferences due to the multiple, overlapping FTAs.

With a growing number of FTAs, the international trading system is likely to become chaotic and transaction costs will increase correspondingly due to cumbersome red tapes and cross-border procedures. The Chinese Academy of Social Science, with the sponsorship from the ADBI and ADB, conducted a survey for 2008-2009 and found that the highest utilization rate is the ASEAN-China FTA. The utilization rate is about 29%. That means in any 100 firms, there are almost 29 firms who used the preferential tariff of ASEAN-China FTA at least once a year. This rate is fairly low because most firms do not know about the FTA due to a lack of information on the FTA and with some other reasons like small margins of the FTA between preferential tariff rate and the preferential MFN (Most Favored Nations) tariff. The business costs coming from the certificate of origin also contributes to this problem.

The survey conducted again one year later showed that the ASEAN-China FTA still had the highest usage rate. It increased from 29% to 35%. The reason behind it may be due to the financial crisis and campaign engaged by the Chinese Ministry of Commerce. They distributed information about the FTAs throughout China for a year to help the firms to use the FTA. However, the problem is that the utilization rate is still quite low. The low usage rate of China's FTA derives from an absence of the major trading partners. Until now, China hasn't concluded any FTAs with the US, EU, Japan, or ROK. Meanwhile, several of China's important trading partners nowadays have been under negotiations of mega-FTAs aiming to set rules in the region or globally, including TPP, TTIP, TISA, Japan-EU FTA, Japan-EU EPA, and so on. However, China is still absent from these mega-FTAs.

Considering many potential challenges in participating in such mega-FTAs, it may be a good choice for China to negotiate a bilateral investment treaty with the US prior to joining mega-FTAs or focusing on the TPP. At the same time, CJK is so important for China because China can catch up the pace of rule-setting and access the Japanese market. Honestly though, there is no comprehensive strategy for China to pursue such FTAs. China used to pursue traditional FTAs focusing mainly on market access. However, considering the ongoing negotiations of the TPP and its potential impact as well as pressures, China is changing its attitude towards FTAs.

China agreed to negotiate BIT (Bilateral Investment Treaty) with the United States on a basis of national treatment and negative list approach. And substantial outcomes have been achieved in negotiating with the ROK-China bilateral FTA. For the first time, national treatment and narrative list approach is agreed in pursuing the future of such trading negotiations of services and investment chapters. The task left is how to promote the CJK FTA in the future. I

think that it is high time we negotiate the CJK FTA after negotiating the China-Korea FTA. I think the Korea-China FTA sets a very good ground for the future CJK negotiations. With the ongoing negotiations of TPP, China will feel pressure which is good for China. If TPP is successfully concluded, I think the CJK FTA will get an incentive to go forward more successfully.

【China】 ZHU Caihua

Professor and Dean of School of International Economics, China Foreign Affairs University (CFAU)

From the regional and national level, we all believe the CJK FTA is a very good thing in East Asia and Northeast Asia because it is crucial in advancing regional integration and promoting political stability in the region. What's concerning is that the three countries firmly believe in mutual economic benefit while lacking trust politically. This dualism paradox is better explained by the complex FTA phenomena in East Asia as we have seen that the regional integration in East Asia has not been led by CJK which account for 85% of the regional GDP, but led by ASEAN who account for only 15% of the regional GDP. We have seen in East Asia a lot of bilateral and plural-lateral FTAs like 10+1, 10+3. Among them, the ASEAN and RCEP require a closer look. ASEAN was characterized by ASEAN centrality only led by ASEAN. And RCEP, with the absence of bilateral or trilateral FTAs in Northeast Asia, could hardly make a substantial breakthrough anytime soon because nobody can deny that CJK build the economic core of East Asian regional cooperation.

Another dualism comes in across industries within countries. Theoretically speaking, some industries will gain while others will lose from trade liberalization. In Japan and South Korea, for example, such business interests as steel, transport machinery, automobile, and electronic sectors will gain while the sectors like agriculture and SMEs tend to oppose the FTA. China is also facing such a dilemma when negotiating the FTAs. Compared to Japan and South Korea, China maintains a competitive advantage over agricultural products but a disadvantage over some manufacturing sectors such as steel, machinery, chemical, automobile, and even textile. The service sector is also facing challenges in China. Other issues like investment, government procurement, intellectual property rights, environmental and labor issues all have to be addressed on the Chinese side because they call for deeper domestic reforms. Facing these two dualism paradoxes, I think CJK still need to work harder in many areas in order to hammer out the CJK FTA.

To overcome the dualism, we need to improve bilateral ties among the three countries. Recently, China and Japan reached a four point agreement to improve bilateral ties agreeing to resume diplomatic and security dialogue. This is a very good sign but the ice began to melt just a bit. We also need to establish a very appropriate safety net in each country. We know free trade is good for a country as a whole but gains and losses are unevenly distributed across industries.

In order to avoid strong opposition from those who are dislocated by the FTAs, all the countries taking FTAs as a development tool need to establish a safety net for those who suffer from the FTA arrangement. Last but not least, priorities should be given to connectivity which includes physical, institutional, and person-to-person exchange.

During this APEC summit, the members set a target of enhancing physical, institutional, and person-to-person connectivity by 2025. If this target is fulfilled, it will help APEC economies become 25% cheaper, faster, and easier to do business within this region. During this APEC meeting, China has committed to contribute \$40 billion to set up the Silk Road fund. China is also preparing for the establishment of the Asian Infrastructure Investment Bank with other 21 countries. Regretfully, the neighboring Japan and South Korea are currently absent from the list of founding member countries. Personally, I think it would be better if Japan and South Korea join and work with China and other countries to provide financial and technical support for the region's connectivity and for the better future of the region.

【Japan】 FUKAGAWA Yukiko

Visiting Fellow, Center for Development Studies/Faculty of Asian and Middle Eastern Studies, Cambridge University

I would like to stress three things. First, in reflecting major economic interests as well as political interests, the each of FTAs have already been very much diverse. Therefore, CJK FTA means coordinating the diversities. Second, FTA is not a goal; FTA is a measure to have better growth and welfare. When the global economy continued to grow, there were a lot of optimistic expectations that the FTAs will bring better results almost automatically. However, the results are not actually automatic without industrial adjustment and reform. Moreover, we have to ratify the pact and build a confidence consensus among the general public that the FTA is going to work. Third, CJK FTA has to be consistent with the proceeding of different pacts such as ASEAN, TPP, RCEP, and other plural-lateral approach.

Why are CJK lagging behind? The reasons are that it's because of the political constraints and a lot of diversions in the economic terms due to the different economic interests. Moreover, CJK are large in economic size enough to be independent. ASEAN seems to share the common sense that they've got to get together since they are the minority so that they can better host the foreign directed investments. When it comes to CJK, China used to welcome foreign directed investments but Japan and Korea were very much based on 20th century GATT type of industrialization process. There has been a way of thinking that "foreign companies are foreign after all, and we have to have our own." What's behind this idea is the sovereignty issue, where the tradition of industrial policies exists. At the same time, we tend to be trapped in the idea that exports are good and imports are bad so we have to compete with foreign companies.

Besides these structural factors, we have many different economic interests. In Japan, outsourcing accounts for a large portion of its economy right now. That's why the Japanese export never picks up even after the Abenomics is in action and Yen got so cheaper. In addition, the Japanese trade is very much driven by intra-company trade. So FDI is a bigger concern than trade itself. That's why Japan has been sticking to more comprehensive, plural-lateral base-making, rule-making, common-oriented kind of FTA. Korea might have very different interests. Korea got out of the financial crisis as an export-driven economy. Koreans have had desires of being the FTA hub in Northeast Asia. And China seems to have been desperate about resource security to target more FTAs with resource-rich countries as well as to solve old trade frictions with major markets. FTA might be a good negotiation process for China to overcome a lot of trade disputes.

Now that China-Korea FTA is agreed and TPP is hopefully going to be concluded at the beginning of next year, we need to review how CJK FTA is going to be made after that. First of all, Korea, especially the Korean journalism, should understand that Japan is not competing with Korea so desperately anymore. We are more insider of every different country through FDI. So neighbors having lots of FTAs are not the competitors but the partners for Japanese companies, though it may not have a positive impact in creating values and jobs insider Japan. And Japan's FTA portfolio is very well balanced and is not so much dependent on China.

