



## DEBATE

**In-Kook PARK, President, Korea Foundation for Advanced Studies (KFAS), former Ambassador and Permanent Representative of the Republic of Korea to the United Nations**

We have to skip some interactive discussion among the panellists and instead I would like to open the floor to the audience. Ambassador Yim?

**Sung-Joon YIM, Senior Advisor, Lee International IP & Law Group; Former President, Korea Foundation**

Thank you, Mr Chair. I know we have very little time before we close, so I want to ask my long-term friend Dr Paul, a question. We were the first people to handle this nuclear issue when I was in Washington and Doug was in the White House. A long time has passed and we have not seen real progress towards a resolution and I really regret that. I finished my career without seeing such progress. I was shocked by Trump's election as the next President of the US, but if I have one consolation it is that he might do something different on North Korea. The situation is very grave and becoming worse as time goes by and I learn and hear that there are many ideas floating in Washington DC, from very grave military action, to a pre-emptive strike or a kind of dialogue. Do you think that Trump can mobilise a different kind of approach for North Korea?

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We will have another three questions and then ask our panellists to respond.

**Alfredo VALLADÃO, Professor at Paris School of International Affairs (PSIA), Sciences Po Paris. President of the Advisory Board of EUBrasil association (Brussels), Senior Fellow, OCP Policy Center**

I would like to come back to economics and ask a few questions. The first question is, how accurate are the figures coming out of China? We know there is a lot of discussion about that and it does not seem that the numbers published by the government are really correct. The second is about consumption. You told us, and I agree, that it is public consumption that is important; private consumption is rising, but not as high as it can go. We all know that to have a real boost in private consumption in China, you have to have liberalization of credit and if you do not have that you cannot have it. Liberalization of credit would mean a loss of power for the Communist party; credit is their first instrument of policy. I wonder, when we look at China in the last four or five years, are we looking at one step forward and one step backward in all these reforms. How can they solve this conundrum? Let us not forget that for the countries around China, Chinese market is not an alternative to European and US markets. Europe and the US represent around two thirds of the world's private consumption, China has about 6% or 7%. When you take South Korea, for example, one of their main exports are parts and components, and exports are falling because China is not buying as much. When people talk about China's strategy, there is a lot of blah-blah, but when you come to implementation, it does not seem to follow up. I would like some insight on this problem of the discourse and the carrying out. Even when you say high-end industries, it is true you can buy cooker robots etc., but China is far behind on embedding service ecosystems inside products, for example, which is where you get the added value. Alibaba is beautiful but it is Chinese and has difficulty in becoming an international or global player. Can you tell us something about all this?



**Ashwani KUMAR, Senior Advocate at the Supreme Court of India, former Parliamentarian for the State of Punjab, former Minister of State in the Departments of Industrial Policy & Planning, Parliamentary Affairs, Planning, Science, Technology and Earth Sciences, India**

We heard you say that China and Japan, recognizing each other's importance and the inevitability of being friends, are actually moving to forge better understanding and cooperation. That is a very good thing, but all indications, both from China and Japan, whether seeking influence in Asia or Africa, seem to be antagonistic in the sense of containing each other's power. The great relationship between India and Japan is seen by many people as one that would be a force for stability in Asia, against possible Chinese expansionism. I would like you to tell us whether your viewpoint converges with mine. The second question is, considering the Trump Presidency signals a withdrawal, if not a rapid withdrawal from this part of the world, which power in Asia, either individually or collectively, actually has the reach in terms of strategic and economic power to stop Chinese expansionism?

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We have three questions on the role of China, the Korean Peninsula as well as the domestic economic position of China.

**Douglas PAAL, Vice President, Carnegie Endowment for International Peace**

On Ambassador Yim's question, my first time in government was just after President Carter was elected in 1976 and among the promises he had made, were to end the alliance with the Republic of Korea, then under Dictator Park Chung-hee because of human rights violations. With guidance from Richard Holbrook, who was on the campaign but not yet part of the government, we were encouraged to come up with an argument why Mr Carter should change his mind. We started counting those 17,000 artillery tubes and the many millions of troops then deployed in the South Korean forces. As he had his first briefings he could see that maybe it was not a good idea to end the alliance and promote instability. Today, I think the incoming administration will probably have to be briefed on the number of people in Seoul vulnerable to rash action against the North. This is especially important since among the people appointed so far, there seems to be a decided tilt towards Hawks. I will add one more comment, which runs against the grain of the commentaries about these personalities. I have had a chance to work with Mike Pompeo, who has been chosen as the new Director of Central Intelligence. Contrary to the characterisations that I have seen in the media, denigrating his reputation and his attitudes, he is very solid, smart and knowledgeable about this part of Asia. He was first in his class at West Point, Harvard law degree, started a corporation when he finished his army service, which did all kinds of machine tools and other services throughout Asia Pacific, especially in China. I think he may be the Dick Holbrook who explains to President elect Trump that the kind of approach that people are thinking about, which heavily relies on China doing what it does not want to do, will not work and that at the same time, a military solution has a very high cost.

