



DEBATE

PARK In-kook

Now, we have finished the presentation by our seven panellists and I would like to open the floor. Please identify yourself and then specify to whom you will raise a question or comment.

Laki VINGAS

My name is Laki Vingas and I am from Turkey. I would like to ask the Chinese delegation, because they have been talking about their participation in the Party meeting. What is going to be the contribution of wealth, because China is becoming such a strong economy, to the social needs of the rest of the world? If it is being one of the major players in contributing to the social needs of the rest of the world.

PARK In-kook

Are there any other questions?

YIM Sung-joon

This year, China and Korea marked the 25th anniversary of their normalisation, but as you know because of the conflict over the introduction of the THAAD system, by the US military, not by my country, on Korean soil, the celebration was drastically contracted. We did not have many events or celebrations that we would have otherwise. However, Seoul and Beijing made a joint announcement to bring the THAAD conflict or dispute to an end, and to move forward to normalise their strained relations. This eleventh-hour agreement, made prior to the arrival of the US President, was welcomed by the seriously affected Korean business community, but made some ripples in the Korean political sector and in Washington as well. The opposition party and the conservative media in Korea were critical of the deal, insisting that the Korean government made too many unnecessary concessions or commitments of the so-called, 'three No's': no more THAAD introduction; no trilateral security alliance among the US, Japan, and South Korea; no Korean participation in the US-led MD.

As the Korean and Chinese governments did not disclose the whole process of negotiations for working out this agreement, I was very surprised that the agreement came out, out of the blue at this particular time. My question to the Chinese panellists is: what was the background that drove the Chinese authorities to make this agreement at this particular time? I might like to hear from my long-time friend, Doug Paal, about what you heard from Washington regarding this agreement? Although, I read that National Security Advisor McMaster welcomed this joint agreement. Thank you.

PARK In-kook

Thank you for your very timely question. Any other questions? Who would like to answer the first question from Turkey's side?

QIAO Yide

There are so many questions on China; some I can answer and some I cannot. Regarding some economic issues, maybe I can answer now. If I miss something, other people can supplement.

First of all, about the Free Trade Zone in Shanghai, I guess you mentioned. That idea was initiated, I guess, three or four years ago, after the new administration. I recall at that time that Premier Li Keqiang disclosed they decided to set up a free trade zone in Shanghai first. One thing we probably have to keep in mind, is the way that the Chinese government likes to approach a policy, where the tradition is to do an experiment first. That is the tradition and I am



not going to say if it is right or wrong. It is just like, if you look back nearly 40-years ago, Deng Xiaoping picked Shenzhen and four cities as special zones. However, interestingly why choose Shanghai for an experiment this time, rather than some other place? That is something that I guess is interesting. You probably do not know that Deng Xiaoping once made such a kind of remark, he said that we made a mistake and did not choose Shanghai for the experiment, instead of Shenzhen. Why did he say that? At that time, the Chinese government had no idea if the experiment would be a success or not. If an experiment in Shanghai failed, the total Chinese economy would collapse, because at that time, I guess that Shanghai contributed one sixth of fiscal revenue to central government. That example also indicates that the Chinese is more confident, so they chose Shanghai because they think it can be a success. That is one thing.

Another thing, is the difference between the free trade zone in Shanghai and the free trade zone in other countries. Usually, a free trade zone is just wanted to facilitate trade, but in the Shanghai free trade zone, they also included finance. In the past three or four years, they have tried to do something like, what they call, a capital pool for multinational companies, where you can transform money in and out freely. They also set something, for example, for making investments for Chinese companies or any company had registered in the free trade zone, can make overseas investment under USD 100 million, without advance approval. Later, central government decided to promote that to 11 places, including Guangzhou and some inland cities. Now, in the National Party Congress, Xi Jinping mentioned that they have decided to explore the possibility, of a free trade port. That means more free trade, more going in and out, but of course, the details have to be laid out. They just said that they wanted to move in this direction, the detail we do not know. Some local governments including Shanghai or other cities, like Zhejiang have some ideas and proposals presented to central government, but the details we do not know.