Considering that FTA should be a growth strategy, we have to persuade the people and draw consensus that the FTA is part of a good policies in the whole growth strategy. But interests of companies tend to be deviated from the interest of macro-economies of the whole country. We cannot stop the companies to go overseas and then, the agenda for Japan in terms of FTA is to improve the location advantage of Japan. The Korean agenda is creating good jobs. The Korean companies are performing very well in the FTA but it does not necessarily mean decent and sustainable job creation in Korea. Korea has to seek for a good linkage among export, job creation and domestic consumption. China is in the process of huge restructuring after the massive budgetary expansion in response for the global crisis in 2009. FTA should be a healthy, outside pressures to upgrade the Chinese structure.

In addition, now, recently all plural-lateral negotiations are going on. Some of the countries including Korea and Japan, and recently China have been interested in WTO + approaches like ITA (Information Technology Agreement). Thanks to ITA, IT devices are almost out of any new tariff, and China recently has agreed to participate in it. So this might be an good alternative approach in mitigating sovereignty interventions among Japan, Korea, and China.

【Japan】 SHIOTA Makoto

President, SME support, Japan (Organization for Small & Medium Enterprises and Regional Innovation, JAPAN)

SMEs in Japan account for more than 99% of the total number of enterprises. It represents two-thirds of employees and value added represents over 50%. It's a very huge percentage of the Japanese economic activities.

Nowadays, the Japanese SMEs are very eager to go abroad. And it's true that there are many sensitive agricultural sectors in Japan. But as a whole, SMEs are very positive or eager to do business abroad. It depends on the business types or models of SMEs. Some SMEs focus on the local-to-local business; it is centralized in the local business, produced at home and sold at home. But these days, "outward-bound" activities are very frequent in Japan. So-called "local-to-global" business means 'made at home and sold globally.' SMEs' export value remains around 10% but we can say that it has a large room to improve.

Moving onto the next point, why do regional trades matter? It depends on the wide range of business models. The Japanese SMEs have concentrated on the business model of manufacturing parts or components made in Japan and then export final products. That's the very traditional way of business model. These days, the SMEs export components to China and Korea, assembled there, export to the third countries. It's sort of a sophisticated way of business model. The other mechanism is that parts and components exported from China, Japan, and Korea, are assembled in other countries than China, Japan and Korea, then imported back to China, Japan, and Korea. And last one is that SMEs get the components exported from China and Korea, assemble them in the other countries than China, Japan and Korea, and export to the third market. There is a possibility of regional cooperative way along with these kinds of change. The Japanese SMEs prefer to do FDI and relevant business abroad that can allow recipient countries such as China and Korea to have economic benefits.

In that sense, the last point not the least, is that how can SMEs in the region deal with any difficulties which might occur abroad? There exist several constraints for SMEs on resources such as money, human resources, and information. However, they can make quick and prompt decisions. There are companies called "global niche top." Even if the size of the industry or the company is not sufficient to compete globally, their performance of certain categories of products in the global stage is at the top level. Japan has these types of SMEs. SMEs' resources are limited and they are eager to avoid burdensome process on ROOs, HS code issues, and they're also very keen on the sufficient level of IPR protection in the region. They'd like to have access to detailed information on the process and the information hub in the region.

【Japan】 URATA Shujiro

Professor of Economics, Graduate School of Asia-Pacific Studies, Waseda University

The opponents of FTAs or trade liberalization in Japan argue that FTA would increase imports, resulting in the decline of production, which in turn would generate unemployment. They also argue that the reduction of agricultural production resulting from FTA would have negative impacts widely on the Japanese economy and society because agriculture in Japan provides the Japanese economy and society with various benefits including conservation of environment and landscape, preservation of culture, protection of rural economy, ensuring food security and others. These negative impacts made by the opponents against the FTAs may be realized if appropriate government policies are not applied. However, these negative impacts can be avoided or moderated by applying appropriate policies such as phase-in gradual tariff reduction and provision of safety nets. It is very important to realize that maintaining protection is not the best policy. If we are interested in preserving culture or environment, it is not the trade policy that we can rely on but the policies such as direct subsidies given to preserve culture or environment.

There are various benefits of FTAs. Consumers can purchase a variety of goods at lower prices. Also, trade liberalization and FTAs ignite the growth mechanism as it would shift productive resources such as labor capital from non-competitive sectors to competitive sectors. A challenge for the policy makers to realize or mobilize this growth mechanism is to make this shift without incurring much cost. In this end, it is very important to undertake domestic policy reform in Japan.

The benefits of FTAs come not only from trade liberalization but also by setting economic rules. Setting rules on intellectual property rights, competition policies, government procurement and so on, will bring benefits to companies.

It is known that agriculture in Japan is noncompetitive sector in general. However, agriculture consists of many different products or sectors. It is well-known that some Japanese beef are very competitive although prices are high. By opening up the market, farmers would realize the importance of expanding their exports to foreign countries.

【Korea】 CHOO Mi-Ae

Member of the 19th National Assembly Republic of Korea, New Politics Alliance for Democracy Party / Trade, Industry and Energy Committee

I fully agree with the perspective of Professor Zhu Caihua and the dualism paradox of an FTA. FTA means that it is just better for the welfare of big business, not for social welfare.

Firstly, “Who are the winners and the losers: Impact on growth and welfare?” In the wake of signing an FTA with China, the trade volume with the FTA partners of South Korea has risen up to 61% of our total trade volume. Disappointingly, both the Korea-Chile FTA and the Korea-

EU FTA have already turned into trade deficit from trade surplus prior to the respective enforcement. In the case of the KORUS FTA exports to the US for the past two years have increased by 5.4%. However, the exports of uncovered items by the FTA increased by 5.7%. It is more than those covered items limited to a 4.9% increase. We have also suffered unexpected side effects along the way. Some criticize the government for only increasing the number of FTAs while failing to weigh how they would affect workers for noncompetitive industries under FTAs. In a nutshell, Korea's FTAs do not result in as rosy of a picture as Korea claimed. FTAs are like a double-edged sword.

Secondly, "What are government responses?: Challenges and the limitations of compensation mechanisms." The biggest victim of the process of Korea's trade liberalization is the agriculture sector. To prepare for the adverse effects of opening its agricultural market Korea adopted a policy of nurturing corporate agriculture as a means to promote large scale farming thereby reaching economies of scale and enhancing its agricultural competitiveness. The policy, however, has worsened income disparity in rural areas more than in urban areas. It has also worsened the population aging in rural areas. Worse still, there was a large, illegal social scandal surrounding the rice subsidies fund allotted for farmers. These poor government policies could not improve Korea's rural agricultural competitiveness and still remain almost at the bottom of OECD nations.

Thirdly, "The long term effects: economic, political, and social implications." As is known, FTAs are based on the theory of competitive advantage. However, the agricultural industry is a valuable public good despite its vulnerable comparative advantage. We should shed new light on the agricultural industry as it contains a number of values such as food security, national land management, the environment and ecosystem conservation which cannot only be measured through the theory of competitive advantage. Only then can sustainable growth be guaranteed. Though protecting free trade is important, we cannot give up preserving agriculture. We do not need to trade off one against the other. Both of the goals should be achieved at the same time. However, the Korean government is not fully recognizing this concept. According to government reports about the Korea-China FTA, agricultural products are limited to 40% of market opening. However, it will not take a long time to exacerbate Korea's weak agricultural industries. The government treats the voices of farmers as mere resistance from some farmers who are disadvantaged in the industry leading it to only dole out short term measures without long term strategies to enhance agricultural competitiveness and conservation. Therefore, the Korean government must break from the existing conceptual framework of FTAs to secure sustainable growth.

【Korea】 KIL Jeong-Woo

Member of the 19th National Assembly Republic of Korea, Saenuri Party / Trade, Industry and Energy Committee

We would better discuss and think about not only FTAs but also environmental issues in the afternoon not from the perspective of each of our own nations in East Asia. Instead, we would better approach these issues from a global perspective such as what other countries and other regions like America and European countries perceive our trilateral cooperation not only in trade, but also in environment, and some other non-political issues.

