ASAN 2012 CHINA FORUM

Proceedings

December 11-12, 2012

The Asan Institute for Policy Studies

THE ASAN INSTITUTE for POLICY STUDIES

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Greetings from the President

Greetings! 您好!

It is my great pleasure to welcome you to the *Asan China Forum 2012*.

This year's Forum, titled "China in Transition," brings together more than 150 leading China experts and policy analysts from around the world to analyze, discuss, and debate the past, present, and future of China's place in the region and the world.

2012 marks the 20th anniversary of the normalization of diplomatic relations between South Korea and China. While China is undergoing a leadership transition since last November's 18th National Party Congress, South Korea will undergo its own leadership transition following the Presidential Election in December. This time of transition presents us with an exceptional opportunity to discuss China's role in the region and the world, as well as the future of South Korea-China relations.

I hope that our discussions over the next few days will contribute to raising the level of understanding and public debate over China and provide policymakers with the means to develop informed and effective prescriptions for better dealing with a rising China in a moment of transition.

Sincerely,

HAHM Chaibong 咸在鳳
President
The Asan Institute for Policy Studies

About the Asan China Forum

The *Asan China Forum* is an annual gathering of some 150 leading China experts and policy analysts from around the world. The Forum will feature four plenary sessions and 18 panels over two days.

***Asan China Forum 2012*: "China in Transition"**

The recently concluded 18th National Congress of the Communist Party of China (CPC) ushered in the fifth generation of leadership. China's leadership transition is taking place in the midst of rapid and seemingly fundamental changes affecting East Asia as well as the world. The United States and the European Union are still struggling to emerge from major economic crises and Japan is entering into its third decade of lackluster growth. All the while China continues its rise. The resulting shift in the global balance of power is affecting every aspect of the international political economy and geopolitics. What are the policy options confronting China's new leaders? What choices will they make? What constraints do they face? These are some of the questions that will inform the discussions, debates and analyses during the Forum.

About the Asan Institute

The Asan Institute for Policy Studies was founded with a mission to become an independent think tank that provides effective policy solutions to issues which are critical to Korea, East Asia, and the rest of the world.

The Institute aims to foster wide-ranging and in-depth public discussions which are essential for a healthy society. By focusing on areas including foreign affairs, national security, public governance, energy, and the environment, it strives to address some of the major challenges that our society faces today.

The Institute addresses these challenges not only by supplying in-depth policy analysis but also by endeavoring to promote a global and regional environment favorable to peace, stability, and prosperity on the Korean Peninsula.

In addition to policy analysis and research, the Institute undertakes the training of specialists in public diplomacy and related areas in an effort to contribute to Korea's ability to creatively shape its own future.

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Opening Ceremony

Date: December 11, 2012
Time: 09:30-10:15
Place: Orchid

Opening Remarks
by Dr. Hahm Chaibong, President of the Asan Institute

Good morning, welcome everyone to the inaugural *Asan China Forum*.

It is wonderful to have you all here. Thanks for making it, especially all of you from abroad, during this bitter cold time in Seoul. Today, we actually have about 70 experts from China and experts from 17 other countries also participating. Altogether we have about 200 people participating in this Forum. We titled this inaugural forum "China in Transition," but I think it is not just China. We are all in transition in one way or another. We started this year with political transitions in Taiwan, and then Russia, and now in a couple of days Japan before, of course, we have our own transition here in South Korea. I think it is very incumbent upon all of us here to try to formulate the policies and inform the public so as to ensure a smoother transition everywhere that it is taking place.

Now it gives me great pleasure to introduce someone very special—our Founder and Honorary Chairman of the Asan Institute for Policy Studies, Dr. Chung Mong Joon. Dr. Chung is a seven-term National Assembly member, making him the most senior member of the National Assembly. Not in terms of age, but in terms of his term, he is certainly the most senior member. He has actually taken this time out of his very busy schedule. He is the chairman of the Presidential Election Commission for the ruling Saenuri party. So even this early morning, he was out there campaigning in this bitter cold. But now he has joined us and so, I would like to ask him to make a few welcoming remarks for all of you. Please join me in welcoming Dr. Chung Mong Joon.

Welcoming Remarks
by Dr. Chung Mong Joon, Honorary Chairman of the Asan Institute

안녕하십니까? 반갑습니다.
니하오, 흔까오싱 찌엔니(你好, 很高興見你).
Good morning, and welcome to the *Asan China Forum*.

Let me start with a joke about how important China has become in global affairs.

"President Obama offered bailout money to keep Greece from defaulting on its loans. When Greece thanked him, Obama said, 'Don't mention it... to China, because it's their money.'"

This morning, please allow me to focus my remarks on South Korea-China relations.

My first visit to China was in January 1993. During my visit to the Museum of the Chinese Revolution in Tiananmen Square, I saw a young couple with a small boy who was about three to four years old. The weather was very cold but the couple left the child outside while they went inside the museum. At the entrance, the child was alone and eating uncooked ramen for his survival. I was born in 1951 during the South Korean War. The child whom I met at the museum entrance reminded me of my childhood trying to survive after the war when South Korea was the poorest country in the world. As you see this morning, I am 61, alive, and healthy. I expect that long before the child turns my age he will be living in a country just as prosperous as South Korea today.

This year marks the 20th anniversary of normalization of relations between South Korea and China. China is South Korea's largest trading partner and South Korea is China's third largest. There are more than 200 flights per day between our two countries. More than 60,000 Chinese students study in South Korea and an equal number of South Korean students study in China. Despite these exchanges and despite the fact that our relationship has been elevated to a Strategic Cooperative Partnership, there are not only diplomatic tensions in South Korea-China relations but also tensions on a more popular level.

I still remember the football match between China and Turkey during the 2002 FIFA World Cup Tournament held in South Korea. 2002 was the year that celebrated the 10th anniversary of South Korea-China diplomatic normalization. It was the first World Cup Tournament held on the Asian continent and the first time that China's national team was qualified for the tournament. So, I had hoped the occasion would bring our two countries closer together. However, to my chagrin, during the China-Turkey football match, most of the South Korean fans cheered for the Turkish team, and not the Chinese. After the match, the Chinese press became critical of everything about the football festival. I felt sorry and concerned.

When I visited Beijing after the World Cup, I met with a member of the Politburo's Standing Committee. Although I did not bring up the issue, he told me, with a smile, that the Chinese government had not instructed the press. There were more serious incidents as well. China's so-called Northeast Project re-interpreted the history of the ancient Korean kingdom of Goguryeo as ethnically Chinese. The project is an affront to the Korean sense of identity. During his speech to the South Korean National Assembly in 2005, President Hu Jintao said, "This year marks the 60th anniversary of our victory in the anti-fascist war." He also said, "We consistently believe that the peninsular issue must ultimately be resolved through dialogue and negotiations between South and North Korea." We understood what he was trying to say, but the terminology and logic were strikingly similar to those used by North Korea in demanding the dissolution of the South Korea-US military alliance. In 2008, during President Lee Myung-bak's visit to China, the Chinese Foreign Ministry spokesman said, "The US-South Korea military alliance is something leftover from history."

Such remarks led to concerns in our bilateral relations. It may be true that the South Korea-US alliance

is "something leftover from history," but so are the North Korean regime and the division of the Korean Peninsula. Today, many North Korean defectors in China are repatriated to North Korea against their will. We feel responsible but helpless in the face of this situation. I hope that China can do more to better protect the rights of North Korean refugees.

South Korea-China relations are complex and continue to evolve rapidly. When I met Mr. Wang Jiarui, director of the International Department of the Communist Party of China, before the Beijing Olympics, he told me that he had watched 42 episodes of the Korean drama, *Daejanggeum*. Korea and China share centuries of civilization rooted in Buddhism and Confucianism. Naturally, we have maintained friendly relations over centuries. It is over a few recent decades that relations were not that good.

This is why I am optimistic that we can build a lasting relationship based on shared values and ideals of peace, human rights, and respect for international norms. I hope that the discussions of the *Asan China Forum* can provide us with an intellectual basis for a more prosperous, harmonious and peaceful community in Northeast Asia.

Thank you very much. 셰셰, 짜이찌엔(谢谢, 再见)!

Keynote Speech (Summary)
by Dr. William H. Overholt, Senior Research Fellow at the Kennedy School of Government, Harvard University

On some levels, very little has changed over the years in US-China relations. US policies since Nixon, under Democrats and Republicans and different kinds of Democrats and Republicans, have basically remained to welcome China into the international system, provide the economic opening that allows China to experience such wonderful growth, while hedging against the possibility that something might go wrong. Likewise China has steadily opened itself to the world, joined the major international institutions, positioned its economy in a way that, for all the controversies, has stimulated the economies of its neighbors and tremendously helped get growth really moving in resource-producing countries in Africa and Latin America, and stimulated the whole world.

Today's challenges do not seem particularly burdensome compared with the challenges of the past. We have more controversies over the South China Sea but much less tension over Taiwan. With changes coming and the balance of the Chinese economy, we are going to see a lot of these issues like currency fade very quickly, and other issues will take their place. But those issues will not individually create dangerous challenges. However, there is a downward cycle of distrust in Chinese-American relations that, if it continuous, will be dangerous.

There is concern that this era of peaceful rises and forward-looking good feeling is eroding. This is the basis of the cycle of distrust that we are now in. Japan taught the world, how to do record economic growth and peaceful rise, and it has been the first to abandon it, turning inward and claiming that it was not reform and globalization but traditional Japanese practices that created its economic growth. The United States has become an increasingly ideological power as US policies have shifted decisively toward a primary reliance on the military since 2001. In the current generation of Chinese leadership, one might detect the same kind of fuzzy thinking about the balance between economics, politics, and the military that you get in Washington.

