



PARK IN-KOOK

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Good morning. I'm very pleased to give a wrap up of the Workshop on China. We had six outstanding panelists – three from China, one from the United States, one from France, one from Korea.

From the Chinese side: JIA Qingguo, dean of foreign affairs school in Peking University; and Zhang Yunling, director of CASS, the Chinese Academy of Social Science; and Mr. Qiao Yide, chairman of the Shanghai Development Research Foundation.

On the US side, we had Prof. Richard Cooper from Harvard University. BARK Taeho from the Korean side was the Trade Minister. And also, Michel Foucher from France, who served as policy-planning director of the Ministry of Foreign Affairs of France.

As a food for thought, I, as chair, distributed the four major topics. Because, you know, the issue on China is too diversified and with too much magnifications. So these four items were: First, characteristic features of Sino-American relationship, especially focused on the recent President Xi Jinping and Obama's summit talk. And second, the New Silk Road Initiative or One-Belt-One-Road, its implications and its relationship with AIIB. And the third issue is the Chinese stock market crash this summer and its impact – was it just a tempest in the teapot or just the beginning of a long tunnel. The last item was the internationalization of the Renminbi, China's currency, and the future of trade interconnectedness.

Now the Asia-Pacific region is divided into two blocks: TPP led by the United States and RCEP led by China.

On the first issue, one of the biggest questions looming over China's rise is whether the US and China are doomed to fall in the Thucydides Trap. Will American anxiety about China's increasing power evolve into animosity or armed conflict?

Despite rising naval tensions in the South China Sea, Chinese scholars observed that it appears almost unlikely that these tensions will lead to armed conflict clash. And there are still more opportunities for cooperation than confrontation. And we had more discussions on such kind of optimistic view will be possible even mid- and long-term time frame. Because of now, the US enjoys absolute, predominance in naval military capacity. But maybe in 20 or 30 years later, the situation might be different. But the Chinese side emphasized that it's very unlikely for two countries to find armed conflict appealing.

And during the Washington Summit last September, Presidents Xi Jinping and Obama agreed to improve air-to-air safety and crisis communication, establishing more confidence-building measures such as these will help reduce military tensions in the long-run.

We also paid attention to the fact that China and the US appear to have found some common ground in the global multilateral arena – especially in the area of engaging in cyber theft against private sector targets and also some coordination in addressing environmental degradation.

As chair, I mentioned some specific coordination between US and China on the future COP21 climate change negotiations. Unlike the failed COP 15 Conference in Copenhagen six years ago, at that time, the US and China were standing in the way of making some type of final outcome deal. But now, the US and China will serve as a locomotive for adopting a legally-binding framework to curb CO2 emission at COP21 in Paris next month.

Some panelists argued, on the issue of a "new type of major power relations" during the recent summit talk, that even though President Obama did not make any direct comments on the concept, still the new concept deserves our attention. In that sense, as a middle man between China and the United States, I suggested that this concept is



important because it was suggested by China for the first time. This is different from the well-known G2 responsible stakeholders or the Beijing Consensus, which were coined by the outside world. And there was some tacit convergence of ideas that this type of new relations will denote President Xi Jinping's inclination towards a peaceful and responsible rise of China.

Second, President Xi's ambitious "One Belt One Road" ("一帶一路"), or New Silk Road, initiative and its relations with new financial institutions like AIIB. So the Chinese side emphasized that such an initiative may create more opportunities for global economic growth especially for the neighbor countries suffering from chronic poverty.

Developing nations account for half of the world's GDP, but many of these countries lack the infrastructure for sustainable growth. And existing international financial institutions do not have enough capacity to support these infrastructure projects – that is the Chinese side's main skeleton of argument.