When we see this kind of trilateral cooperation from the WTO, in Geneva, or the EU Commission in Brussels - I have to confess I frequently travel to meet with our counterpart in the WTO and the EU Commission. Time after time, I realized that China, Japan, and Korea are underestimating their economic importance too much. We should realize the gravity and importance of the three countries in every aspect, especially in economic issues. We usually call it the Asian Paradox. Surely, we are supposed to get further integrated, but we are suffering from our own deeds. We would better understand and realize that the more room to cooperate with each other the more room we have in our current conflicts and confrontations from other issues like territorial issues or past history issues.

Everyone has emphasized the importance of the FTA. TTIP (Transatlantic Trade and Investment Partnership) between the US and EU is being finalized and TPP (Trans-Pacific Partnership) led by the US expected to be finalized next year. We usually say that an FTA is a trade agreement between like-minded countries, which is not likely anymore. We should not ignore the political and security context of our economic cooperation. When we first initiated the suggested trilateral agreement among three countries, I was a little skeptical of how serious we discussed the real benefits for each country and how seriously we could proceed to a mutually beneficial outcome. Korea-China FTA reached an announcement a couple of days ago. Will it provide momentum to finalize a trilateral FTA, then? I do not think so. The Korea-China FTA is a half-baked one. It is a very low-level agreement. We should be serious enough to really analyze what the reality is.

Another reality is the Korean government's interest is now moving from Korea-China FTA to TPP. I think that the next step in the government's road map in trade issues is to naturally move towards the TPP. But the economic effect of TPP as you might agree is quite similar to the US-Japan FTA. As I mentioned, the US and EU are finalizing TTIP. Japan and the EU are also negotiating EPA (Economic Partnership Agreement). Korea has already made an FTA with the United States and the EU. Japan is now negotiating with the EU and is now a legitimate member of TPP led by the US. What economic effects might Japan and Korea imagine from trilateral FTA issues? We should be realistic.

Now the Korean government is going to resume FTA dialogue with Japan. Probably at the same time, we can resume talk on the trilateral FTA. However, Korea-Japan resumption of the

FTA agreement might be more realistic to lead to the final stage of a trilateral FTA. Another question to China is 'Why isn't China proposing FTA or TTIP with the United States?' It might be a long shot but I think that might be momentum for every one of us in East Asia. My question to every expert on these issues: our trilateral FTA might become a locomotive to RCEP or the other way around. If the trilateral FTA is really necessary, Korea should lead and play a role to finalize RCEP led by ASEAN countries and China. We should also be very keen on any domestic challenges who might become a victim of a free trade agreement. We should be very sensitive to domestic voices. Finally, we should also agree that without a stable peace, we cannot guarantee the sustainable economic prosperity that will be shared by all other countries.

【Korea】 AHN Choong Yong

**Chairman, Korean Commission on Corporate Partnership / Distinguished Professor,
Graduate School of International Studies, Chung-Ang University**

China, Japan, and Korea are now a global manufacturing house. If we strengthen our economic linkage, we could really achieve our three countries' respective economic objectives. CJK can continue to grow to accommodate new growth in the job market. Also, we should recognize that even in the absence of the free trade agreement, there is a great deal of supply chain across the border between China, Korea, and Japan.

I really believe that CJK FTA collaboration could be a really good source of economic recovery for the three countries. CJK FTA collaboration can be analyzed from three different perspectives: first, the economic and political hegemonic rivalry between China and Japan, and for that matter, the rivalry between the US and China evolves down the road; second, how the US crafts its pivot to Asia policy in the years to come; and finally, how Korea will map out its trade strategy while taking into consideration its economic costs and benefits, and Korea's unification agenda.

Korea and China already concluded the bilateral FTA and there are two regional mega trade deals going on. One is TPP and the other is RCEP. TPP is designed to craft new trade rules in the 21st century. TPP regards a lot of conventional trade liberalization issues but extends further to many new norms and standards in IPR (intellectual property rights), SPS (Sanitary and Phytosanitary Measures), and so on. On the other hand, RCEP is addressing a unified market. The coverage and scope of the TPP is much more comprehensive and much higher than RCEP.

There is a tremendous leadership rivalry with the TPP engineered by the US and China being enthusiastic for RCEP. TPP and RCEP must converge down the road by agreeing with each other's basic trade rules and principals because we have seven intersection economies which belong to both TPP and RCEP. This conventional view on the hegemonic rivalry perspective between the US and China can be muted. China and US are now negotiating a bilateral investment treaty and many Chinese expressed interest in negotiating a US-China bilateral FTA. The United

States also mentioned that it would welcome China's entry into the TPP when China is ready to meet admission standards. We should create an environment in which two trade mega deals must converge in the years to come.

With that perspective, we can look into Korea's motivation as to why we pursued a China-Korea FTA. At the moment, China is Korea's largest trading partner. The trade volume between Korea and China is far bigger than the combined trade volume with the US and Japan. Our economic linkage with China is very critical. In addition, China has been Korea's largest FDI destination. China is also very strategic and influential partner in Korea's security agenda, especially when dealing with North Korea's nuclear ambitions. With these factors combined, Korea worked out the China-Korea bilateral FTA. I'm really delighted for this bilateral FTA to be concluded because China-Korea FTA could provide a great momentum for not only the CJK FTA, but also RCEP and TPP. The reason is as follows; Korea was actually invited to join TPP after concluding the Korea-US bilateral FTA. We somehow delayed because of the ongoing China-Korea FTA. Therefore, we lost the opportunity to join the TPP as a founding member. Now, Korea has declared its interest in joining TPP and carrying on bilateral consultation with the 12 party members. It is my hope that Korea can join later on as the 12 founding members agreed upon the first basic framework. Then, we should be at the position to combine TPP, RCEP, and CJK FTA together. Korea can play its own role and its own right.

Korea-China FTA Should contribute to enhance the economic management systems in both countries, especially in China's market economic system dominated by state-owned enterprises and state owned banks. This needs to be reconciled to a true economic system where the private sector dominates the economic scenery. In this regard, I hope China's economic upgrading of the economic management system is very much coherent with basic capitalist market economic principles.

A free trade agreement is just the first part of the story. We should focus on how to increase cross-border direct investment in each other. If you look at the trilateral FTA flows among China, Korea, and Japan, it is, in many cases, a one-way flow from Japan to Korea, Japan to China, and from Korea to China. More active reverse flow of Korea's FDI flow into China and China's FDI flow into Korea and Japan will be highly appreciated. Otherwise, the economic cooperation between CJK is half baked.

Beyond the FTA and investment arrangement, I would like to propose that the intra-regional tourism among these countries must be encouraged to enhance a mutual understanding among people at a grassroots level. In this regard, an early kind of aviation open sky agreement in which we can allow local carriers to fly over from Seoul to many cities in Japan and China will allow even low income bracket people to afford a mutual tourist visit among our three countries.

Regarding the Chinese proposed AIIB, Korea and Japan should join the AIIB as there are huge investment requirements along the Silk Road and China already proposed a joint development project in Jilin, Hasan, and Tumen River area so that we can induce North Korea

into the ongoing North East Asia collaboration effort. But the AIIB must stay on the global standard for financial institutions in terms of governance system and equity shares. If China insists on more than 50% of the equity shares, I think it is likely to lose new membership. Also, a transparent governance system managing the lending rules is very critical. I hope China accommodates a new global standard in governance and transparency.

In conclusion, what's most important is that the East Asian economies including CJK should build a basic foundation in which we can trust each other. Trust building at a very basic grassroots level will eventually affect the climate for political leaders in CJK.

【Korea】 AHN Dukgeun

Associate Dean of International Affairs / Professor, GSIS, Seoul National University

We have TPP negotiations, ASEAN-centric RCEP negotiations, and CJK negotiations, and TTIP negotiations going on. Given that FTAAP also drew some attention in the recent APEC meeting, all those trade negotiations basically embrace many countries even including Russia except for the EU.