The Chinese have been growing their military budget more rapidly than GDP, yet every single year it grows less rapidly than the overall government budget. China's claims in the South China Sea are not proportionally more unreasonable than Vietnam, the Philippines, or Malaysia's, but people argue China's size make it responsible for solving the problem rather than acting like a smaller country. China's use of its coast guard and economic warfare is a step that is very different from past Chinese diplomacy. China seems to conflate access to resources with ownership of resources, which drives policies that are very difficult.

To get out of this, along with consciousness-raising we need some great common projects. We need some leaders who will educate people that we have to have regional economic agreements that include the US, Japan, China, and South Korea. That is a hard sell in Washington, bringing China into a trade agreement, but if we do not it is not going to work. If we do, everybody else in the world will follow. The second thing is huge mutual environmental effort. We fuss with the Chinese, saying "we want quotas on pollution." They are doing more about pollution, investing more heavily than we are by a mile. Somewhere in there, we can get together. And finally, a new joint Chinese-American-South Korean effort to persuade North Korea to get on the bandwagon, on a massive scale, something completely different from anything that has been tried. If we make two or three of these things work, we can get back on track. There is no inevitability in this, but we are off the track right now.

Gala Dinner

Date: December 11, 2012
Time: 19:00-21:00
Place: Grand Ballroom

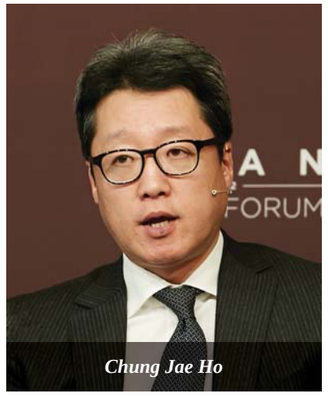
Plenary Session I

Date: December 11, 2012
Time: 10:30-11:45
Place: Orchid

China's Leadership in Transition

Moderator: Hahm Chaibong, The Asan Institute for Policy Studies
Speakers: Chung Jae Ho, Seoul National University
Jin Canrong, Renmin University of China
Kenneth Lieberthal, The Brookings Institution
Rapporteur: Glenn Baek, The Asan Institute for Policy Studies


Hahm Chaibong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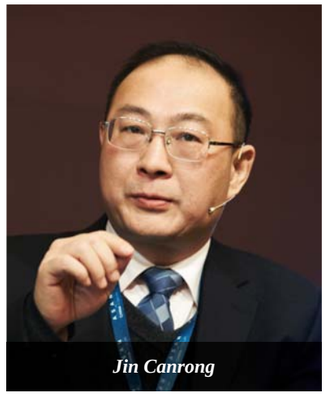
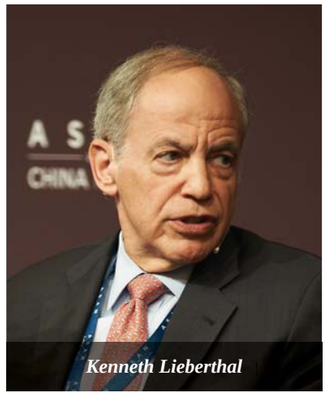

Jin Canrong


Kenneth Lieberthal

Hahm Chaibong, president of the Asan Institute for Policy Studies, commenced the first Plenary Session of the *Asan China Forum 2012* by asking each panelist to present their views on the historical significance and meaning of the political transition taking place in China. Kenneth Lieberthal, senior fellow at the Brookings Institution, began his remarks by stating that China is at a major turning point where new leaders know they must make structural reforms, including, among other things, making significant changes in the political system, fighting corruption, doubling the GDP, doubling the per capita income, shifting economic growth toward domestic consumption and services, and making government more transparent and "likable" to the population.

Dr. Lieberthal observed that we are already beginning to see rhetorical change at the top, with President Xi Jinping trying to distinguish himself from the preceding leadership and moving to take on high profile corruption cases. That said, Dr. Lieberthal maintained that meaningful reforms will come slowly, as President Xi needs to balance the needs for change against China's vested interests in state-owned enterprises and China's large national bureaucracy. Overall, it is not clear whether there is sufficient consensus among the new leaders on the specifics of reforms, the priority that should be assigned to each, and how much political capital to spend on achieving reform. After all, he noted, we are dealing with a party in transition that is difficult to predict and a leadership group that is loosely disciplined. Dr. Lieberthal warned that if they fail to change as a group and fail to deliver on reforms a decade from now, the county will face intense pressure that could undermine the political system.

Dr. Lieberthal emphasized that it is important to appreciate that China has a five-level political system—national, provisional, city, county, and township—where the top political leaders at each of those levels have "an enormous scope of authority" and a great deal of flexibility. As a result, what may come out at the operational level is often very different from what was pushed from the top as orders come down through these levels. At the same time, corruption dissipates discipline along the way. Dr. Lieberthal observed that China is now a more loosely disciplined organization than in the past and, therefore, efforts to drive significant change against vested interests may be more difficult than China watchers have come to expect. Dr. Lierberthal doesn't think Chinese growth will come to a halt if significant change is not brought about immediately, but he believes that there will be a sense, as there is now in the United States, that if significant reforms are not made within a decade, "we are in deep, deep trouble," with a political economy that increases instability and creates problems that will no longer be manageable.

Chung Jae Ho, professor at Seoul National University, observed that outside China watchers have been humbled by events that took place in Chinese domestic affairs in the last several months. For example, the Bo Xilai affair and the recent exposé detailing the immense personal wealth of China's leaders and their families demonstrate that we are only beginning to grasp the complexities of Chinese internal politics. President Xi appears to be doing the right thing, judging from his November 15, 2012 speech in which he revealed his desire to deliver tangible political achievements soon and be responsible to the people at

large. Professor Chung observed that the tone of President Xi's speech was that of a popularly-elected president.

Professor Chung noted that, as the second youngest member of the Standing Committee of the Politburo surrounded by party elders, it remains to be seen whether President Xi will emerge as a leader capable of meeting significant challenges the country now faces. The frequency of popular protests in China has increased in the last ten years. Since 2005, the Chinese government has not published official statistics on protests, which may indicate that the frequency of protests is increasing. However, Professor Chung posited that the people protesting still generally believe in the "fairness of the central government." However, events in 2012 may have diminished that belief. Professor Chung concluded that it remains to be seen whether the new Chinese leadership can convincingly present to the people an image of stable unity.

Jin Canrong, deputy president of the School of International Studies at Renmin University of China, assessed that all the new leaders must fight for their space in the Politburo in the absence of no clear political boss. Dr. Jin believed that the current situation looks similar to that of "Westernized factional politics," such as that seen in the Liberal Democratic Party in Japan or within the United States. Dr. Jin observed that while this new political dynamic appears to be making each member feel uneasy, it is a welcome change from the days of the "strongman politics" of years past. Dr. Jin further noted that Hu Jintao has been described by observers with more positive attitudes as a "George Washington" for internal party democracy, because he set a precedent for future leaders to not extend beyond their second term.

Dr. Jin argued that, over the last 30 years, there has been a significant shift to a more balanced state-society relationship, where the people hold the state accountable. Of significant note, China's urban population has now outstripped the rural population against the backdrop of a rapidly emerging middle class—a group that is different in its dynamics from poor farmers because its demands are more complex.

Dr. Jin concluded that China will be led in future by a collective leadership and that while future reforms will not make everyone "happy," the leadership will at least set policies aimed at "getting things done." He posited that China will be a practical, event-driven society, instead of being driven by a guiding theory as was the case during the time of Mao Zedong.

When asked by Dr. Hahm to comment on the defining traits of the new Politburo, Dr. Lieberthal noted that President Xi could be either hammed in by party elders or, conversely, may find himself with more political space as these elders retreat once their one-term appointment expires. Frankly speaking, however, he says, "we do not know."

Professor Chung observed that, while we do not know the factional breakout of the new leaders, the role of party elders will be the key to assessing the future power structure in the Politburo. Meanwhile, President Xi will likely be careful about not "stepping on other people's toes." It is an open question whether the new president will show his true colors once he has consolidated his position in the leadership. Concerning urgent reforms, the panel agreed that the impetus for change will be driven by events, not by the collective leadership's consensus views on issues.

Given the list of issues and challenges raised during discussions, Dr. Hahm asked the panelists to suggest what priorities that the new leadership must address in the near term. Dr. Lieberthal observed that the single most important item is *hukou* reform, given that of the 51 percent of the population living in cities, only 36 percent have urban residence privileges and the rest are migrants without such privileges, which has become a "huge drag" on Chinese growth and the "single biggest source of inequality of wealth" in China. The second priority Dr. Lieberthal posited was separating the state from enterprises and the anti-corruption effort that this would require. Professor Chung noted that tackling high-level government corruption is a top agenda item for President Xi. At the moment, it is unclear for how much longer the Chinese people will tolerate endemic corruption and whether the new president can meet expectations. Dr. Jin thought that the new Chinese leaders will put domestic issues first and promise nothing publicly in order to lower expectations but seek to attain low-hanging fruits. For example, they will likely focus on reforming the country's agriculture to strengthen food security for China's large population. In private, however, the leaders must know that they need to put the economy back on a fast track, make progress on fighting corruption at the lower level, fix the *hukou* system, which will take a long time, downsize the government, and restore the rule of law at the local level to address people's grievances.

While the general view among China watchers is that the new leadership's focus will be dominated by internal matters, foreign policy issues could pose a considerable challenge to Beijing. Dr. Hahm asked panelists to consider what is and what should be China's foreign policy priorities.

Dr. Lieberthal thought that the leadership will try to clamp down on any diplomatic tension so that it can focus on domestic issues. That said, territorial issues, especially involving Japan, will continue to create flare-ups in relations with China's neighbors and could inadvertently stoke Chinese fear of Japan's remilitarization.