For SOE, that is something that you make a very good question. I briefly mentioned SOE reforms in my presentation, currently what we see is we try to do what we call mixed shareholder companies. That means that some SOE sells part of its shares to private companies. Of course, it cannot be called privatisation, because in some cases there is still state owned shareholder. In some cases, there is not, for example, I sit on one listed company as an independent director. Originally, the Shanghai government owned the largest share and just a couple of years after the 18th National Congress, the Shanghai government decided to sell the government share to a private company. The private company now owns the largest share.

That is one case, of course, another very large communications company, the third largest I guess, which sold some shares to private companies like Alibaba and this kind of giants. They try to get in. They may expect some chemistry, they can maybe use some high technology, big data, but we do not know the result. I have to admit that they do have some contradictions, this kind of thing where you mentioned a more open-door policy, but I do not know the details, maybe something can be resolved further on.

Regarding the contribution to the social needs of the world, I do not understand what social needs means. A gentleman raised the question. I guess that the Communist Party tries to provide some alternative choice, saying look, here is China and we do something that may be different from advanced countries, which so far is successful. I do not know what the result will be for this kind of thing, in the end. I am not sure about that.

PARK In-kook

Okay. Thank you. Are there any further questions? I see none, so it is high time for us to respond to the questions I raised, and then questions raised by our panellists.

From the floor

The ambassador is raising his hand.

PARK In-kook

Sorry.

JIA Qingguo

Actually, I do not know exactly the reason for the timing, but I guess both sides have realised after repeated interactions that the other side cannot give up. And the cost of confrontation is also increasing to the extent that neither side thinks it is worthwhile to continue. Personally, I think both sides have reached the conclusion that it is time to deal with or settle this issue. The Chinese basically accepted that the existing THAAD systems can stay, whereas the South Korean government promises that they will not let more systems be deployed on top of the existing ones. I think it is a sensible approach. I think the conservatives on both sides probably believe that their government have given up too much, but I think it is good for both countries. Thank you.

Douglas PAAL

I am not the only person in this room who has, for more than a year and a half, criticised the Chinese government for pursuing manifestly counterproductive efforts to intimidate South Korea into giving up the THAAD system. You can only look at the popular polls in South Korea, and realise that China has gone from enjoying tremendous public support. Through its implicit support for North Korea by criticism of THAAD defences against North Korean capabilities, China was systematically alienating the people of South Korea.

Second, applying economic sanctions against Korean businesses further alienated the people. My understanding is that this arises from a difference in China on how to deal with North Korea and South Korea, and some Chinese feel that China needs to rebalance its approach. Others say that blood is thick with North Korea and the threat from THAAD to China's own missile testing and strategic weapons systems was so great that China needed to launch all out opposition. The last point has been vitiated by this agreement, because THAAD will continue even after the agreement. If China's main concern was THAAD radars reading the missile launches, obviously that was a false concern, or it is a concern that has gone away.

I would tend to contextualise this more sensible position by China, and I will reserve my position on the South Korean side of this judgement. The contextualisation is that in 2013, 2014, Xi Jinping launched very intense reconsiderations of Chinese relationships with its neighbours. They had a thing called the Peripheral Policy Conference in late 2013 and a Foreign Policy Work Conference in 2014. If you had just gone from the words, statements, and speeches at the conferences, you would conclude that China had realised that the competition for its security is on the periphery of China. If the United States and other countries are concerned about Chinese behaviour, they have a natural coalition of 14 land neighbours and three maritime neighbours, all of whom do not want to be part of the Chinese empire, do not want to be allies of China, but want to enjoy the trade and other benefits that come from being a neighbour of a growing economy. Therefore, they have ambivalent views, and these are useful to the West, should China turn ugly in its behaviour towards us or its neighbours, because this would naturally form a coalition to resist Chinese assertiveness.