Nowadays we talk about the global supply chain. But in terms of the global supply chain, the most integrated economic unit is NAFTA. About 10 years ago Canada and Mexico's exportation was headed for the United States. It was the most integrated supply chain basis. If you look at this NAFTA unit now, it is actually trying to become larger and embrace more production bases like Vietnam, Chile, Peru, and Japan. Actually, TTIP highlights the bilateral relationship between the US and EU but the EU actually had an FTA with Mexico since 2000. Last month when Canada signed an FTA with Korea, another FTA Canada signed was with the EU. Actually the EU is becoming more integrated with the NAFTA bloc, not just the United States. That is the reality.

As already explained by Dr. Kil, Japan is also talking to the EU to have a bilateral FTA. Another FTA that is worthwhile to take a look at is TISA (Trade in Services Agreement). Originally, it was thought to be part of the Doha Round of negotiations for services market liberalization but the US basically abandoned this negotiation. Now, like-minded countries are trying to have a services-focused FTA under the name of TISA. TISA countries include the EU, TPP countries, Korea and Taiwan. You can actually see the countries not included in this kind of economic bloc: China, ASEAN, Brazil, India, and Russia. These emerging economies cannot join this next century economic integration in a way. In that sense, a CJK FTA will be very important.

The previous panelists emphasized the importance of both political and economic dynamics. It is really important to prevent the arbitrary distortions in terms of the vertical and horizontal industry restructuring. But will it be possible? Next year, CJK FTA will become the most important trade policy agenda. But I think we can more seriously engage in this CJK negotiation if we can have the conclusion of TPP negotiation early next year. Otherwise, it is very likely that Japan will take all the responsibility for the failure of TPP negotiations. If so, can Japan actually

join CJK FTA dialogue to arrange the regional economic integration? That will probably be a very difficult issue. I'm a bit pessimistic about the progress of CJK FTA in case TPP negotiations could not show some meaningful progress next year.

Another prospect is that Korea will try to join TPP negotiations. We have already manifested our intentions to join TPP. The issue for us is just timing. Basically, the US government is now trying to tell us to wait and sign the document when the drafting is completed. Unfortunately, the timing couldn't be worse for us because of the rice market. We just introduced a tariff system for rice and the Korean government announced that a 513% tariff will be imposed on the rice market next year. Korea delayed the introduction of this tariff for almost 20 years and is supposed to accept this new tariff system next year. As far as I know, however, Japan is supposed to cut down, though not completely lift, rice tariffs under the TPP negotiation. That means, when Korea joins the TPP negotiation, it has to cut down the rice tariff, too. If the introduction of this tariff was delayed or the decision to join the TPP was a bit earlier, Korea would be in a much better position. In commercial or economic terms, it may not be a very big problem. But politically, I'm not sure whether the Korean National Assembly or government can overcome this difficult puzzle in terms of TPP.

Luncheon

*The full text of keynote speech is available in [Annex B](#).

Session 2: Emerging Environmental Concerns and Trilateral Cooperation

Moderate

【Korea】 KIM Sang-Hyup

Visiting Professor, Graduate School of Green Growth, KAIST / Chairman, Coalition for Our Common Future

President Obama and President Xi Jinping agreed that they will do more about cutting greenhouse gas emission and, especially, president Xi Jinping pledged that China will put a cap on the amount of its gas emission by the year 2030. Those two big emitters account for more than 45% of the global greenhouse gas emission. China, Japan, and Korea are also the most important axis in the world. The economic size of CJK is more than 20% of the World's global GDP and their energy consumption amounts to about 25% and their carbon emission to about 35% of the world's total. CJK are extremely important, not only in terms of economy and trade but also in terms of environmental climate change. It has been said that the environment doesn't know any borders. Environment is beyond the left and right that can bring about sense of

community. It will justify our collective action. Basically, our environmental issues are regarded as low politics which can easily promote cooperation or collaboration.

Panelists

【China】 HUAN Qingzhi

Professor, School of Marxism, Peking University

In the field of the environmental protection cooperation, I think it is needed to reflect the lessons from the past. What has happened in the past 20 years or so? From a perspective of regional integration, we have to look at what happened in Europe. In today's world, the most integrated international or transnational super-entity is the EU. The basic theory underlying the establishment of the EU is the 'Neo Functionalism Theory.' The basic idea of this theory is that functional necessity will result in the establishment of transnational agency. Citizens' identity or loyalty will then gradually transfer from the national to super-national level. And I would say that the experience of Europe basically demonstrated and confirmed this theory. The question is 'what's the relevance of this theory for the CJK cooperation or for the East Asian cooperation?' The other question is 'how can we define and identify transnational and trans-boundary national issues?'

In a narrow sense, I think the transnational and trans-boundary environmental issues refer to the environmental problems which bring about some regional and comprehensive negative effects. These can be exemplified in the sandstorm problem, fog and haze problems from China and nuclear power plant accident in 2012 in Japan. In a broader sense, trans-boundary environmental issues may bring some new opportunities for the region. They can basically bring about some common benefits to all of the countries and create an integrated area.

And the last question is about the possibilities and the prospects of the institutional environment cooperation at the East Asian level. In my understanding, there are three organizations or mechanisms that can be called as institutional mechanism. The No. 1 is TEMM. The ministers have held meetings every year since 1999. But it's been just a policy dialogue mechanism. We can upgrade it to a cooperation system or cooperation organization. There are some other cooperation mechanisms such as NEASPEC. But all those mechanism have problems. They have problems in coordinating and resources. Above all, there is no one but the governments who join these efforts and others aren't invited as cooperators resulting in lacking the policy consensus for the whole region. Other institutional mechanisms like ASEN+3 and APEC deal little with the environmental issues, focusing mainly on the economic issues.

So I would suggest the following three policy suggestions. First, TEMM mechanism may come up with an independent office/secretariat as well as regular working groups implementing action plan or decisions made by the CJK ministers. Second, we can create a higher level dialogue among the CJK leaders within the summit framework in which new issues or policies are to be

raised in the summit. Third, we can suggest a new start with the establishment of a regional agency capable of issuing annual report with policy suggestions, something like the EEA (European Environmental Agency).

【China】 WANG Xuedong

Professor, Institute of Asia-Pacific Studies, Sun Yat-sen University

East Asian countries like China, Japan, and Korea talk about the cooperation for climate mitigation. As we all know, we need to reduce greenhouse gas emissions or at least put a cap on greenhouse gas emission. The countries in the world welcome the greenhouse gas cuts but they don't welcome a cap on economic development. They do not want to have low employment rate and they do not want to 'limit' quality of life. So it's really tough job to cut greenhouse gas emissions.

So why do we need to cut greenhouse gas emissions? That's because we will face consequences like global warming if we don't cut greenhouse gas emission. China is infamously known as lacking environment protection measures. It is a coal mining and coal burning country that deteriorate global warming and environmental pollution. We also need to cut greenhouse gas emissions to reduce overseas energy dependency. CJK are heavily dependent on overseas energy sources. 97% of energy sources in Korea are imported from outside and also almost 100% for Japan. China is producing a lot of things but with very low energy efficiency. So China is the world's largest oil and natural gas importer and top greenhouse gas emitter, and the world's second largest energy consumer. Japan, the second largest oil importer, is ranked fifth in greenhouse gas emitter and Korea is the fourth largest oil importer and ninth greenhouse gas emitter.

We have a tough job to reduce overseas energy dependency. Some might disagree with me saying that energy dependence on other countries is not a bad thing. But we are importing a lot of oil from Saudi Arabia, Iraq, Venezuela and Angola, even from Russia. Why do we depend on volatile Mideast? Why do we depend on unpredictable Venezuela? Russia always uses energy as political leverage and negotiates with other countries. And next question is 'why do we need cooperation? Why can't we do it independently?'

There is an old saying that when you want to go fast, go alone. When you want to go further, you need to go together. President Xi Jinping made clear that China can't successfully develop at the expense of other neighboring countries. China wants to have spillover effects by cooperating with other neighboring countries and enjoy the reciprocity and benefits from the cooperation. So we should take global warming and climate mitigation as a good opportunity and a stimulus.

We can move toward a new alternative energy sources. Nuclear energy could be an option but unfortunately, the Japanese government decided to shut down the nuclear power after the 2011 Japanese earthquake and Tsunami. Another alternative could be renewable energies. In

fact, traditional energy sources are something like zero-sum energy, which can be exploited as political leverage as we can see from the Russian example. But no one can stop you from using the sun as a solar power. No one can stop you from using wind as a wind power. CJK should seek for more cooperation on renewable energy in the near future.