As Chair, I presented some additional questions on top of the feasibility of the New Silk Road – that is mobilization of the astronomical amount of investments. Even though AIIB was successful in securing starting money, even with the constant participation of the Europe, Russia and India, the total amount of secured money was only a hundred billion USD. To implement the whole project, roughly speaking, 900 billion USD is needed. So there's a huge gap between the desired amount and secured amount. The third question was how we can ensure the security and safety of such a long-distance connection in the most volatile areas like ISIS[-controlled regions]. And the compatibility between AIIB and international development financial institutions like ADB and the World Bank.

In response, some Chinese panelists pointed out that OBOR is a very flexible and pragmatic framework without any pre-designed, pre-set agendas or architectures, which means that China is open to a variety of different ideas and designs and skeleton. And this is not a medium- or short-term project. This is a very long-term project, which will take even a hundred years.

In Europe, the United Kingdom's decision to join AIIB triggered an avalanche of European participation. So we talked on the various options connecting the European side and the Chinese side. But we didn't reach any concrete conclusion on which is the best way to connect both sides – but we just opened some room or some space for further discussion to implement or to materialize such ideas.

Third, there has been a flood of varying predictions about the future of Chinese economy after the Shanghai stock market crash this summer. So what caused the stock market crash? One possible reason may have been some doubts surrounding China's long-term future prospect for sustainable growth.

Against this backdrop, our panel paid special attention to the fact that President Xi Jinping clarified in the wake of the 5th Plenum of 18th CPC Central Committee of China's Communist Party that an annual growth of 6.5 percent would be required for China to "build a moderately prosperous society" by 2020.

The Chinese side explained that China is trying to make a strategic transformation from an export-oriented economy to a consumption-led new economy coupled with various reform measures with the aim to achieve a stable "new normal" growth. And even if China's growth declines further, this decline may not necessarily signal a failure of the Chinese government's policy.

And after three decades of achieving an annual economic growth rate of 9.7 percent, a "new normal" growth rate of 6.5 percent may seem like a recession. But objectively speaking, it's not.

And then we had some diversified projections on the future of Chinese economic growth. There were some very different [projections from each] end of the spectrum.

The first spectrum case: even though PPP is a very controversial concept, the IMF declared that China had surpassed the United States in terms of GDP based on PPP in 2014. But some participants pointed out six structural reasons why China will suffer from a persistent economic decline. So both sides agree that both arguments have their own merits, and that such kind of diversified argument entails further discussions and studies.



Fourth, China appears to be making significant progress towards the internalization of the Renminbi, the Chinese currency.

In just 8 days, the IMF will formally decide whether to include the RMB in the SDR basket as part of its quinquennial review.

Ultimately, the decision will be based on whether China meets two criteria: being a “major exporter” and the currency must be “freely usable,” meaning it should be widely used and traded around the world.

One of our speakers on the Chinese side pointed out that there’s some serious gap of cognition on China’s financial reform and measures. It was very eloquent and [he gave] persuasive examples. But at the same time, one of our speakers pointed out that only 3 percent of the Chinese stock market is open to foreigners, which creates a psychological resistance in recognizing RMB as a reserve currency. Chinese scholars recognized that it will take much time to open up the capital market, but that China will make visible measures to that end by 2020.

And we had a final discussion on TPP and trade-related interconnectedness among regional states. The panel recognized that it symbolizes the cornerstone of the US’s policy of rebalancing towards Asia. The hallmark of TPP will not only be the increased trade of manufactured goods but also services, agriculture, foreign investment and government procurement.

Then we had some [panelists] recognize there was a clear distinction between traditional FTA and TPP. And then some our panelists raised [the point that], based on invaluable lessons from Chinese accessions to WTO 14 years ago, China should utilize this good chance – being TPP – to promote and expedite domestic reforms in various formats.

The workshop also noted that China also implied the possibility of joining TPP, but some Chinese scholars very candidly implied that it will take a very long time. But most of the participants agreed that, in the long-run, the best scenario would be for China to join TPP and for the United States to join AIIB.

I should make a full stop here. Thank you.