On the other hand, if China can go in and persuade these countries that the balance of benefit is in good relations with China, building a coalition against China in some circumstances would be harder to do. I think that strategically it is wise of China to have sought to improve or normalise relations with all its neighbours. However, after the 2013 and 2014 conferences, history went in a different direction and China was in deep friction with Japan, Korea, Vietnam, India, maybe the exception was Russia in that period. It strikes me as eminently sensible to conclude that, now what Xi Jinping has reduced his internal opposition and consolidated his power, he would want to a policy of trying to mollify and win over as much of the neighbourhood as he can and to do this very quickly after the 19th Party Congress, not just having an agreement on THAAD with the ROK government, but indications of an early summit in Japan next year and working out an agreement with the Vietnamese just two days ago, to manage their South China Sea disputes. I see, maybe a fire was lit under this crisis by Trump's impending visit, but I see bigger forces at work beyond that and they may reinforce each other. Whether the ROK made a great deal, my ears are open, and I would like to hear.

I was in Tokyo until a couple of days ago, talking to senior people in the Japanese government and none of them had been briefed on what is going on. The Americans had not been briefed on what is going on, and the US has not been



briefing them on what the US plans are for regional security. There has been an insufficient dialogue among allies and friends, to give us a sense of the value of these developments, but I think they are very eye-catching developments and bear watching.

QIAO Yide

I have some pertinent observations on the issue. I am not an expert in this area, but the average Chinese person pays attention to the situation in Korea and President Park probably knows that. We privately talked a couple times on situations between South Korea and China and I do not feel happy about the previous situation, also in some way, what the Chinese government or part of it, what they are doing is not perfect in many ways. I do not understand why they picked a South Korean company operating in China. However, if I look forward, the results of the negotiation I guess are positive. At least both sides, even including US or Japan can now concentrate on dealing with the North Korean nuclear issue. Otherwise, it is very hard with each side suspicious of what the motivation is of the other side's proposal or whatever, and look at the positive. I will add another thing: people here always say there is a learning curve. I guess that, in some ways, the Chinese leader also has a learning curve. At the beginning, Xi took over the dealing with territory dispute [inaudible] issue. Maybe he is very strong. Now it is a kind of 'learn more' experience. Maybe we should have a kind of open position to consider that.

As for the presentation of our Japanese panellist, it was a very good summary of the two-step strategy of the Japanese to deal with China. Like most Chinese people, I read the news. I do not quite understand. I do feel there are fundamental contradictions in these two tracks. On the one hand, you openly and publicly say that you want to set an Asia security diamond, and openly want the US, India and Australia to get together to contain China. On the other hand, you say you want to upgrade the level of relations with China. Unless Chinese people are really stupid, otherwise how they can understand that? You probably try to do that under the table, it is fine. You openly, publicly do something hurting you on the one hand, and on the other hand, you say we want good relations with you. I do not understand how you can work that way. Nobody can work that way. I am not a professional in international relations, but I really am very interested in these issues, so those are my comments.

PARK In-kook

I would like to invite Mr Copé for your additional comments on the future of the Silk Road projects. There are some counter-arguments on the feasibility of the One Belt, One Road project, because it involves huge financial resources and there are some security issues involved, and how we can secure a sustainable business model. You might have some comments.

Jean-François COPÉ

First of all, we need a strategic vision and we have it. There is a framework and all of us know exactly what our own roadmap can be in order to align the interests of everybody. Now, the second step, as you were saying, is to see if it is financially sustainable. Of course, there are many questions and it would not be serious to say today that we have all the answers. However, by having a little experience about the past, we know that growth generates growth, activity generates activity. If we can develop partnership, to settle the question of protectionism and reciprocity on trade, I think we have some opportunities to develop activities. On the question of the way we can financially sustain this project, we know that we need private funds. It is not possible to imagine public funds alone when we all know the high level of public debt, and the fact that it is not possible. We have to use public funds as leverage, it is the only way we can implement some incentives for the private projects. When you see, for example, the success of the Juncker Plan for European investment, you can imagine that we can develop this kind of opportunity in the whole layout of the Silk Road. Of course, we have a lot to do and I think that this will be the next step. Europeans today can bring their own contribution to it.

PARK In-kook

Thank you, can I invite Professor Hosoya for any comment?