Then another question is 'Is renewable energy accountable? Is it affordable? Is it accessible?' Germany made clear last year that it will no longer use nuclear power and coal as energy sources and replace them with wind power and solar power. Unfortunately, German energy is going to face depression predicted by IMF report released some days ago. That's a really good opportunity for CJK to cooperate and initiate research and development to commercialize renewable energy.

【Japan】 YAMAGUCHI Mitsutsune

Visiting Professor, Komaba Organization for Educational Excellence (KOMEX), College of Arts and Science, The University of Tokyo

To my understanding, when it comes to global warming and climate change, many people, especially politicians, say something beautiful. But the reality is quite different. I would like to share the very basic understanding of climate change. That is 2 degree target. 2 degree target was first mentioned through submitted papers in Copenhagen in 2009 and 2010 in Cancun negotiation. To be very brief, 2 degree target means we should limit global warming less than 2 degree Celsius since pre-industrialization. By today, temperature has already risen by 0.8 degree. So we have only 1.2 degree left. This is the reality.

I have been involved in the IPCC 3rd, 4th, and 5th assessment report for past 20 years. Especially this month governments have approved the Synthesis report of the 5th assessment report. On that occasion, Mr. Ban Ki Moon from UN Secretary General came and said 'Let's do it for 2 degree. The cost is low. The only thing we need is the political will.' And Mr. Pachauri, chairman of IPCC, said almost the same thing.

But today, it seems to be quite unrealistic. To achieve 2 degree target, global emissions must be reduced by 41~72% in 2050 (base year 2010). Even if developed countries reduce their per capita emissions by 80% (from 13.9t CO₂ to 2.7t CO₂, a very challenging goal) by 2050, the room left for developing countries per capita emissions are 3.2~1.3t CO₂, whereas per capita emission in 2010 is 5.5t CO₂ (for reference 2010 emissions: China 8.1t and Korea 13.4t CO₂). Is this feasible? Sticking this target is the real reason of deadlock of COP (Conference of the Parties of the United Nations Framework Convention on Climate Change) negotiations.

To achieve 2 degree target at the end of this century, global emission must be negative which means even zero emission is never enough. We have only two ways to achieve negative emission. One is to capture CO₂ and put it underground. And another option is huge-scale afforestation. Do we have such a land to accommodate it? How about food security? If you just think about the

reality, you may easily realize why 2 degree target is not realistic. But the negotiators still shout for 2 degree target. Anyhow, climate change is a serious issue and sustainable economic growth is really important, too. Article 2 of UNFCCC stipulates the ultimate objectives of response measures tackling climate change. It is to restrain the GHG concentration to some level, which is not dangerous. However, it is also described that, in achieving the level, we should not sacrifice the economy to grow sustainably. It's a balance between too little response and too much response measure. 'Too much' might hurt sustainable economic growth. We will be truly happy if we can constrain temperature increase to 2 degree along with sustainable development. But as I just mentioned with several examples, it's almost impossible. We have to realize two degree target is infeasible and think about what we should do then.

The best way is to change 2 degree to, for example, 2.5 degree. In that case, damage will not be so big but cost will be very low. If impossible, we can also still achieve 2 degree target, though at a less probability, with slowing the reduction pace down a little.

If you look at the US-China agreement, we can immediately know the total emissions of the two countries continue to increase by 2030, and it is never on track to achieve two degree target. CJK must share this point and try to persuade our policy-makers that they should realize the reality itself. My favorite type of agreement is strong-weak agreement. It is better than weak-strong agreement. A strong-weak agreement looks weak at a glance but it is strong as we can really implement it. In contrast, a weak-strong agreement, such as Kyoto Protocol's case, looks very strong and, as a matter of fact, is legally binding but it is weak because it is not being implemented.

【Japan】 IBUKA Shigehito

**Executive Director, Japan Environmental Management Association for Industry (JEMAI);
Division Manager, Environment and Safety, Quality Management Center, HORIBA**

The HORIBA was born in Kyoto, 1953 and is global company manufacturing measurement and analysis tools. And JEMAI, Japan Environmental Management Association for Industry, was born in Tokyo, 1963 and a consortium to support and promote environmental preservation of member companies.

Firstly, I would like to introduce some examples of HORIBA products to contribute to environmental impact reduction. HORIBA has five business segments; Automotive Test System, Process and Environmental Instruments Systems, Medical/Diagnostics Instruments systems, Semi-conductor Instrument Systems and Scientific Instrument Systems. Emission measurement systems of Automotive Test Systems segment is to measure gas emission from vehicles. Process and Environment segment has monitoring systems to measure emissions to atmosphere and effluents to water. Atmosphere monitoring systems can analyze PM 2.5 to PM10, dust, total hydrocarbon, SOx, NOx, carbon-monoxide, carbon-dioxide, hydrogen-chloride, zirconia, mercury, PFCs

and so on. Water monitoring systems are able to evaluate water quality of sea water, river, lake, groundwater, rain, supplied water, recycled water, desalination and wastewater. Water monitoring systems can measure turbidity, conductivity, pH, COD, DO (dissolved water), NH₃, Nitrogen and Phosphorus solved in water. Atmosphere monitoring systems and water monitoring systems are used in power plant, gas plant, engineering plant, governmental observatory, factories of various lights and heavy industries, laboratories and universities globally including Korea and China. Scientific segment has X-ray Fluorescence analyzer to specify contained substances in a material. It is very useful to RoHS or ELV compliance. For our HORIBA, joint researches and activities with universities, laboratories or governmental consortia are very important. My material has a picture of agreement ceremony with a university in China. HORIBA strives to contribute to environmental conservation through our products world-wide. HORIBA is now focusing on Asia.

Secondly, I would like to introduce outlines of JEMAI. JEMAI contributes many categories for environmental preservation; Chemical management, Waste reaction, Resource conservation, Climate change protection, Environmental management system promotion, Training for qualification license like air pollution control and water pollution control. Environmental regulatory research and Eco-product convention planning and practices. Along with globalization of environmental concerns, the scope of our reach has widened to include Europe and other Asian nations. JEMAI has had particularly strong history of environmental cooperation. Collaboration to China and Korea in recent years has resulted in understanding of emerging registration to regulate use of chemical substances. In addition, JEMAI has also been invited by governmental officials to participate in a summit (China, Japan and Korea Chemical Summit) that has been held since 2010. This year of 2014, the fourth summit was held in Shanghai. Bilateral international activities for training have contributed to improvement of environmental preservation for the countries involved. My material shows past history of Japan and China environmental cooperation are available for reference. Every company effort, company and company cooperation, company and research initiative cooperation, company and university cooperation, industry sector cooperation, cross-industry cooperation, and beyond-industry cooperation among CJK are very important for global environmental impact relation. Also interactive actions are very important for our cooperation. Thank you very much for your attention.

【Korea】 SHIN Eui-soon

Professor of Economics, Yonsei University

CJK now account for 18% of the world's total energy consumption and major importers of oil and natural gas. While trilateral trade and economic relationships have increased significantly, environmental cooperation thus far has not seen such an improvement. As a result of rapid

economic growth, the three countries have experienced similar domestic environmental problems. Japan overcame all the environmental problems and now is the most environmentally developed country. Korea was also able to overcome most of its serious air and water pollution problems, thanks to increased efforts and investment for environmental quality improvement by the government, business and the society. China seems to be suffering from serious environmental problems now. But China too, will be able to solve various environmental problems with proper policy and investment spurred by people's demand for better environmental quality.

However, the trans-boundary issues rely on the characteristics of externality that cannot be resolved independently by each nation. Trans-boundary environmental issues in the Northeast Asia can be categorized into 3 areas of interest. One is atmosphere, the second is the sea, and the third is ecology. The most well-known trans-boundary atmospheric environmental issue is the acid rain. Sulfide dioxide mainly originating from China, travel with the wind and affect the Korean peninsula and the Japanese archipelago in the form of acid rain. An international team of experts studied this trans-boundary issue in the Rains-Asia Project and called for concerted efforts of the Northeast Asian countries. Yellow dust is also caused by dust particles from Mongolian desert in spring. However, increase in the concentration of fine dust has aroused new concerns for atmospheric researchers.