Professor Chung asserted that he does not fully agree with those who think that foreign policy will be sidelined by domestic issues. He noted that China's relationship with the United States is shifting from that of cooperation over competition to competition over cooperation, potentially increasing tension in the bilateral relationship. Whether they like it or not, despite China's refrain that it does not seek hegemony, the new leaders will find situations where Chinese actions will be perceived as being hegemonic in the Asia-Pacific region.

Dr. Jin added that China will try to create a new stable relationship with the United States, though it is unclear what Beijing has in mind. At a minimum, the new leadership will try to contain and manage any potential crisis with China's neighbors.

During the question-and-answer session, when asked to comment on the future prognosis of China in the next several years, the panel noted that contingencies are unknowable. What is predictable, Dr. Lieberthal said, is that the party will likely be tempted to do things the old way and potentially end up adding to the problem. He asserted that the single most important issue that will shape China's future is acute shortage of available water throughout the country's northwest region. This problem will be the source of major tension and every other problem will seem small in comparison. Professor Chung cautioned not to expect major changes in the first five years as the leadership transition is completed. Dr. Jin noted with some optimism that this is still the "golden" decade and that we may see reforms with "Chinese characteristics."

The panel concluded in agreement that any future reforms will be driven by events, not by the leadership's consensus views. Nonetheless, Professor Chung maintained that the new leaders must know that they need to demonstrate to the country that they are trying work on behalf of the Chinese people, especially in making progress on political reforms in the mid-term. He added that, in order for the new leadership to regain the trust of the people, they will need to implement bold action akin to Deng Xiaoping's economic reforms in 1981. Whether the new leaders in Beijing share this assessment and will take the necessary steps is unclear.

Session I

Date: December 11, 2012
Time: 12:45-14:00
Place: Orchid

China and the ROK-US-Japan "Virtual Alliance"

Moderator:	Han Sukhee, Yonsei University
Speakers:	Dai Changzheng, University of International Business and Economics
	Nishino Junya, Keio University
	Gilbert Rozman, Princeton University
	Shin Bong-kil, Trilateral Cooperation Secretariat
Rapporteur:	J. James Kim, The Asan Institute for Policy Studies

The panel was presented with the following set of questions by the panel moderator, Han Sukhee, assistant professor at Yonsei University, related to the topic of the "Virtual Alliance" between the United States, the Republic of Korea (ROK), and Japan: How does China view ROK-US-Japan strategic cooperation and the intentions of the three countries? To what extent could ROK-US-Japan strategic cooperation be a response to China's rise? How does China view the trilateral efforts of South Korea, the United States, and Japan regarding North Korea? Given the frictions between South Korea and Japan, where can trilateral cooperation be most effective and how might such cooperation affect the three countries' relations with China?

Dai Changzheng, dean of School of International Relations at the University of International Business and Economics, began by identifying the key issues pertaining to the virtual alliance in the region; namely, maritime passage in the South China Sea, nuclear issues, and territorial disputes. According to Dr. Dai, the solution to these problems lies in the establishment of a common understanding about the importance of cooperation, trust, and perceptions regarding each party's interests. The approach towards the virtual alliance should recognize the uniqueness of each nation's rules and responsibilities and emphasize mutual cooperation in place of strategic balancing. The suggestion, of course, is that a balancing behavior is one that promotes regional destabilization. What Dr. Dai suggests is that the virtual alliance should focus on the promotion of peace and stability, economic trade and cooperation, as well as mutual interaction.

Nishino Junya, associate professor at Keio University, began by expressing the duality in ROK-Japan relations by mentioning the historical backdrop of President Lee Myung-bak's visit to Dokdo Island on August 10, 2012, the 2009 Memorandum on the Joint Defense Exchange, and the 2010 ROK-US-Japan

military exercise. Concerned observers may reason from this series of events that the friction between Japan and South Korea may derail the trilateral alliance. However, Professor Nishino argues that Japan remains interested in strengthening security cooperation with South Korea. The Japanese ruling party, for instance, has been unequivocal in its support for the maintenance of the bilateral security alliance. This is largely because Japan perceives an ROK-Japan alliance as a critical component of regional peace and stability, given the North Korean threat and the emergence of China. One interesting point here is that Professor Nishino's reasoning directly contradicts the suggestion made by Dr. Dai. Finally, budget constraints on the US government suggest the possibility of a lessened US involvement in the region. In moving forward, both South Korea and Japan must recognize the inflammatory nature of historical issues and avoid the politicization of these issues. Secondly, South Korea and Japan must make effort to share a common vision for the region's future. Finally, South Korea and Japan must work closely with Washington while keeping their national interest in perspective.

Gilbert Rozman, Musgrave Professor of Sociology at Princeton University, came out rather forcefully and warned of a downward spiral and the decline of trust. Professor Rozman argued that Dr. Dai's emphasis on the recognition of core national interests and collaboration rather than balancing is precisely the kind of prescription for cold war, rather than regional peace and stability. Professor Rozman appeared especially concerned with the shift in the emphasis from multilateralism towards a focus on national interests. He pointed out that the problem lies in the fact that the United States and China do not see eye-to-eye on North Korea, ROK-Japan relations, and maritime issues. Domestic political conditions are also of concern in that if both Moon Jae-in and Shinzo Abe emerge as winners in the coming elections, ROK-Japan relations may come under serious duress. Most importantly, prospects for collaboration between South Korea and Japan will be lowered as a result of deteriorating public mood and support. Once again, Professor Rozman's take on the panel topic was more closely aligned to that of Professor Nishino rather than with Dr. Dai.

Dr. Dai's response was that China is necessarily concerned witth and focused on domestic issues; namely, in sustaining China's high economic growth, ensuring political and social stability, as well as increasing overall living standards. In this sense, Dr. Dai stated that China's foreign policy with respect to regional security is to maintain the status quo. Even more importantly, Dr. Dai pointed out that China does not want to emerge as a dominant power in the region. In a follow-up question, Professor Han pressed Dr. Dai to more specifically define China's "core interests," and Dr. Dai responded that they are sustained growth and territorial integrity.

This statement was somewhat puzzling given Dr. Dai's earlier statement emphasizing "the promotion of peace and stability, economic trade and cooperation, as well as mutual interaction." Likewise, Professor Rozman expressed significant skepticism about Dr. Dai's response. His reasoning was simple—if China is in fact serious about maintaining the status quo and promoting regional security and peace, it should also agree to the pre-2008 conditions as far as the South China Sea is concerned. That is, China should pull its patrol boats out of the South China Sea and also rescind any public statements towards Japan that can be perceived as being provocative in nature. Affirming Professor Rozman's concerns Professor Nishino also voiced concern over the possibility of a "hot war" rather than a "cold war," which better depicts the dispute surrounding the South and East China Sea. Shin Bong-kil, secretary-general of Trilateral Cooperation Secretariat, also voiced concern over China becoming more confident and willing to flex its muscles in the region. He posited the idea that China might consider a foreign policy that places restraint above ambition.

In response, Dr. Dai reminded his fellow panel cohorts that China has no regional or global ambition. He reiterated again that China's goal is to enhance peace and stability and this is quite evident in the fact that China is actively seeking to deepen cooperation through trade, as shown in the current efforts to push through a China-Japan-ROK Free Trade Agreement (FTA). Professor Rozman responded that Dr. Dai's optimism should be tempered by reality in that current tensions will make a trilateral FTA difficult, if not impossible. While a China-ROK FTA may be likely, a China-Japan FTA is not. Aside from the hostilities in the South China Sea over territorial disputes between China and Japan, China is critical toward South Korea's national interests because the latter relies on the former's economy and its ties to North Korea. Given Professor Rozman's negative outlook, Professor Han raised the issue of the Trans-Pacific Partnership (TPP) and questioned whether the TPP will even be possible. This issue, obviously, is of significant concern for the Obama administration. Most pundits suggest that the standards set in the TPP de facto exclude China from its participation. Japan has been somewhat reticent while South Korea has tried to posture itself in this process without damaging relations with its two largest trading partners, i.e., China and the United States.

Ambassador Shin pointed to two triangular ties among the four nations in question—the ROK-US-Japan virtual alliance and the ROK-PRC-Japan regional cooperative framework. The latter is built on regular

meetings at the summit, cabinet, and advisory levels. Ambassador Shin saw South Korea as a key player in both multilateral frameworks, as a member of the "20-50 club," and he expected South Korea to take the initiative in the coming trilateral summit.

Professor Han raised the question of what a third possible alliance between South Korea, the United States, and China would mean for Japan. Professor Nishino responded that while such an effort is desirable from the South Korean perspective, a regional cooperative framework would require broadening the number of parties involved in such an alliance. Dr. Dai pointed out that China's attitudes towards any alliance including the ROK-US-Japan virtual alliance should be considered within the context of three critical domestic players: China's leaders, public, and scholars or experts. These three domestic players are motivated by different interests and concerns yet they are the ones who will ultimately shape China's foreign policy. What is interesting to note again is that this view neglects the role of other nations. Was Dr. Dai suggesting that China's foreign policy is driven by domestic concerns more so than relations with other countries? To what extent is China's foreign policy driven by structural factors rather than domestic political factors? Professor Nishino pointed out that Japan does not lack understanding about China's concerns. In fact, he pointed out that the domestic concerns are precisely the reasons for why defense cooperation is needed with respect to intelligence gathering and logistical support. With respect to South Korea, however, Professor Han points out that public opposition against this kind of cooperation has been framed over certain historical memories associated with the Japanese occupation of Korea (i.e. comfort woman and Dokdo Island). In many ways, comments by both Professor Han and Professor Nishino suggested that domestic concerns can be the basis for cooperation just as much as they are the reasons for competition.

