

Opportunity & Risk in a “Connected” World

By Kazumasa Kusaka

Last December, JEF hosted the 6th CJK (China, Japan, and South Korea) Cooperation Dialogue in Tokyo whose objectives are to mutually learn from success and failures in addressing the so-called common agenda. In addition to the regular agenda focusing on how to cope with collateral domestic challenges of FTAs or how to deal effectively with environmental issues, we added the urgent common challenge of “declining and aging populations – their socio-economic impacts and how to cope”.

Given that we expect Northeast Asia to face demographic constraints, the Trans-Pacific Partnership (TPP) encompassing half a billion people will certainly play a critical role in changing the prevailing deflationary mindset. China and South Korea understand the strategic importance of the TPP and seem to have a strong interest in joining it.

The ASEAN economic community’s keyword is “connectivity” – being connected through Asia, which along with evolving globalization and value supply-chains across borders help create a freer flow of goods, people and money. Institutional arrangements such as the TPP and the Regional Comprehensive Economic Partnership which cover wide areas are vehicles to secure a predictable and friendly business/investment environment, intellectual property protection and transparency in domestic policy making.

While this progressive integration of economies expands frontiers beyond national boundaries, the developing US-China tech cold war could trap private businesses whose cyber, financial and security-related technologies are major weapons in this new rivalry. If private business is forced to choose between China or the United States, the level of investment needed to realize global economic growth would not materialize.

This was basically the picture at the end of 2019. Then the coronavirus outbreak in Wuhan occurred in December, and belatedly in January the WHO declared a global emergency. By the time the Chinese New Year holidays ended, the coronavirus looked increasingly like a pandemic, making its way across the globe. The number of infection cases has already topped that of global SARS cases in 2003. If the period of eight months between the outbreak of SARS and its containment can be taken as a benchmark, the timeline for the new coronavirus is to aim for containment in July this year. However, two decades have passed since SARS. China has become deeply integrated to global supply chains of goods, but also the number of Chinese outbound travelers now exceeds 150 million annually. Many countries chartered flights to extract their nationals from China and have advised their citizens not to travel there. The Chinese government imposed a travel ban, but just like the tech cold war, this cannot isolate China from the rest of the world. It is impossible to reduce

infections through human contact in today’s globalized world.

As an economic consequence of pandemics, SARS caused a 2% decline in the global GDP growth rate over a quarter of a year. This time it translates into a potential drop from 6% to 4%. However, it should be noted that in 2003 Chinese GDP accounted for 4% of global GDP, but this time it is 17% and its contribution to world growth is 30%. It is a center of value chains and the biggest consumer market in the world.

In the SARS outbreak, Japan worked together with neighboring East Asian countries to strengthen quarantine measures in a network of international collaboration. But one economy with more than 20 million people and one of the closest to mainland China was excluded – Taiwan. International efforts were made to include Taiwan as a WHO observer in order not to create a vacuum zone, but China’s policy of seeing Taiwan excluded from United Nations organizations prevailed.

Afterward, from 2009 to 2016, Taiwan was allowed to participate with observer status until China decided to kick Taiwan out when Tsai Ing-wen was elected president. So now only Taiwan was not invited to an emergency WHO meeting when the coronavirus infection was confirmed. When public health and the lives of many people are at risk, can the policy of excluding an important player from the network be supported by the rest of the world and non-state actors? Though I believe that all the important players are to be invited to an emergency WHO meeting, Taiwan is now being encouraged not to take up observer status at the WHO meeting as a stepping stone for application to other UN-affiliated organizations.

Increasingly in today’s integrated and connected world, disaster management and human security require the skills and dedication of regional governments, regional institutions and non-profit organizations. Therefore it is essential to pursue solutions to common crises by forming *ad hoc* multi-layered and functional alliances and partnerships.

An old Chinese maxim says “Turn a misfortune into a blessing.” The empowerment of regional cooperation in disaster management could lead to the development of more permanent institutions. I am optimistic that cooperation in coping with this coronavirus pandemic, especially among China, Japan and South Korea, will open the way to regional cooperation on other common issues, such as how to cope with declining and aging populations.

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