Second, trans-boundary marine pollution mainly occurs in the yellow sea between China and Korea, and the East Sea, Japan Sea, between Korea and Japan. Until recently, oil spills caused by vessel accidents and waste dumping had been primary concerns of marine pollution. However, the Fukushima radiation accident of 2011 has alarmed neighboring countries that nuclear power plant accidents could be a formidable environmental catastrophe. The three North East Asian countries operate 91 nuclear power plants which comprise 20% of the world. It is expected that China would quadruple the number in 6 years from 20 to 83 plants according to a public source. Nuclear power plant accidents would leak radiation not only into air but to soil and water, as well as contaminating drinking water and agricultural products. The South Korea president Park proposed to establish North East Asia nuclear safety consultative body in August this year, responding to people's increased concerns on this issue.

Thirdly, Northeast Asia has no geographical borders to flora and fauna. For example, fish and migratory birds live in the region moving freely in the sea and air, so trilateral cooperation becomes essential for their protection. The division of North and South Korea for the past 60 years has locked the movement of wild animals and resulted in the extinction of many wild lives in South Korea. Now is the time for jointed efforts to restore and protect wild life and to maintain ecological diversity in Northeast Asia. Tripartite joint investigation of the regional ecosystem is vital and the preservation of the DMZ area would be an important initiation for this endeavor. The Nagoya protocol became effective starting October this year, and future efforts to protect the biological diversity of each country would be strengthened.

Regarding the issue of devising trilateral cooperation, flexible mechanisms such as CDM emission trading scheme and joint implementation was developed and executed so far in order to mitigate the global warming cooperatively. In the case of regional cooperation, a good example is the convention on long range trans-boundary air pollution of 1979. Initiated by UN ECE, which is equivalent to UN ESCAP in Europe. This is the first multilateral convention attempting to deal with trans-boundary air pollution problems.

CLRTAP led to the adoption of the Helsinki protocol in 1985, which is the protocol on the reduction of sulfide emission or their trans-boundary fluxes at least by 30%. In 1989, the Sofia protocol, which is the protocol on the reduction of the nitrogen oxide was adopted. And the protocol on the control of emissions of volatile organic compounds was adopted in 1999.

Meanwhile, the three countries have maintained various multilateral, as well as bilateral channels for regional environmental cooperation so far. Effective cooperation and agreement have been difficult so far to achieve in the Northeast Asia because of the differences in the economic system and the stages of economic development. However, China is now advocating the market economy and has become one of the world's major economic powers. It is an imperative for the three countries to open up a dialogue regarding trilateral environmental cooperation based on the principle of equality and mutual benefit. Environmental cooperation efforts should be expended with active participation of civil society.

There are three ways to deal with the pollutions, including the trans-boundary issues. One is direct regulation, sometimes called command and control method, second is market-base instruments like pollution tax or trade permit system, and third one is the voluntary reduction induced by moral suasion. So the role of the civil society and the schools are important for this reason. The green campus movement has been activated in developed countries since 1990 to enhance sustainability in education and research at universities. In Korea, the Korean association for green campus initiative was established in 2008. In China, China's green university network was established under the leadership of the Tongji University in Shanghai. Kyoto University in Japan has established campus sustainability network Japan this year. So, I think it would be possible to discuss the trilateral regional environmental cooperation issues in the China, Japan and Korea joint green campus seminar.

【Korea】 JEON Eui-Chan

Professor of Environment and Energy, Sejong University

Earlier this year, Seoul recorded the concentration of PM 2.5, around four times higher than WHO standards. China also suffer from more severe smog compared to Japan and Korea. Recently, Beijing had PM 2.5 concentration, more than 10 times higher than WHO standards. Japan has once recorded the concentration around 3 times higher than WHO standard in 8 prefectures.

According to Japan Weather Association, PM 2.5 pollution was likely to be a result of pollutants from China.

What is the main cause of air pollution? I think the main pollution in Korea is due to a rapid economic growth. As you can see from 1962 to 2012, the GDP of Korea increased 500 times. As economy grows, the energy consumption and automobiles have increased and caused severe air pollution. China shows the same phenomenon. Over the past 30 years, China has achieved incompatible economic growth. But especially in China, the main source of smog is exhausted gas from out-of-date automobiles and increased coal consumption, which accounts 70% of the total energy consumptions. PM originating from China travels east-bound and affects the air quality in Korea and Japan. According to one research, it is estimated that about 30% to 50% of particle matter from Korea is originated and traveled from China.

To tackle the trans-boundary air pollution, Korea included PM in the air quality monitoring and warning systems and has been implementing various domestic policies, as well as enhancing cooperation with China and Japan. In 2012, the Chinese Ministry of Environmental Protection issued 12 plans on air pollution prevention and control in key regions, the first time ever the central government of China issued a comprehensive pollution prevention and control plan. Due to trans-boundary nature of air pollutants, the effective policy measure should be implemented under the cooperation of China, Japan and Korea.

Three countries have started to cooperate to reduce air pollution since the early 1990s. One of them is LTP (Long-range Trans-boundary Air Pollutant). It was established in 1996 and Korea played a leading role. Also, the EANET (The Acid Deposition Monitoring Network in East Asia) was established under the leadership of Japan in 1996. But I think the current cooperation programs are not effective. I think the reason is that each program is sponsored and managed by individual nation. Showing the result information is not easy and sufficient. A lot of budget is being poured into the programs but it is not cost-effective. In addition to central government-level cooperation, the recent municipal cooperation has kicked off. There have been an MOU signed between Rambato and Seoul Metropolitan government. But the local-level cooperation is at its beginning stage so we cannot expect to be effective yet. Can we see a clear sky in the future? The answer is not so positive because any country does not want to shrink its industrial output and stop its economic growth. How can we return the wind blowing from China? The first step to take a regional pollution problem in the region is showing basic information and data between three countries, such as the source of pollution, and how and where the pollutants travel, and the impacts of air pollution. North East Asia Atmospheric Environment Center is a good example, which is in charge of collecting and sharing information between CJK. Among the functions of the center, it shares air pollution monitoring data real-time, pollution warning and forecasting. What's important here is monitoring and modeling of air pollution transportation, and sharing air pollution abatement technology and policies.

【Korea】 CHUNG Suh-Yong

Professor, Division of International Studies, Korea University

When I meet economists, they complain a lot about the political scientists saying that we give very good solutions but because of political scientists, we cannot implement them. But when I meet natural scientists, they usually say that economists have too many assumptions. There are some differences between natural science and social science when they talk about economies. Looking at the reality, though, international affairs are mostly discussed among sovereign states. Unless sovereign governments agree, anyone cannot do anything. Therefore, my job, as an academic and someone who does policy work with the government, international organizations, and NGOs, is designing institutions and governance structure where we can narrow the gap among different disciplines. Both economists and political scientists are talking the right things. But we have to share the same language.

The purpose of doing social science is to provide the society with solutions. Professor Yamaguchi mentioned about legally-binding treaty mechanisms. But I have some reservations about the effectiveness of the treaty mechanisms because we are under circumstances where we do not enforce mechanisms. When the Canadian government says in UNFC negotiations that it cannot implement obligations, nobody can enforce it against Canada. Here in Northeast Asia, the situation is more complicated. When I was invited to this conference, I thought that the three countries need to come up with the idea through which we can actually build more peace and prosperity in Northeast Asia in the context of regional integration. But I would like to emphasize that we have to understand that working on this issue in Northeast Asian level is extremely difficult. As an example, there has never been a single multilateral treaty, not bilateral one, which has been made in Northeast Asia. It is almost impossible to conclude on multilateral treaty in this region. Europe has many regional treaties because that is the way they do business. But the way we do business in Northeast Asia is different. The countries in this region are more concerned about sovereignty. That is one of the reasons why we face current political challenge which could possibly destabilize the regional order.

We have to come up with an idea that would reflect unique factors of Northeast Asia. Then, how can we actually reflect all these things from different disciplines?