During the question-and-answer session, one member of the audience asked whether the Japanese public opinion is tilting towards increasing nationalism and whether this was happening as a result of what is happening in the foreign policy arena. Once again, the question was about to what extent foreign policy is driven by domestic or international concerns? Professor Nishino responded that Japan's foreign policy has always been to promote regional stability. Professor Rozman pointed out that domestic policy and the decline in the long-standing party establishment has led to the emergence of a more radical element, such as Ishihara. Although the next election is likely to result in the Liberal Democratic Party (LDP) and Abe's victory, they will only be coming into power with one-third of public support. This suggests that the LDP will invariably have to work with the more conservative elements to form and maintain a government.

Another audience member questioned whether increased militarization is a matter of concern for the United States and South Korea. Professor Nishino pointed out rather indirectly that immediate militarization is not likely given that the Japanese Upper Diet will be having its election in the summer of 2013. Without a majority control in both Diets, Professor Nishino expected Abe to move very cautiously in forming foreign policy. Professor Rozman responded flatly that there is no militarization in Japan given

that Japanese military spending has increased by less than one percent. On the other hand, he stated that there is reason to be concerned about the increased militarization in China, with the Chinese military spending increasing by a double digit each year.

One commenter in the audience noted that the territorial disputes involving India, the South China Sea, and the East China Sea have been issues that have always existed for the last 40 years and yet China has maintained good relations with countries involved in these disputes. However, the commenter pointed out that the reason why these issues have become more important in recent times is because Japanese politicians have taken the initiative to make these issues controversial. Professor Rozman responded that China is not free of blame in this regard. In fact, he points out that the public discourse in China has become increasingly hostile towards Japan from 2006-2008. In particular, the hostility has focused on the South China Sea and the ROK-US-Japan virtual alliance. In truth, this has been the backdrop against which negative public sentiment against Japan and the virtual alliance has been instigated. In effect, Professor Rozman accuses China for having a rather disingenuous stance with respect to the ROK-US-Japan virtual alliance. In the end, the panel seems to agree that the trilateral alliance is as strong as ever—despite the challenge from within. However, it is still left with some unresolved issues, including China's position with respect to the virtual alliance, whether it is supportive, and, if so, what kind of alliance China would prefer to see.

Session I

Date: December 11, 2012
Time: 12:45–14:00
Place: Lilac and Tulip

China and Japan

Moderator: Ralph A. Cossa, Pacific Forum CSIS
Speakers: Alexander Bukh, Victoria University of Wellington
Seo Jungmin, Yonsei University
Togo Kazuhiko, Kyoto Sangyo University
Wang Dong, Peking University
Rapporteur: Chen Huaiyuan, National University of Singapore

Ralph Cossa, president of Pacific Forum CSIS, began by noting that the topic of Chinese and Japanese relations—at this juncture of major leadership transitions in China, Korea, and Japan—is both timely and important. When we look at the dispute between China and Japan over the Senkaku/Diaoyu Islands, we see that it is also more broadly a matter of international expectations and perceptions of a rising China. One might conceive of the new leaderships' handling of the island dispute as a first test of the new administrations. For example, a recent *Time* magazine headline read: "Japan moves to the right." This is a moment when leaders can prove or disprove that they are in fact going in an ultra-right direction. The implications of how the situation evolves will not only affect China and Japan, but also their relations with Korea as well.

Following Mr. Cossa's call to set the island dispute in a broader context, but more specifically focusing on the debates surrounding the island dispute within Japan and the Japanese media rather than with regard to "international expectations," Alexander Bukh, senior lecturer of the School of History, Philosophy, Political Science & International Relations at Victoria University of Wellington, explained the need for caution when it comes to analyzing the discursive model of putting the "rise of China" alongside the "decline of Japan" and the "decline of the United States." Instead of simply declaring a rising China vis-à-vis Japanese and US decline, he urged the audience to think about what is "rising" and "declining" and how. He cautioned against the tendency to which some directions of debates on foreign policy in Japan link, such as incautiously China-blaming in terms of expansionism and jingoism, within the context of the Senkaku/Diaoyu Islands dispute. From his analysis of recent news and media reports in Japan, he explained that the debate obviously has been very much dominated by a kind of "fight strong approach," generally but not exclusively blaming China for expansionism, jingoism, etc., which, from an international relations perspective, is not very helpful. He also mentioned that the same kind of approach is also perceivable in Chinese media and some media reporting of the issue in the United States as well. Analytically, he observed that this means the problem is the belief of certain superiority vis-à-vis the other. In Japan's case, for example, a belief in the fact that Japan was the first country to modernize in the region, internalize the rules of international society at that time, and then followed. But, Dr. Bukh said, "who is right and who is wrong is not something I want to deal with." He merely pointed out the fact of this "criminology-like" approach in Japanese media and quasi-academic papers, that unhelpfully try to analyze who stands with whom and who talks to whom, in trying to analyze what possible direction the new Chinese leadership will take.

In place of all this, Dr. Bukh presents three theoretical ways of looking at China-Japan relations: through the prisms of realism, liberalism, and constructivism. He argues that the three perspectives produce different expected outcomes. From a realist perspective that understands states as rational actors and where ideology does not matter, states only want to enhance their utility and capabilities in pursuing their rational interests. It could then be argued that today's conflict between China and Japan is probably only the beginning of a much bigger conflict as China is rising militarily and economically. In response, a realist perspective might predict that Japan will go nuclear and a clash will occur between China, Japan, and the United States. From a liberal perspective, a strong case for economic interdependence might be made that will prefer a de-escalation solution because a liberal position is likely to prefer absolute gains to relative gains compared to competitors. Lastly, a constructivist perspective with an optimistic outcome is that China will gradually internalize international norms regarding the peaceful settlement of the dispute, as it already is, and a situation of compromise will be reached with arbitration quite similar to that prescribed by liberal theory. A pessimistic constructivist might emphasize China's identity as a victim of

Japan and posit a Japanese sense of nationalist identity coupled with a sense of superiority. Both beliefs then dominate a perception of national interests and foreign policy that possibly lead to an irrational realist perception of a looming military clash. To reach an optimistic outcome, a constructivist scenario might be an alignment of perceptions of China's leadership position in the region as that of a "benevolent hegemon," a reconstruction of a Sino-centric order that existed before Western colonialism and imperialism.

Beginning with an intervention regarding the term "being normal" in Japanese discourse of a normal state, Seo Jungmin, associate professor at Yonsei University, asked to what normal state of being Japan (or China) wishes to return. Is there any such historical point that is "normal"? This question points to a deeper historical perspective upon which, he argued, the very foundation of state power in East Asian countries hinges, on the history of Japanese colonial expansion, and, consequently, the "mirror image" of a state legitimacy built on anti-Japanese movements. Professor Seo concurred with Dr. Bukh and added Korea into the equation by stating that because we are not considering this interlinking identity structure of each country, we will not understand the important role of the historical legacies of anti-Japanese struggles of the Communist Party of China (CPC), the Korean constitution and founding regime that claimed legitimacy because of its fight against Japan, and Japan's sense of pride over being the first modernizer in East Asia yet somehow having lost its status due to economic decline. These interlinking narratives motivate further claims through the "mirror image of one's enemy." For example, it might be difficult for Chinese rulers to claim legitimacy in a deeper sense without Japan's colonial history, or for Japan, without a Chinese threat or a perceived need to defend against China, a return to a normal situation. Without these interlinking narratives, politicians may lose some important grounds upon which they stand. This also signifies a kind of "culture of coexistence of politicians in East Asia." However, with this insightful analysis, Professor Seo admits that he does not have a solution. He is suspicious that a tension between Asian countries built on the grounds explained above is not going to be solved by a few summits or diplomatic measures. A solution might require some fundamentally deeper interaction among cultures and nations in East Asia.

Togo Kazuhiko, director of the Institute for World Affairs at Kyoto Sangyo University, concentrated on a single issue that has divided China and Japan: the Senkaku/Diaoyu Islands dispute. After explaining that there is no other incident in post-war Japanese foreign policy that has impacted China-Japan relations so much, he argued that, at this point in time, it has been "a total diplomatic defeat on the Japanese side" because 1) after September 11, China had demonstrated flexibility in entering the disputed territorial waters at any time and it seemed Japan had no way to stop it; 2) China successfully converted the issue into a symbol of national unity; 3) despite differences, China and Taiwan have common ground on this issue; and 4) Japanese businesses have suffered more than Chinese businesses. But, looking forward to what can be done, Dr. Togo proposed that deterrence is not the only option for Japan to take, despite its inevitability. Dialogue is another. On the side of Japan, he thinks that, with respect to action on the disputed islands, Japan should continue militarily with the three laws of not entering, not researching, and not building. He strongly recommended that China not enter the territorial waters. In such a dialogue, he also argued that Japan should be ready to listen to everything that China wants to raise and be especially attentive to creative ideas. He disagreed strongly, therefore, with the government policy of arguing that the territorial issue does not exist and that there is nothing to talk about.

As the final presenter, again going beyond any specific dispute, Wang Dong, assistant professor at Peking University, looked at the broader China-Japan relationship and made three observations. First, he delineated the history of the two countries' relations from the bright moment of 2009 when Japan's Prime Minister Hatoyama proposed the concept of an "East Asian Community." Regretting the downward spiral of the bilateral relationship in the past three years, he warned of further deterioration in the relationship that might cause a spilling over of political disputes into the economic arena. He agreed with Dr. Togo that Sino-Japanese enmity is not in the interests of the two countries. The second observation he made is that we cannot ignore the perceptional factors that have contributed to the security dilemma between China and Japan. There are actual misperceptions, in his view, on the part of both sides about each other's strategic intentions. He suggests that both countries should examine, critically, their exaggerated state of affairs with each other. Whereas Japan should have an objective assessment of China's place and avoid exaggerating the China threat, China should also acknowledge Japan's enduring security concern when facing China's rise and avoid exaggerating Japan's remilitarization. The third observation is that both countries should also better "manage" public opinions and rising nationalism. Political leaders in both countries should not fall prey to nationalism. Instead, there should be more people-to-people exchange. Exchanges between young people from the two countries should be strongly encouraged. Lastly, to help deconstruct mutual distrust, he thinks China should think very seriously about the question of how it should use its increasing power and for what purpose. While China has benefited greatly from its strategic self-restraint in the past three decades, it should continue to do so in the decades to come. For Japan, it probably should also think hard about the fact that unless it can achieve a genuine consideration of issues such as history and war crimes, Japan cannot expect to become a country that will be politically influential and morally respectful, thereby fueling a rise of nationalism on both sides.