**Yide QIAO, Vice Chairman & Secretary General, Shanghai Development Research Foundation**

I am going to try to answer the question about the Chinese economy. First of all, the accuracy of the economic figures is critically important for any reasonable analysis of the Chinese economy. Unfortunately, I am not in the position to say what is accurate or what is false, but I can give you a piece of advice. If you feel a figure is not necessarily accurate, but if you follow several years of the same kind of figure, it will at least give you some sense of a trend. That is the only thing I can say. I am not a government official and I do not work in statistics.

The second question about consumption, I also agree with what Professor Cooper said. The 71% contribution to GDP, including private and public consumption, contrasts with the consumption of household I recall of around 34% or 35%. I also agree the government should spend more money on what we call livelihood, such as public health and education, which will liberalise the restraint for Chinese people on using money for private consumption. You also mentioned Alibaba, which is only one example, which I tried to impress you with the figure. You should also know that among the 10 largest Internet companies worldwide, six of them are in the US, four in China. Why? Because scale counts in Internet-based technology. Some small countries have been very sensible in producing some, but they cannot compete because the scale of their economies is small and they do not have the chance to promote and try out their new products. Having said that, I definitely agree with you that the new economy only occupies 8% of GDP. It is still just the start and will take time for China to move from the low to the high-end of the production chain. For example, if in a total chain of 24 level high, 15-24 level is very high; China is now only in from 1 to 15 level. China will move from that but its products will still be very labour intensive for a while. If you look at the trend, the Chinese government is making great efforts to encourage innovation. A young Chinese participant who may make a presentation tomorrow, was educated in China and the US in California for several years and then came back to start a new company. That sort of thing is happening; if you look at the trend I do not know what is happening, but it will take time. The Chinese government is determined to promote the Chinese economy and move to high-end manufacturing.

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Professor Cooper will now make some very brief comments.

**Richard COOPER, Professor of Economics, Harvard University**

Just on the quality of the figures, it just so happens that last week I talked to the chief economist of the IMF about precisely this question. His answer, drawing on IMF staff, was that the main problem with the Chinese GDP figures is that they do not do double deflation. I will not go into the technical chapter about that, but the bottom line is that in the IMF's judgement the growth rates this and last year is actually lower than the official Chinese figures. However, in earlier years the growth rate was actually higher than the Chinese figures, so the decline in growth rate we have seen over the last five years is actually steeper than the official figures allow for. He did not mention specific figures, he just said modestly lower than the official figures today. That is their judgement, and he did not agree with the wholesale criticism of Chinese figures.

**Yuichi HOSOYA, Professor, Department of Political Science, Keio University**

I am just going to answer the question from my Indian colleague about cooperation between Japan and India, and Japanese policy towards India compared to its policy towards China. Japanese policy has always been quite cautious and careful, like Abe's approaches to both Hilary Clinton and Donald Trump, because Abe met with Trump four days before. India is a rising power, just like China, but China's future course is quite ambivalent; there is good China and bad China. The Chinese people can decide the future course and we have to have an alternative policy and if China is following a quite international cooperative path, then maybe Japan can enhance its cooperation. If Chinese leaders think that Japan is very useful as an enemy to consolidate public opinion to distract attention from domestic frustration, then maybe it will be very difficult for Japan to strengthen Sino-Japanese cooperation. It depends on the future course of Chinese foreign policy and we can see both sides, but so far I think that Chinese foreign policy has been quite moderate. Last year, an opinion poll of Japanese companies showed that 38% of the biggest companies answered that they increase their direct investment in China; 51% also said that they would keep the same level. Only 8.8% answered that they would reduce direct investment, which is quite small. Japan's biggest businesses think that it is



quite important for Japan's companies to invest more in China and Japan is the biggest investor among the G7 countries. I think that the Chinese market and trade is still important and it is therefore still important to maintain Sino-Japanese cooperation.