First, it is necessary to develop the approach to regional environmental issues with having more political attention from high political levels of the three countries. In fact, you will be surprised to know that the Northeast Asia has a long history of cooperation in the environmental issues. I was in Moscow some weeks ago to give a presentation in an occasion of celebrating the 20th anniversary of UNEP's NOWPAP (Northwest Pacific Action Plan) that's about the marine environment protection in Northeast Asia. It has a permanent secretariat shared by Korea and Japan but almost nobody knows. In the United Nations Development Program, headquartered in New York, there is a very famous marine environment program called 'UNDP/GEF Yellow Sea Large Marine Ecosystem Project.' But nobody knows almost here in this region which is about

protecting yellow sea marine environment. About 10 years ago, I was proposing to the Korean government that we should approach the environmental issues from low politics point of view. But it is time to level this low politic agenda up to high political agenda.

Secondly, we need to look into the economic aspect of the global environmental regime development. To move forward, we first started with regulatory mechanisms. But we have experienced a lot of challenges and have been shifting carefully to utilize market mechanisms to address environmental issues. Developing political interface among three countries on the regional environmental issues must include practically available solutions at the functional level by identifying environmentally sustainable growth pathway(s).

Thirdly, the three countries need to focus on areas where there already exists multilateral cooperation possibly within the framework of global/regional program of international organization(s), which can usually act as independent and fair mediators.

Lastly, strengthening cooperation among scientists in the region will be only helpful.



Opening Remarks by KUSAKA Kazumasa
Chairman and CEO of the Japan Economic Foundation (JEF)

Mr. Ro-myung Gong, Chairman of East Asia Foundation, Dr. Zhang Yunling, Chinese Academy of Social Science, everyone from the Korean, Chinese, and Japanese delegation, and to the audience, it is with great honor to have this opportunity to greet you all to today's symposium. As was kindly introduced, my name is Kazumasa Kusaka, Chairman of the Japan Economic Foundation.

First and foremost, I would like to thank everyone at the East Asia Foundation in convening the 1st CJK Cooperation Dialogue. The symposium of this size and grandeur would not have been made possible if it were not for your hard work, and I am truly grateful to you all. I would also like to acknowledge the kind support from the National Research Council for Economics, Humanities, and Social Sciences in hosting the Dialogue in Seoul.

Japan Economic Foundation has been hosting international conferences every year in Asia Pacific, the U.S., and in European countries to promote mutual understanding between Japan and overseas. Last November when we convened the JEF Asia-Pacific Forum in Canberra, Australia, after the official engagements had concluded, I met with the Korean and Chinese friends to discuss whether there was a possibility for the three countries to engage in a trilateral dialogue. With the hard work by the East Asia Foundation, our discussions led to the preparatory meeting in Seoul this March and then to this magnificent symposium here today. I am overwhelmed and delighted.

We have invited experts from Japan with a breadth of knowledge for each of the sessions at today's symposium. For Session 1 on Political Economy of FTA, we have Mr. Naokazu Takemoto, the ruling Liberal Democratic Party Member of the House of Representatives; Dr. Shujiro Urata of Waseda University, an expert in FTA studies; and Professor Yukiko Fukagawa, an expert in East Asian economies and trade. Dr. Fukagawa is Professor of Waseda University, but is currently with Cambridge University. Mr. Makoto Shioda served as Senior Official to the APEC Meeting in Yokohama, and has played a key role in promoting regional FTAs, and has also supported the small and medium sized enterprises (SMEs) and their responses to regional FTAs, where SMEs are at the core of Japanese economy and local communities. Mr. Shioda serves as the President of the Organization for Small & Medium Enterprises and Regional Innovation, and continues to support businesses of SMEs.

In Session 2 on Emerging Environmental Concerns and Trilateral Cooperation, we have Mr. Shigehito Ibuka, who is both Executive Director of Japan Environmental Management Association for Industry (JEMAI), and Division Manager of the Environment and Safety, Quality Management Center at HORIBA, a major analytical and processing machinery manufacturer whose diverse businesses also include conservation; and Professor Mitsutsune Yamaguchi of Tokyo University, who specializes in the field of global environment issues. Professor Yamaguchi contributed to the Working Group of the Intergovernmental Panel on Climate Change (IPCC) as its member, and has also played a big role in the policy formulation process of the Japanese government's responses towards global warming. I am certain that the Japanese delegation will all have important and informative contributions to today's discussions.

Countries around the world, however far and remote, are all connected with each other via diplomatic relationships. The same with our three countries, but our relationship extends far beyond such a diplomatic relationship, and as neighbors, we share a wide range of affinity and connectedness. It is worrying, however, that we rely too much on the depth of our affinity and connectedness, and just as our lawn requires care and attention to keep the weeds from growing before permanently damaging our lawn, our relationship also requires effort to maintain and nurture it, or we may fall into complacency.

I look to experts in the field of trade, investment, economics, technology, energy, environment, and others to be more involved in our region. I also see value in bringing together people from the private, public, and academic sector who make diverse contributions to society from different footings. In Japan, diversity, such as empowering women, is seen as key to support revitalization of the Japanese society and economy. Similarly it is ever more important for as many people with diverse expertise as possible, not just limited to those in the region, to engage in the process.

The different aspect of diversity is generational one. Japan is known to be a society of longevity and respect for the elderly, but if the senior generation crowds out the younger generation, we are not sowing the seeds for the future. The role of the senior generation is to help the younger generation be more active. The same applies to our dialogue, and I think it is important that there should be a balanced representation amongst the generations to the dialogue, not only in terms of transferring, but also so that the diversified interests amongst the different generations are reflected. As we gather more interest from the younger generation in thinking about the challenges of this region, there will be more momentum for creating dynamism in this region.

On this year's theme of trade and investment, how economies, societies, local communities, and SMEs have responded to the liberalization process, and learn from the successes and failures is

an important and necessary process in moving the economic integration of this region forward. If we are too focused on the mindset of the negotiation process between the inter-government negotiators, and too engrossed with the conflicting issues in the negotiations, we end up only looking at the tip of the iceberg above water. We need to understand the dynamism of how actual politics took in the resistance of the stakeholders, and of how FTA was utilized to promote structural reform, so that a nation can achieve its vision of a good society. This will lead to a successful growth strategy of this region. We will then often find cases where present concerns are unfounded.

On the theme of environment, I myself have long been involved in the COP negotiations for global warming, and have taken part in the domestic coordination among various stakeholders. Here as well, we cannot just look at environmental issue alone, but we need to look at energy, economics, and technological innovation which allow policy objectives that are often in trade-off relationships to materialize. Solutions cannot be achieved without a comprehensive view and approaches to the issue. For this year, we will not be focusing on CO₂, but will be looking at traditional pollution issues like air pollution and water pollution. All of the three countries have each addressed pollution issues and have lessons learned, and I hope that by sharing these lessons and cooperating together, experts in the field and experts in each of the countries, who thus far have been divided, can come together and work towards resolving the issue.

I would like to conclude my remarks by expressing my sincere hope that the bond between Japan, Korea, and China will become stronger through today's symposium.

Thank you very much for your attention.



Opening Remarks by ZHANG Yunling

Professor and Director of International Studies, Chinese Academy of Social Sciences (CASS)

“Meeting Challenges in Northeast Asia”

Northeast Asia

- ◆ Dual feature of Northeast Asia:
- ◆ --As economic center, close economic ties, but lack of close cooperation
- ◆ --Peace secured, but tension and confrontation exist—still living in the past
- ◆ Need new mindset: community for common destiny

New Changes

- ◆ Economic structural changes:
- ◆ China becomes the largest economy, double size of Japan in GDP, the gap will be wider further
- ◆ China-Japan market dependency overturns
- ◆ China-ROK economic relations may overpass China-Japan

New Challenges

- ◆ US pivot Asia strategy changes the regional environment
- ◆ Japan's politics and policy trend worried
- ◆ Uncertainty of N. Korean policy and danger of its nuclear armament
- ◆ No vehicle for pan-Northeast Asia dialogue

Cross Road

- ◆ CJK made a big step forward in 2008 when starting the formal summit process-never happened in the history
- ◆ Real progress seems very limited due to the uncertain political relations
- ◆ Reconciliation needs responsible politics
- ◆ Wisdom: seeking the commons and defusing the differences

Meeting Challenges

- ◆ Economics: CK FTA, CJK FTA –for restructuring and new dynamics
- ◆ CJK summit-depending on the will of Japanese political leader
- ◆ Rebooting 6 party talks-need a new approach
- ◆ Initiating a pan-Northeast Asia dialogue for economic cooperation with connectivity as a key agenda

Think-tanks

- ◆ CJK cooperation needs support of CJK think-tank network
- ◆ Hundreds of think-tank meetings between China-ROK, but few either between China-Japan, or among CJK
- ◆ The trilateral CJK think-tank networking is highly needed
- ◆ China's new effort on think-tank



Opening Remarks by GONG Ro-Myung
Chairman, East Asia Foundation / former Minister of Foreign Affairs

First of all, I want to sincerely welcome and thank all of you for attending the 1st China-Japan-Korea Cooperation Dialogue hosted by the East Asia Foundation.