In the question-and-answer period, Mr. Cossa first invited the participants to respond to each other. In doing so, Mr. Cossa prompted the question of rising nationalism in both China and Japan, which all speakers had dealt with to some extent. Dr. Togo responded by accentuating the role of "a rising China" to which Japan's nationalism responds. He imagined a new sense of Japanese independence where Japan plays a role alongside China. However, Dr. Bukh interpreted the rise of Japanese nationalism differently. He perceived a deep-seated underlying notion of China as being "backward," that China has been historically constructed since the nineteenth century. When dealing with the "rise of China," this notion causes a severe problem for Japanese national identity. Dr. Wang and Professor Seo dismissed any suspicion of there being Chinese government manipulation of anti-Japanese nationalism in China by agreeing that

such suspicions are not empirically or historically well founded. Dr. Wang noted the important role that social media played in the anti-Japan protests in China and highlighted cases where the destabilizing nature of anti-Japan nationalism is undesirable to the Chinese government. Professor Seo argued that the CPC in China is not omnipotent and the rise of nationalism in China, in general, has many sources that are societal in nature.

In addition to the topics already covered by the panel discussions, members of the audience asked about the role of the United States in China-Japan relations. While panelists had implicitly mentioned their views on this question, Mr. Cossa reiterated the official US view that the United States is not being ambiguous about the Senkaku/Diaoyu Islands dispute. The United States wants to see China and Japan settle the territorial dispute peacefully but it is also very clear that it recognizes Japanese administrative control over the islands. An armed attack on the islands invokes the security treaty between the United States and Japan. He advised Japan and China to get beyond just looking at the island dispute and come to terms with the underlying historical problems that have made the dispute symbolic in a way that over-powers the real focus of the bilateral relations; namely, the interdependent reality of the world today.

Session I

Date: December 11, 2012
Time: 12:45-14:00
Place: Cosmos and Violet

Political Reform in China

Moderator:	Barbara Demick, Los Angeles Times
Speakers:	Chen Ping, Global Times
	Chung Jongpil, Kyung Hee University
	John Delury, Yonsei University
	Kim Jae Cheol, Catholic University of Korea
	Lee Tai Hwan, The Sejong Institute
Rapporteur:	Steven Oliver, University of California at San Diego

Barbara Demick, Beijing Bureau Chief of the *Los Angeles Times*, opened the panel, as moderator, by placing the prospects for political reform in China in the context of the recent and as yet ongoing leadership transition beginning with the 18th Communist Party of China (CPC) National Congress in November 2012. In particular, Ms. Demick pointed out that although there has been much discussion in the state press of the possibility of political reform since the close of the congress, there has been little indication, and there remains great uncertainty, as to the shape of political reforms that the new party leadership could choose to initiate.

Kim Jae Cheol, professor at Catholic University of Korea was the first panelist to address the points raised by Ms. Demick regarding the uncertain shape and prospects for political reform. Professor Kim began by arguing that hopes for political reform, including the introduction of limitations on government powers and providing greater protection of the political rights of individuals, appear to have been left

unfulfilled at the conclusion of the congress. The authoritative and political report delivered at the congress by newly anointed CPC General Secretary, Xi Jinping bore great similarity to reports delivered at previous party congresses. Although the political report did mention reform a number of times, the report did not provide any concrete or specific descriptions of the shape of such reforms. Furthermore, the report placed much greater emphasis on the Communist Party of China following the path of socialism with Chinese characteristics, suggesting continuity between the official stances of the outgoing and incoming party leadership with respect to the question of political reform.

Despite the absence of any clear break between the stance of the outgoing and incoming leaders, Professor Kim was also careful to point out that this did not preclude that such a change might occur at a later date. Despite formally ascending to the positions of CPC General Secretary and Chair of the Central Military Commission (CMC), Xi has yet to have the necessary opportunity to consolidate his power in these offices. As such, any policy initiatives, especially political reform initiatives, are unlikely to be introduced until the new leaders have successfully consolidated their power. Professor Kim opined that it would likely be at least one or two years until leaders felt secure enough in office to launch any new initiatives of their own.

John Delury, assistant professor at Yonsei University sought to address the prospects and shape of possible political reforms by taking a step back and placing current discussion of political reform into a historical context. Critically, Professor Delury argued that outside observers of contemporary Chinese politics often fail to appreciate the meaning of political reform as used by Chinese leaders. Whereas observers often understand political reform to entail change *of* the political system like democratization; Chinese leaders since the nineteenth century have generally understood political reform to entail change *within* the political system, such as through administrative reforms.

Failure to appreciate this important distinction is, according to Professor Delury, at the heart of many observers' frustration with the apparent lack of political reforms since the 1980s despite official rhetoric. Although some leaders such as former CPC General Secretary Zhao Ziyang have indeed understood political reform to entail eventual democratization, leaders who advocate the gradual restructuring of the political system have always been in competition with leaders who instead seek to "tinker" with and improve the efficiency of the existing political system. However, Professor Delury argued that in the nineteenth century, the failure of both types of leaders to either push through gradual systematic reform or address the underlying deficiencies in the existing political system led to the emergence of a third group of leaders dominated by figures like Mao Zedong that advocated the complete destruction of the existing political system.

Comments by Lee Tai Hwan, senior research fellow at the Sejong Institute, closely echoed Professor Delury's argument by pointing out repeated and explicit rejection by CPC leaders of reforms that would entail the introduction of a competitive, multiparty political system to China. Instead, Dr. Lee instead suggested that reforms were much more likely to take the shape of changes in administrative structure, particularly those designed to improve the implementation of policy by subordinate government officials.

Yet Dr. Lee very clearly argued that this did not mean that leaders would push for formal separation of party and state officials as called for by leaders like Deng Xiaoping in the early 1980s. Dr. Lee suggested that instead of a separation between party and state officials, political reforms might take the shape of a "loosening" in the CPC's control over the policymaking process. More concretely, such a loosening could potentially involve the greater inclusion of actors outside of the CPC, such as think tanks and intellectuals, into the policymaking process. Allowing a more consultative system could, according to Dr. Lee, aid leaders in addressing what many observers see as a legitimacy crisis faced by the CPC and thereby address growing conflict between state and society while simultaneously allowing leaders to avoid introduction of competitive, multiparty politics.

Chen Ping, deputy managing editor of the *Global Times* English Edition continued in this vein by posing the following question: What kind of reform does China need? While a seemingly simple question, Mr. Chen stressed that the answer was by no means clear in light of China's unique history and distinctive conditions. Mr. Chen argued that similar to there being no readily applicable models for China to follow in carrying out economic reforms beginning from the 1980s, there are no readily applicable models for China to follow in initiating political reforms in the present. As such, Mr. Chen argued that blindly following political models such as those that emphasize a division of political powers and developed in other contexts might not be appropriate in the Chinese context.

Mr. Chen then argued that observers should recognize political reforms aimed at ending one party rule are unlikely to go anywhere and that reforms should therefore take as a given the CPC continuing to play a leading role in Chinese politics. Upon this basis, the focus of political reformers should be aimed at the realization of long-held CPC principles as well as pushing forward administrative reforms such as greater separation of party and government functions. Mr. Chen pointed out that while the concept of intra-party democracy was introduced as early as the eighth CPC National Congress in 1956, little had been done to realize the practice of such principles within the ranks of the party. Reforms aimed at limiting the interference of some party officials in the routine functions of government are also necessary to boost efficiency and promote better governance. As a final note, Mr. Chen pointed to Xi's recent and widely publicized visit to the city of Shenzhen in Guangdong province as sending a signal similar to Deng Xiaoping's Southern Tour in 1992: political reform is back on the agenda.

The fifth and final panelist to contribute was Chung Jongpil, assistant professor at Kyung Hee University. Professor Chung rounded out the panel by discussing the role of the Internet in political reform. Describing the relationship between the state and society online as one of a cat and mouse game between

users and authorities, Professor Chung argued it was increasingly unclear which party is playing the role of the cat and which the role of the mouse.

Professor Chung stated that whereas the state operates a formidable online censorship apparatus and is capable of identifying and silencing dissent, censors still allow substantial freedom to users. Many users have in turn used this freedom to ferret out malfeasance by local officials with positive consequences in terms of constraining corruption and creating greater accountability. On this point, Ms. Demick raised the recent example of recent activity by users to uncover evidence of corruption by examining official photos of local officials in which some officials have been found to be wearing designer watches unaffordable on a regular civil servants' salary. By uncovering and publicly exposing such evidence of corruption, users are capable of creating pressure for leaders to intervene and discipline local officials.

However, Professor Chung was also very clear to point out that by affording users the ability to expose corruption and malfeasance by local officials, the Internet was not necessarily pushing political reform in the direction of democratization. Instead, users are often in effect aiding leaders in their goal of disciplining errant local officials, thereby ensuring better implementation of leaders' directives and constraining corruption, which has increasingly tarnished the CPC's reputation since the beginning of reform and opening.

Upon Professor Chung concluding his comments, Ms. Demick then began the question-and-answer portion of the panel by accepting questions from the audience. Although a number of questions were posed to the panel—a common theme was conditional upon a clement international environment—was whether or not China's incoming leadership could depend solely upon ensuring continued economic growth to maintain the CPC's legitimacy and what implications this might have for future political reforms.