Yuichi HOSOYA

Yes. Thank you very much. I would like to combine a question by Ambassador Park and Professor Qiao about Japanese intentions to create some sort of regional cooperation. The thing is it is not, I think, a Japanese invention. At the beginning, President Xi Jinping reportedly said in his summit meeting with President Obama that the Pacific Ocean is large enough to be divided by two great powers, the United States and China. Basically, I feel that the BRI, One Belt, One Road initiative, is trying to avoid a confrontation with the United States by marching westwards, rather than eastwards. If China is marching eastwards, of course there is Japan, South Korea, and the United States. However, if China is marching westwards, we can see a kind of a power vacuum, because the United States is retreating from Afghanistan and Central Asia. That is why we see the power vacuum, after the dissolution of the Soviet Union; of course, Russian influence has been declining. That is why I think it is much safer for China to expand in that direction, rather than to the direction where Japan and South Korea, and American security commitments are there. In that sense I think it is quite a wise strategy for China to try to expand in this direction and try to coexist in the Pacific Ocean together with the United States.

One more thing, that initiative, Prime Minister Abe's regional vision was originally criticised by Chinese officials. That is why stopped talking about the vision after that, but recently in the last year or so, both Indian and Australian officials and experts are much more interested in promoting this idea, because they fear a more assertive Chinese foreign policy, as well as the future of American commitments in this region. To try to involve the United States in this region, their two security allies, Australia and India, are trying to ask the Japanese government to promote this idea again. I do not think that this contradicts the recent Chinese policy, which means that China is expanding to the West, but at the same time, in the long term, I think that having seen the recent speech by President Xi Jinping, China is trying to become the number one country, number one great power in the world. It means that there will be a vacuum in East Asia as well. Then there will be a power vacuum after the United States retreats from the region in some way under President Trump. I think that China is more interested in expanding in that direction. In that way, I think that the original One Belt, One Road initiative can expand in the longer term in the direction of East Asia as well. Then, I think that China would be trying to replace in some way the American leadership role in this region.

PARK In-kook

Do you have anything to add?

Richard COOPER

I think that contradictions are in the eye of the beholder. I actually did not see any contradiction in the presentation of Japanese policy, except I do not like metaphors and the idea of a diamond puts me off. However, the idea of security cooperation among four countries I find natural.

Of the four modernisations of Deng Xiaoping, number four was modernisation of the military. China is by its own declaration and interpretation of history a peaceful nation, so why was China modernising the PLA? The rationale was initially defensive, although the most recent action that prompted that was an invasion of Vietnam in 1979, and that is a story of its own. Then China went beyond purely defensive weapons in the PLA and adopted weapons can only be described as offensive, but by global standards PLA was way behind the times. Is that a contradiction? In one respect yes, and in the other, no. As I say, these contradictions are in the eye of the beholder, and the question is how countries handle their sometimes conflicting or partially conflicting objectives. In any case, I did not see any contradiction, and similarly I had no problem with modernising the PLA, at least up to a certain point, although it seems to have gone well beyond that point, given Chinese declaratory policy of only peaceful intentions.

PARK In-kook

We have three to five minutes, so I would like to give some common questions to Doug and Professor Jia Qingguo. That is your comment on the possibility and feasibility of Henry Kissinger's grand bargaining ideas. Here and there we hear some similar implications from China and the United States. I do not think there will be official policy, but I would like to ask your personal opinion on these issues, on the feasibility of Henry Kissinger's suggestion and on the nature



of the grand bargaining. The content is as follows. If the North Korean nuclear issue has been resolved, the US could consider the withdrawal of US ground forces from Korea. That is a big deal in terms of context.

Douglas PAAL

This is concerning the Korean peninsula?

PARK In-kook

Yes. It's called 'grand bargaining' because there should be some grand negotiation between South Korea, China, and the United States, not North Korea.