Earlier this year, I met with Zhang Yunling, Director of International Studies at the Chinese Academy of Social Sciences, and Kazumasa Kusaka, Chairman and CEO of the Japan Economic Foundation at a preparatory meeting in Seoul. We agreed to establish the 1st "China-Japan-Korea Cooperation Dialogue." The dialogue was set to be held in Seoul during the second half of 2014. Today, I am very pleased to see that the East Asia Foundation, with support from the National Research Council for Economics, Humanities, and Social Science, fulfilled this agreement by hosting the 1st CJK Cooperation Dialogue.

Our nations share a long and intertwined history. While it has at times been challenging to overcome our historical experiences, we must look towards the future and endeavor to work together to solve the problems of today. As global trade connects our countries in ways that only a few generations ago were unimaginable, it is important to consider the ramifications of free trade agreements. What kind of impact will such agreements have upon the various sectors of our nations? How will our governments respond? And what might this mean for the future of our economies and people? Our nations continue to look towards new opportunities for trade agreements, so I hope we can take a moment to ponder how such agreements might shape and strengthen our mutual cooperation in the years to come.

Of course, in any discussion of trade we must also remain vigilant to the cost it has upon the environment. Climate change is an ongoing challenge that we must face together. The ecological consequences of growth transcend borders and create issues for all of us. It is my hope that through our cooperation, we can work towards reducing the ecological impact of growth so that we all can continue to enjoy a better quality of life.

Today's dialogue serves as a valuable opportunity for all sides to address their concerns as we strive to build the relationships that will deepen our cooperation. It is my hope that this dialogue will contribute to an enhanced level of cooperation and understanding among our nations. Each of us has unique historical experiences to draw upon in the hopes of broadening our understanding of each other.

With a great support from Hyundai Motors, the East Asia Foundation is a public service foundation established in 2005 with a mission to promote peace and prosperity not only on the

Korean Peninsula, but throughout East Asia by building trust through human and knowledge networks.

We want to deeply thank all of the representatives that joined us today for this dialogue. We hope that through your active participation, this meeting will become a valuable opportunity to advance cooperation between our nations. Thank you.



Luncheon Keynote Speech by CHOO Mi-Ae

**Member of the 19th National Assembly Republic of Korea, New Politics
Alliance for Democracy Party / Trade, Industry and Energy Committee**

It is a great honor to hold the 1st China, Japan, and Korea Cooperation Dialogue here in Seoul to seek the future prosperity of Northeast Asia. I would like to extend a warm welcome to Mr. Zhang Yunling, Director of International Studies at the Chinese Academy of Social Sciences (CASS), Mr. Kazumasa Kusaka, Chairman of the Japan Economic Foundation (JEF), and everyone else who has come here today. I also would like to express my special thanks to our co-host Mr. Ro-Myung Gong, former Minister of Foreign Affairs of Korea and Chairman of the East Asia Foundation, for organizing today's conference, and to all of you who have made significant contributions to the development and harmony not only in China, Japan, and Korea but also throughout Northeast Asia. China, Japan and South Korea have long shared Confucianism culture. Due to our geographical proximity, our 3 nations have enjoyed a constant exchange of goods, services, and human resources and have shared important cultural traits. The same still holds true today. The politics and economies of our three nations are dynamic, flexible, and closely related to each other. As you are well aware, China, Japan, and Korea are currently engaging in negotiations to reach a free trade agreement. The FTA will create a huge regional market, accounting for up to 20% of the total world GDP and amounting to 14 trillion US dollars with a population of 1.5 billion consumers.

Honorable participants,

I joined Session 1 in the morning as a panel member and discussed the FTAs that Korea has reached so far. Considering the expansion of globalization and the entailing changes to the global trade environment, trade liberalization represented by neoliberalism may be an inevitable trend. Over the past 15 years, Korea has signed FTAs with a total of 47 nations around the world, including the U.S. and the E.U.. Korea and China have concluded substantive negotiations on a bilateral free trade agreement recently. However, we have also suffered unexpected side effects along the way. Some criticize the government as being focused only on increasing the number of FTAs, while failing to weigh how they would affect workers for non-competitive industries under FTAs. The biggest victim in the process of Korea's trade liberalization is the agriculture sector. To prepare for the adverse effects of opening its agricultural market, Korea adopted a policy of nurturing corporate agriculture as a means to promote large-scale farming, thereby reaching economies of scale and enhancing its agricultural competitiveness. The policy, however, has worsened income disparity in rural areas more than in urban areas and has also worsened population ageing in rural areas. Worse still, there was a large illegal social scandal surrounding

the rice subsidies fund allotted for farmers. These poor policies by the government could not improve Korea's low agricultural competitiveness and still remains almost at the bottom of OECD nations. The agriculture industry is still a valuable public good despite its vulnerable comparative advantage. We should reassess and highlight the agriculture industry as it contains a number of values, such as food security, national land management, the environment, and ecosystem conservation, which cannot only be measured through 'the theory of comparative advantage'. Only then can sustainable national growth be guaranteed. Of course, free trade is also an important value we should protect. We should not be given a choice between agriculture and free trade. We should strive to achieve both of them at the same time. However, the Korean government has yet to come to this concept. Sustainable development cannot be achieved only when the government stresses the bright side of FTAs. It is clear that less competitive sectors or groups will suffer once the FTA is reached. If we expedite the FTA without coming up with any proper protection measures for them, it will be like sharing a poisoned chalice.

Ladies and gentlemen,

In 2nd Session to be held this afternoon, an in-depth discussion will be held on the environmental issues surrounding the three nations under the theme "Emerging Environmental Concerns and Trilateral Cooperation." It is our responsibility to protect and conserve the environment for future generations. Korea, China, and Japan suffer greatly each year from yellow dust and fine dust particles. This shows that Northeast Asia forms a single ecological community. China also realizes the gravity of its domestic air pollution problem, especially that of fine dust particles, and is making massive investments to solve the problem. We should need to discuss seriously about these problems because we share a same environmental community. Concerns about marine ecosystems are also high on our agenda. The Korean government estimates that 72.5% of marine debris drifting to Korea from abroad originates from China. If we takes nationalistic perspectives when it comes marine waste, it will only cause unnecessary conflicts between us. This problem cannot be solved by one nation alone. When it comes to marine waste, all of us are not only the offenders but also the potential victims. In order to solve cross-border pollution, it is more appropriate to seek cooperation for the development and dissemination of necessary technologies and devices than to play the blame game. Environmental issues do not stay within national borders. We all should work together to improve the condition of our shared environment, placing the emphasis on our peaceful co-existence.

Respected participants,

Countries around the world are building regional trade blocks through regional cooperation. Northeast Asia has been lagging behind in such efforts. This is because we have many stumbling blocks and challenges in our path to the peace and co-prosperity of China, Japan, and Korea, such

as environmental issues, historical issues, and territorial disputes. You are the ones who can do this, standing at the forefront of cooperation in the region. China, Japan, and Korea should end the hatred and conflicts of the past and move towards a future-oriented, strategically cooperative relationship. To this end, more exchanges should be encouraged at the private sector level such as academia and industry. There is an old saying that good company makes the road shorter. It is my hope that today's conference will lead us onto the path of cooperation and friendship and help us drive the growth of not only Asia but also the whole world.

Thank you for your attention!