Professor Delury addressed this question by pointing out that economic growth had never been the sole basis of legitimacy for the CPC, but rather that ensuring economic growth was in many ways a means to the end of ensuring the more important end of China's status as a strong nation. As such, ensuring China's return to a position in the international system deemed appropriate was of great importance to both past as well as incoming leadership.

Dr. Lee approached the same question in a different manner, by comparing China to other authoritarian developing states such as Singapore and the Republic of Korea prior to the 1990s. While some observers of Chinese politics appear to desire that China will follow a similar path in terms of economic development, China's scale and internal variation made it unlikely that it will be able to successfully follow a similar path. Focusing solely on ensuring growth and economic efficiency is unlikely to be able to address many of the problems facing the incoming leadership. Instead, Dr. Lee returned to his earlier comments to argue that the incoming leadership would need to adopt a more consultative approach to policymaking in order to address demands that could not be met solely through delivering continued economic growth, thereby ensuring the CPC's legitimacy.

Professor Kim added to Dr. Lee's comments by pointing out that an intense focus on economic growth by past leaders was also at the root of many of the problems facing the incoming leadership. For example, the pressing problems of growing inequality and environmental degradation could be linked directly back to a single-minded approach to economic growth before all else by past leaders. In order to maintain the CPC's legitimacy, leaders have to recognize that reforms aimed simply at ensuring continued economic growth are not sufficient to ensure the CPC's legitimacy.

Lastly, Professor Delury raised hopes for a potential, liberal path forward through which the incoming leadership might address issues related to the CPC's flagging legitimacy. Returning to the point of China's vast scale and variation in its internal conditions, Professor Delury pointed out that political reforms designed to address these issues could very well be carried out on a province-by-province basis and designed to suit local conditions. Indeed, Professor Professor Delury raised the point that both Hong Kong and Taiwan, both claimed as province-level entities by China, had quite successfully experimented with political reforms to address local issues. Faced with similar difficulties, the incoming leadership does not need to subscribe to one-size-fits-all approaches to political reform.

Regardless of the differing opinions offered by the panelists regarding the prospects and the potential shape of political reforms following the 18th CPC National Congress, all panelists seemed to be in agreement that the incoming leadership appreciated the need for reforms to address the many pressing issues facing China in the coming decade.

Session 2

Date: December 11, 2012
Time: 14:15-15:30
Place: Orchid

China and Nuclear North Korea

Moderator: Shin Chang-Hoon, The Asan Institute for Policy Studies
Speakers: Thomas Plant, King's College London
Jonathan D. Pollack, The Brookings Institution
Lora Saalman, Carnegie Endowment for International Peace
Teng Jianqun, China Institute of International Studies
Rapporteur: Christopher K. Green, Daily NK

As moderator, Shin Chang-Hoon, director of the Asan Nuclear Policy and Technology Center at the Asan Institute for Policy Studies, set out the parameters of the panel debate by noting some core issues of the last 12 months, focusing in particular on the February 29 "Leap Day Agreement" between the United States and North Korea, the swift progress from there to a North Korean rocket launch in early April, and then Pyongyang's decision to put the phrase "nuclear-possessing state" into its constitution in May. This, of course, was followed by the decision to launch another long-range rocket carrying the second Gwangmyungsung-3 in early December.

Given the current state of affairs, Dr. Shin continued, there are some key issues that must be addressed: 1) A look back at how different actors have been handling the nuclear issue thus far; 2) a look forward at how things may be likely to change under the new Chinese leadership of Xi Jinping; and finally 3) a look at how China might approach the issue of restarting the Six-Party Talks.

Beginning by addressing the first of these core issues, Teng Jianqun, director of the Center for Arms Control at China Institute of International Studies, asserted that the North Korean nuclear issue has now reached its "third stage," with China having become an actual actor in the drama rather than remaining an observer. Beijing, he said, continued merely to watch regional developments from afar right up until the dawn of the 1990s, only then moving toward active participation, before finally taking on the chairmanship of the Six-Party Talks well inside the 2000s.

Dr. Teng then went on to echo a familiar refrain from Chinese experts in the international arena; namely, that China has less influence over North Korea than the West may like to think. This was not always the case, he acknowledged, but certainly has been so since the break-up of the Soviet Union and Sino-South Korean diplomatic normalization at the end of the last century.

This leaves three academic views in China, he explained: 1) The "troublemaker hypothesis," a rare stance that calls for the abandonment of North Korea and the security treaty that binds the two sides; 2) the "support North Korea come what may" approach; and 3) the "it's nothing to do with us" position.

China sometimes goes to one or the other extreme where North Korea is concerned, he said, but not under Xi Jinping; this time, there is set to be a more balanced approach, he believes, especially in terms of nuclear and missile issues.

Following up, Thomas Plant, research fellow in the International Centre for Security Analysis at King's College London, said he sees Dr. Teng's perspective as "good news," but cautioned that North Korea is nevertheless in possession of all the equipment needed to complete the nuclear fuel cycle, making it a potential "one-stop shop" for would-be aggressors. Therefore, a key question, he said, is would North Korea sell to other states, or even non-state actors?

On the first point, Mr. Plant's answer was yes. Syria and Libya provide practical evidence of a North Korean willingness to proliferate to other state actors. Indeed, Mr. Plant claimed that since 1994, North Korea has spent longer proliferating than not doing so. However, he also explained that proliferation is based on networks of trusted associates, meaning that Pyongyang will only proliferate to those with money and a long history of bilateral trust. As such, there are no examples of North Korean proliferation directly to non-state actors. However, he went on, that does not mean there is no risk, since second-order proliferation to the likes of Hezbollah is not beyond the realm of possibility.

The key, therefore, is the proliferation of conventional weapons, which normally occurs before the proliferation of nuclear weapons begins; in other words, the building blocks of trust.

One important issue for China, Mr. Plant said, is that America has already declared proliferation to non-state actors to be a potential casus belli, making second-order proliferation a real danger for China, given that its gold standard is regional stability. China may be instinctively opposed to sanctions on North Korea, he said, but needs to clearly appreciate the difference between coercive sanctions and those designed to reduce the risk of proliferation.

Following these comments, Lora Saalman, associate of the Carnegie-Tsinghua Center for Global Policy at Carnegie Endowment for International Peace, then discussed possible modes of cooperation between the United States and China on nuclear issues. Alas, she started negatively, warning that if the Xi Jinping regime is aiming for the diplomatic middle ground between North Korea and the United States, then this will not bode well for cooperation with Washington.

According to Dr. Saalman, of 384 Chinese articles on the North Korean nuclear issue that she reviewed, less than 70 discussed any kind of "cooperation" between the United States and China at all. Although purely anecdotal evidence, she said this fact alone lends weight to her position, which is that she "remains unconvinced" that closer Sino-US cooperation will occur on North Korea or Iran, since Beijing and Washington regard the issues so differently.

Why is this the case? In Dr. Saalman's words, it is down to different mindsets. China supports arms control more strongly than the United States, and also sees itself as a mediator; it is a nuclear power, but one that straddles the chasm between the nuclear haves and have-nots. However, she warned, this role is becoming increasingly untenable; China wants to avoid intervention, but there are a number of states inching closer and closer to red lines that might trigger it.

According to Dr. Saalman, there is a deep and systemic divergence between China and the United States on nuclear proliferation. China seeks a balance; making sure the United States is preoccupied, but also dissuading it from extreme responses to its preoccupations. China is not merely reactive in general, she said, but reactive to how the United States reacts to a given issue. Rather than cooperation, most of the time Chinese articles mention missile defense, showing the way in which China concerns itself with the actions the United States takes in response to a given threat, rather than the threat itself. As such, she said, the greatest impetus for Chinese involvement in an issue of this nature is fear that the United States will get involved if Beijing fails to do so.

Concluding the panel comments, Jonathan D. Pollack, senior fellow at the Brookings Institution, talked about the future of the Six-Party Talks. Speaking with a note of cynicism, he pointed out that there has not been a full round of the six-nation process in the last four years, and that while all actors do put forward obligatory references to it from time to time, "[n]obody, nobody takes it seriously at this point."

In Dr. Pollack's view, one of the major problems, which relates very closely to China, is actually that the Hu Jintao-era government committed China to the Six-Party Talks as host, something that he called an "unusual experiment in Chinese diplomacy," but one that has been, in his words, an "outright and collective failure." This conclusion is inescapable, he said, since North Korea is now an avowed nuclear state (though one of indeterminate capabilities), one that says its nuclear capability is an accomplished and unalterable fact (whether this is true or not is unclear), and that it will decide what capabilities it requires for its own survival.

In that case, are the Chinese willing or even able to revisit the basis of their North Korea policy? It depends, Dr. Pollack believes, on how China judges the consequences of action versus inaction, and how perturbed Beijing really is about a nuclear North Korea relative to its concern over other policy objectives. Is the issue manageable, in other words? China may well be convinced, both by its own experience

and that of dealing with North Korea to date, that a state that is determined to follow the nuclear path really cannot be moved away from that path without the existence of unique forms of leverage and control that are not present in this case.

Dr. Pollack agreed that China is making an understandable choice at the moment, whereby "kicking the can down the road is less risky than all the other courses of action." In which case, what would it take to change the status quo? For years, he said, Chinese scientists discounted claims put forward by the United States vis-à-vis North Korean enrichment activities and technical capacities. Now, however, that seems to be changing slowly. He said that while he doesn't know what North Korea would need to do to change Beijing's strategic calculus, he does know that China wants to be seen as a "responsible stakeholder," and that the unprecedented "concern" expressed about the latest North Korean long-range rocket launch, not to mention the very specific calls for restraint that followed, were a good sign, albeit not yet exceptionally significant.