**Qingguo JIA, Professor and Dean of the School of International Studies of Peking University**

I want to respond to the question you raised earlier about the Nine-Dash Line. I think that the Chinese position is that China has sovereignty over the islands, their adjacent territorial waters and also the EEZ's whenever they apply, according to UNCLOS. The Chinese government has never officially claimed that other parts of the waters within the Nine-Dash Line. The US, and probably China's neighbouring countries have been pushing China to clarify what the Nine-Dash Line really means. I do not think this is a particularly good time. China is in a state where quite a lot of people are still quite emotional about historical humiliations. When the disputes get quite a lot of media coverage, it is probably not a good time for the Chinese government to clarify the situation. We will probably have to wait for a time when emotions quiet down and then we can do that. If you follow the Chinese government's historical positions, China's claims only include the islands, their adjacent to territorial waters, and related 200 nautical miles in EEZs whenever applied by the international law. With regard to the Indian gentlemen's accusation about Chinese expansionism, I do not know what he is talking about. The Chinese official claims in the South China Sea have been there since 1947; what the Chinese government has done today has not exceeded its past claims. Therefore there are no legitimate grounds to talk about Chinese territorial expansionism. If you refer to economic expansionism, then any country that grows expands naturally in the age of globalization, something that may not be bad for other countries. I think to assume Chinese expansionism without careful study of the situation is very misleading and counter-productive in international relations.

**Ashwani KUMAR, Senior Advocate at the Supreme Court of India, former Parliamentarian for the State of Punjab, former Minister of State in the Departments of Industrial Policy & Planning, Parliamentary Affairs, Planning, Science, Technology and Earth Sciences, India**

I think I need to respond to this. First of all, it was not an allegation it was a suggestion and the whole idea of a debate is to throw open ideas. The argument is, that there is a judgement of The Permanent Court, we read that the Chinese have reservations about that judgement. On the assumption, this does not assume that we have or want to continue very good relations with China; this is purely in the interests of intellectual enquiry. Assuming a country as powerful economically and in its hard power as China; assuming it were to take on a territorial expansionist role, as perceived by others, maybe incorrectly; in the context of American withdrawal from that area, my question was, which country, either individually or collectively, has the muscle to resist that? That was the question in the context of Asian geopolitical reality. No offence meant, but I have a right to put a question in the context of my assumptions; my assumptions could be misplaced; they could be proven wrong or right. The answer that I do not have is, which power, assuming any formidable power was seen to be expansionist or perceived to be by others, which power minus the United States, has the wherewithal or capacity to contain the situation? That is the question and I would like someone to answer that.

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The answer could be very subjective because it is not easy to agree. I would like to invite Professor Cooper to make his final comment.



**Richard COOPER, Professor of Economics, Harvard University**

I did not want to close off debate, I just wanted to comment on Professor Jia's comment on how emotional this issue of territorial integrity is within China and he mentioned the 'century of humiliation'. My observation is a limited one but is solid as far as it goes, is that the Chinese government, or maybe I should say the Communist party, feeds public sentiment on the 'century of humiliation'; it is in the text books of tenth graders studying Chinese history; it is in the national museum visited by hundreds of thousands of school children every year; and it is fed by current government policy. It is disingenuous, although accurate, to talk about the emotional public sentiment on these issues, because public sentiment on these issues is continuously reinforced by government policy for the educational system and things like museums. We have seen in Europe and also between Korea and Japan, in my view, that educational policy is foreign policy. I think foreign policy specialists have to take into account, the education that their public is receiving, because that feeds this sentiment, which then the government can invoke to not do what it should be doing internationally.

**In-Kook PARK, President, Korea Foundation for Advanced Studies (KFAS), former Ambassador and Permanent Representative of the Republic of Korea to the United Nations**

We have used exactly two and a half hours and are exactly on time. We have already had some major political changes in the United State. Korea will have a new presidential election and China will have a change of leadership next year. In Chinese character, 'crisis (危机)' means both 'danger' and 'opportunity', so we have to try to maximise our interface to support each other. For example, how about if the US joined the AIIB and China joined TPP, though we would have to set aside some preconditions on the US side? We should do our best to make our community safer and more prosperous. Thank you so much for your patience and great contributions. Let us give each other a big hand.