Douglas PAAL

I think a lot of what Kissinger stirred up in his discussion of the grand bargain, first people think he is very close to Trump and therefore, it might be consequential. As he will tell you in private, 'I have no influence on that man. He cannot pay attention to anything for 20 seconds, let alone make a policy', so I think that fear is misplaced. Secondly, I think Kissinger could have spent more time, and he has always been bad at this, considering what allies and friends would think about hearing ideas like this, without first having been consulted on that. The idea of passing Japan or passing Korea and China first, has been a source of irritation among our friends and allies in the region for some time, because he tends to leap over them and go to China, where power resides. Having said that, now that Xi Jinping is through a point of transition with a great deal more authority and therefore the ability to put aside pesky minor arguments and look at the big picture, I think the US should be proposing big ideas, which first must be carefully vetted with our allies, on how we can respect each other's concerns. It is entirely theoretically possible, though whether materially possible remains to be tested, that the US could offer different kinds of radar to support different kinds of THAAD defences against North Korea. Or, if North Korea no longer has a threatening capability, then North Korea and the United States might agree that the ne US footprint in South Korea can be very different, or patterns of exercises could be considerably changed, downsized, narrowed, reducing tensions in the region.

That is what I think of as that kind of grand bargain. However, implicit in the conversation with China or North Korea or both, would be an understanding that, in the absence on an understanding that in the absence of progress on those threats to South Korea and the United States that we have every right and intention, to do the things that I outlined in my opening remarks. That is more missiles, nuclear weapons, and other kinds of capabilities, to defend ourselves legitimately against the North Korean threat.

JIA Qingguo

I think it is conceivable that if North Korea gives up nuclear weapons, the US government may think about withdrawing troops from South Korea, although not completely. They may agree to withdraw most of the American forces from South Korea; the idea was actually seriously entertained in the 1990s following the end of the Cold War. The reason that they would leave a few Americans in South Korea after the North Korea nuclear threat is gone, is the need to maintain troops in Japan. If the US completely withdraws forces from South Korea, then the Japanese may demand that American soldiers leave Japan. That would become a big problem for the US. I think that because of this connection, the US may want to keep some soldiers in South Korea. China may not demand a complete withdrawal of American troops in South Korea either, considering the role of the US troops stationed in Japan, that is, to keep Japan from becoming a military power.

Richard COOPER

Like Jia, I am an economist and I am just on the fringes of these areas, but I try to pay attention. I found the Chinese arguments against THAAD, with the focus on the radars, simply baffling. We have satellites these days and we heard at this meeting about the new European Galileo and how many satellites are going to be up and the resolution that they provide, which is a square metre. That is amazing, but that has been the evolution of technology from satellites. This must get into highly sensitive issues that I am not qualified to understand, but I do not understand what the radar

could produce that satellites, these days not 20 years ago, can produce. Therefore, my interpretation of the Chinese action, given that few which may be incorrect, is that this was a deliberate provocation by the Chinese government to South Korea. Then the question is why would do that? I have seen them do that with respect to Japan, from time to time, but that has an entirely different history. Again, this heavy emphasis both to the US, but especially to South Korea, on the compromising of Chinese security by the radar, I just found baffling with today's technology, leave aside the technology of the next 10 years. I just found it baffling. Maybe there is something that I do not know, but maybe there is something that the PLA does not know, that they should know.

QIAO Yide

Some Chinese experts argue that the THAAD radar system can do much more than the satellites, in terms of identifying the location of Chinese intercontinental missiles, so-called strategic assets. That is their argument and later there are different arguments to bolster the position on THAAD. That is the THAAD system could be used to integrate South Korea into the theatre missile defence, on the part of the US. Deploying the THAAD system may be a way to integrate South Korea, to get it into this theatre missile defence arrangement on the part of the US. This is the so-called theatre of missile defence, the Chinese have always believed that, is not just against North Korea, it is against China as its primary purpose. Later, the Chinese were saying that when the Americans and South Koreans wanted to come to Beijing to explain to the Chinese why the THAAD missile radar does not pose a serious threat to China's limited strategic capabilities to destabilise the relationship, the Chinese rejected it and said it was no longer a technical issue but a strategic issue. It was against this context, but of course, the reality is probably even more complex.

PARK In-kook

We are going to need the whole night to complete this discussion. I'd like to conclude our workshop by stating that the international community expects that China will play a more responsible and constructive leading role to achieve peace and prosperity in the world. Thank you.