Drawing together the arguments, Dr. Shin concludes that there is now more than a hint of the Cold War about the "nuclear North Korea" issue: there are two sides (North Korea with China and Russia; South Korea with Japan and the United States) competing, with the result that the issue is now morphing into a "never-ending story." Thus, he declared, now is the time for China to act, not merely mediate, to forge a breakthrough.

In the wake of this engaging debate, the panel embarked upon a dynamic question-and-answer session. Notably, Dr. Teng followed up on Dr. Pollack's comments by noting that the Chinese Foreign Minister mentioned in early December that North Korea has the sovereign right to the peaceful use of space, but does have to abide by UN resolutions imposed upon it. This new and forceful reference to the UN resolutions shows, he asserted, that the Chinese government is becoming increasingly pragmatic on North Korea.

Dr. Pollack agreed, adding that China has made a strategic calculation, that of offering political and economic support to North Korea in the belief that a more productive relationship with Pyongyang can be realized. In admitting that he thought that North Korea would follow the missile-test-followed-by-nuclear-test transition that it employed in 2006, 2009, and once more in 2012, he concluded that it is at least "credible" to claim that China must have told North Korea that they "would tolerate [the missile test] as long as [North Korea] did not proceed with another [nuclear] test or tests."

However, for all its newfound pragmatism, Dr. Saalman cautioned that she does not think that the December satellite launch is going to be enough to get China to play a stronger hand with North Korea. On that note, she did add that Russia could play a more important strategic role going forward. Picking up the theme, Dr. Pollack agreed, saying that China hates "being by itself," and that Russia could play the role of a vital prop, one that prompts China to adjust its policy over time.

Conversely, Dr. Shin commented on the role of South Korea, saying that North Korea has no intention of discussing its nuclear programs with South Korea, making Seoul's role limited, much to its chagrin. In any case, he said, North Korea is under UN sanctions at the time of speaking, so unless Pyongyang makes the strategic decision to give up its weapons programs, it is going to be impossible to expand inter-Korean economic cooperation.

Concluding the question-and-answer session, Dr. Shin offered the panelists a chance to give some additional concluding remarks. Dr. Saalman took the chance to note that she is not sure that denuclearization of the peninsula is something China sees as being in its interests. Stability is their number one goal, and while they would prefer North Korea to survive, overarching all of it is the core question of remaining aware of where the United States stands.

Mr. Plant did add, however, that China appears to be trying to show North Korea different routes to a better future. He said that China does need to buy time to make that transition possible, and that demonstrating its responsible nature in terms of non-proliferation might be one way to keep the United States on side.

Session 2

Date: December 11, 2012
Time: 14:15-15:30
Place: Lilac and Tulip

China, Central Asia and the Middle East

Moderator:	Jang Ji-Hyang, The Asan Institute for Policy Studies
Speakers:	Svetlana Kozhirova, L.N. Gumilyov Eurasian National University
	Guner Ozkan, USAK Center for Eurasian Studies
	Mirzokhid Rakhimov, Institute of History, Academy of Sciences, Uzbekistan
	Diederik Vandewalle, Dartmouth College
Rapporteur:	Rachel Esplin Odell, Carnegie Endowment for International Peace

As Central Asia and the Middle East are engaged in a period of change and uncertainty, China's policy toward these regions faces a number of opportunities and challenges. In order to frame the discussion of these complex developments, Jang Ji-Hyang, director of the Middle East and North Africa Center at the Asan Institute for Policy Studies, opened the session by posing two central questions to the panelists: First, what are the most important priorities for Chinese foreign policy toward Central Asia and the Middle East? And, second, what will be China's greatest challenge as it seeks to pursue those policy priorities?

Svetlana Kozhirova, professor at L.N. Gumilyov Eurasian National University, responded first by focusing on the Sino-Kazakh relationship, arguing that China and Kazakhstan have been able to derive shared benefits from their growing economic ties. China has a growing demand for new energy sources, which can be imported from Kazakhstan on mutually advantageous terms. At the same time, western China has become an important export route for Kazakh oil, serving not only the Chinese market, but also the broader Asia-Pacific region and beyond. China has also played a significant role in the modernization of the Kazakh steel industry. Additionally, Professor Kozhirova described how Kazakhstan is confronted with the need to strike a balance in its dealings between two great powers—Russia and China—and that considerations regarding the Russia-Kazakhstan relationship could shape the way in which Almaty deepens its economic integration with Beijing.

Guner Ozkan, deputy director of USAK Center for Eurasian Studies, followed up by pointing to how China's prioritization of economic development drives its broader relationships with both Central Asia and the Middle East. In particular, Beijing's concern over access to energy resources has led it to seek investment opportunities and oil transit routes in these regions. While some view China's approach as aggressive, others argue it is to be expected of a state seeking to obtain access to oil. However, China is

also concerned about political instability in both of these regions and the potential impact such unrest could exert on China's energy interests. For example, Dr. Ozkan observed that recent turmoil in the Middle East associated with the Arab Spring has presented challenges for China's economics logistics in countries such as Libya. Turmoil in Syria and a possible Iranian closure of the Hormuz Strait and restriction of oil transit lanes also worry Beijing.

Central Asia, meanwhile, presents some economic advantages insofar as it is closer to China and provides Beijing with access to energy supply lines that are not controlled by Washington, Dr. Ozkan noted. However, Central Asia has its own problems with political instability that could disrupt those supply lines. In order to mitigate the risk of such disruption, Beijing has tried to strike a balance between, on the one hand, noninterference in these countries and, on the other hand, cooperative efforts through both bilateral initiatives and regional forums such as the Shanghai Cooperation Organization. Dr. Ozkan also suggested that another challenge China faces in Central Asia in particular is competition with other major powers in the region—Russia and the United States—for influence and economic access.

Mirzokhid Rakhimov, director of Contemporary History and International Relations at the Institute of History, Academy of Sciences in Uzbekistan, agreed that China has been working to improve its ties with Central Asian countries in recent years, and not only in economics and energy-related areas, but also in transportation, communication, and cultural exchange. While Beijing has strived to improve bilateral ties, it was also the first country to adopt a multilateral approach to the region. Dr. Rakhimov then focused his remarks on China's relationship with Uzbekistan, which he noted has been gradually deepening in recent years. One example of this trend occurred during the last visit of the Uzbekistan president to Beijing, when the two sides signed a deal in which China pledged US$5 billion of investment in Uzbekistan. Uzbekistan seeks to learn from China's development experience and emulate it in its own system. At the same time, Uzbekistan and other Central Asian countries also look to the Russian model. Dr. Rakhimov concluded his opening remarks by citing an Uzbek saying—"Your neighbor is stable; you are stable"—to emphasize that just as Beijing desires to foster stability in Central Asia, so too does Uzbeki stan want

to see a stable China.

Diederik Vandewalle, professor at Dartmouth College, spoke next, arguing that China has two sets of interlocking concerns in the Middle East that are likely to increasingly clash with each other; namely, on the one hand, its growing economic interests and, on the other, its political and diplomatic approach. Historically Beijing has tried to keep these two issues separate, but he questioned whether it will be able to continue to do so in the future. A range of leaders in the region have challenged China's approach, with Amr Moussa saying China cannot have it both ways, and Bashar al-Assad calling on China to step up and be a leader in the region.

Professor Vandewalle also noted that although access to Middle Eastern oil is a critical priority for Beijing, it is also invested in other aspects of the region's economic development. Broadly speaking, Chinese foreign direct investment into the region has increased roughly tenfold over the past eight years. China has become in essence the number one construction company in North Africa and the Middle East and has also negotiated a wide range of oil services agreements. And although Beijing has an aggressive way of doing business, it is not necessarily more aggressive than Western countries have been in the past.

Dr. Ozkan responded by arguing that China's stated preference for non-interference should not be construed to be a neutral position. Rather, in supporting the status quo, China indicates its implicit support for the current regimes. He pointed to Chinese positions toward the Syria issue in the UN Security Council and engagement in the Shanghai Cooperation Organization as evidence for China's bias toward current authoritarian leaders. However, Dr. Ozkan also suggested that domestic political changes in the Middle East and Central Asia could result in major disruptions to China's current approach to those regions. If radical elements come to power, the new governments may take a more confrontational attitude toward China, particularly regarding its treatment of Muslims in western China. Likewise, if democracy were to spread further, China's support for past authoritarian regimes could damage its relationships with new democratic administrations. At the same time, if China were to move toward greater democracy itself, such a development could influence Central Asian countries in particular to do the same.

Dr. Rakhimov emphasized, in turn, that Central Asian countries also respond to the example of Russia. If Moscow were to embrace democratic ideals, nations across Central Asia may be more likely to do so as well. Dr. Rakhimov also discussed the problems associated with great-power competition in Central Asia and the Middle East. In particular, when Russia, China, and the United States have a conflict of interests in Central Asia, such a dynamic harms Central Asian countries. He offered the example of Afghanistan, where all of the major powers involved in the region have adopted their own approaches to the country. A better outcome would have been for Russia, Europe, China, and the United States to develop a joint approach to Afghanistan, since this should be an area for cooperation among the various actors. More generally, Dr. Rakhimov stressed the importance of strong dialogue among the main coun-

tries in the region, as well as countries throughout Asia (through events such as the *Asan China Forum 2012*). The absence of dialogue among major countries is one of the limitations preventing all actors from effectively tackling many of Central Asia's major challenges.

Professor Vandewalle returned the discussion to China's strategy in the Middle East by providing an example of how the phenomenon of growing American energy independence could render China's preferred hands-off approach to the region unsustainable. He described a potential scenario wherein the United States' reliance on Saudi Arabian oil declines precipitously as a result of increased domestic energy self-sufficiency stemming from unconventional oil and gas resources in America. In such a future, China would be likely to significantly increase its imports from Saudi Arabia. However, were Riyadh to face major domestic unrest, Washington may be less likely to intervene to prop up the Saudi regime. In such a scenario, Beijing might face the decision of whether or not to take action to secure its investments in the region. In response, Dr. Jang commented that Professor Vandewalle's example suggests China may be free-riding on the American security presence in the region at present.

Professor Kozhirova then offered an example of how China's approach to Kazakhstan has also encountered some resistance. Chinese economic investment has been accompanied by a recent influx of Chinese immigrants to Kazakhstan, a development that has introduced some tension into the Sino-Kazakh relationship. Chinese businesses in Kazakhstan also often pay higher wages to their Chinese workers than local Kazakh employees, a practice that engenders ill will toward China among the Kazakh public. These dynamics could present a growing challenge to the generally constructive economic partnership between Beijing and Almaty.

Following Professor Kozhirova's comments, Dr. Jang opened the discussion to questions from the audience. The first questioner asked if there were diverging views among the elites and publics in Central Asia and the Middle East in terms of the way they look at China, and whether or not Beijing's policy toward the Arab Spring has changed attitudes toward China among people in the Middle East.

Dr. Ozkan responded first by remarking that it is difficult to gauge public attitudes in Central Asia on foreign policy issues, which elites manage almost exclusively. In general, publics in Central Asia tend not to have particularly strong views on foreign policy issues unless it impacts their daily lives. This apathy emerges in part from the fact that freedom of expression is limited throughout the region and political opposition groups are persecuted and imprisoned. Dr. Ozkan noted that members of the public will occasionally voice their opinions on such issues when they become engaged in the foreign policy process through obtaining seats in parliament, advocating through nongovernmental organizations, or participating in protests. In Kyrgyzstan, for example, members of the public staged demonstrations when a certain company sold some Kyrgyz land to a Chinese company. However, in most situations, the general public is not particularly attuned to issues related to Chinese foreign policy toward Central Asia.

Dr. Rakhimov followed up by observing that elites and publics throughout the world tend to have divergent views on foreign policy, and this is especially true in Central Asia. Furthermore, each country's elites tend to be concerned about different issues. For example, Uzbek elites are far less concerned over immigration from China than are Kazakh elites.

In discussing the case of the Middle East, Professor Vandewalle pointed to polling data suggesting that China is popular among the general population and scores considerably higher than the United States in favorability ratings. The same cannot be said of opinion among elites, however; although Middle Eastern elites might be expected to like the Chinese autocratic model, they have generally cast their lot with the West politically for the past 60 years—and the data supports that.

A second question from the audience addressed the subject of Russian influence in Central Asia, noting that one of President Vladimir Putin's ambitions is to return Russian influence to the region. In particular, the questioner asked how resurgent Russian influence would influence China's policy in the region, and whether it would encourage or restrict China's relationships with Central Asian countries. Dr. Ozkan rejoined that Russia's intent to bring these countries back into the Russian orbit is not new, but Putin's particular interest is in reenergizing the effort to control the region's energy lines, which have become increasingly important for Russian economic development. The war against Georgia in 2008 was a direct reflection of Putin's emphasis on this priority.

In addition, Dr. Ozkan noted that Russia and China have already been engaged in both cooperation and competition in Central Asia for quite some time. An example is the juxtaposition of the Collective Security Treaty Organization (CSTO) led by Moscow and the Shanghai Cooperation Organization (SCO), which also involves Beijing. While the CSTO is primarily a security organization, the SCO also focuses on some security issues, such as combating the "three evils" of terrorism, separatism, and extremism.

Professor Vandewalle provided another example of how competition between a resurgent Russia and a

rising China is unfolding in the region when he pointed to the development of railway systems across Central Asia. Chinese rail assets use international specifications, while Russian trains rely on different indigenous specifications. Thus, if future Central Asian railways were built according to Russian specifications, it would be much more expensive for China to ship products to Europe. Already, both Beijing and Moscow have offered incentives to Central Asian countries to build railways according to their preferred specifications.

Dr. Jang concluded the session by remarking that both Central Asia and the Middle East are vitally significant strategic regions for China. At the same time, many new developments ranging from the Arab Spring to the discovery of shale gas in the United States are likely to combine in the future to challenge and reshape the way Beijing formulates its economic and political approach to these important areas of the world.

Session 2

Date: December 11, 2012
Time: 14:15-15:30
Place: Cosmos and Violet

South Korea-China FTA

Moderator:	Joseph Sternberg, The Wall Street Journal Asia
Speakers:	Ahn Dukgeun, Seoul National University
	Lim Juseong, Ministry of Foreign Affairs and Trade, ROK
	Troy Stangarone, The Asan Institute for Policy Studies
	Xiong Lili, University of International Business and Economics
Rapporteur:	Carolyn Marie DuMond, CSIS Korea Chair

Joseph Sternberg, Editorial Page Writer and Business Asia Columnist of the *Wall Street Journal Asia*, opened the panel by noting the role economics plays in strategic thinking and international relations. Trade policy, Mr. Sternberg explained, is really the nuts and bolts of how that economics happens. In setting a strategic backdrop for the panel discussion, Mr. Sternberg argued that trade has also played an important role in economic development, particularly in Asia. Therefore, the discussion of trade negotiations quickly becomes an issue of how you make development and international relations go most smoothly as well.

Ahn Dukgeun, professor at Seoul National University, began his remarks by highlighting the importance of the South Korea-China FTA. In addition to the bilateral negotiations with China, South Korea also recently launched negotiations for a trilateral FTA between itself, China, and Japan as well as talks with ASEAN, Japan, China, Australia, New Zealand, and India on the Asia Regional Comprehensive Economic Partnership (RCEP). While the South Korea government is simultaneously involved in these two other negotiations, Professor Ahn argued these will not reduce the importance of the South Korea-China FTA. On the contrary, Professor Ahn believes the ongoing discussions for the trilateral and multilateral agreements make the negotiations for the South Korea-China FTA even more important. The seriousness with which the bilateral agreement is handled will affect both of the other negotiations. Depending on the outcome of the bilateral FTA, the other two will be seriously affected. Therefore, Professor Ahn says careful attention should be paid to the bilateral negotiation. The South Korea-China FTA is a leader of great importance in regional integration initiatives.

In addition to simultaneously conducting negotiations on three free trade agreements, Professor Ahn said the South Korea government has also been rather busy with the internal matter of dealing with the

economic restructuring made necessary by this massive scale trade liberalization. Professor Ahn argued that now is the time for South Korea government to reconsider what they have done so far to facilitate industrial restructuring and think about the longer-term plan for the economic future in light of these FTAs.

Currently, however, Professor Ahn said that the main focus in the bilateral FTA negotiations will be on market access, but the rules set in this negotiation will be important and could also have an impact on rules in the WTO. Thus, South Korea needs to think seriously about what it will and will not include in the negotiations. China also needs to think carefully about what it will put on the table and which sectors it still needs to protect, especially in light of the massive trade deficit it now runs with South Korea.

Finally, in addition to the focus on the market access included in the South Korea-China FTA, Professor Ahn argues that the rules negotiations involved in the FTA talks will be of particular importance. Professor Ahn pointed out that South Korea and China are the two most involved countries in antidumping negotiations. South Korea is also dealing with antidumping actions with the United States and the European Union (EU). Both China and South Korea are similarly situated and like-minded about these rules in the world trading program. Professor Ahn, therefore, urged that careful attention be paid to the rules negotiations on both sides of the table as the outcome of the bilateral talks could also have a huge impact on the world trading system.

Lim Juseong, director of Korea-China FTA and Korea-China-Japan FTA in the Ministry of Foreign Affairs and Trade, Republic of Korea, argued that, with increased bilateral trade volumes, China is now a partner for trust building and envisioning a common future, not just a land of opportunity for South Korean exports as it has traditionally been viewed. Firstly, Mr. Lim believes that the South Korea-China FTA can be a part of building a stable and manageable system with China and South Korea seeking a common future with each other. By working together, the two countries can act as partners to bring prosperity to both their economies.

Secondly, the FTA could help South Korean companies enter the domestic markets in China, deepening trade relations that are now mostly only at the intermediate goods level. Currently, the trade in intermediate goods between China and Korea make them a large manufacturing center exporting to the rest of the world, including to the large markets of the EU and the United States. The bilateral FTA could lower tariff and non-tariff barriers that are hindering market access and could allow Korean companies, including petro chemicals and electronics where China has relatively high tariffs, to enter the Chinese domestic markets.

Thirdly, Mr. Lim argued that South Korea-China relations have developed in the past due to economic cooperation even when facing many political issues. Mr. Lim said he believes the FTA will lead to stabilization in the relationship and have a bridging role to increase faith between the two countries. China and South Korea have recently become a strategic partnership. Once the negotiations are complete, Mr. Lim expects the FTA could lead the bilateral relationship into a new era and further contribute to the stabilization of the political relationship creating an economic cornerstone in Northeast Asia. Should the South Korea-China-Japan trilateral FTA and RCEP also be completed, Mr. Lim concluded that the FTAs would act to increase faith between the three countries and ultimately act as a major model from the greater perspective of economic integration in the region.

Troy Stangarone, visiting research fellow at the Asan Institute for Policy Studies, expressed the view that the South Korea-China FTA will be important in defining the rules in the region. Mr. Stangarone made the point that, ultimately, the largest economic benefits will come from an Asia-Pacific agreement. However, the path forward is currently looking like a choice between the US-led Trans-Pacific Partnership (TPP) or its ASEAN alternative, the RCEP. Ultimately, the greatest benefits to everyone in the region come from Asia-Pacific integration, according to Mr. Stangarone. The South-Korea China FTA could be a way of bridging the gap between these two paths. Furthermore, the bilateral agreement will play an important role in indicating how far China is willing to go with its trade liberalization. Mr. Stangarone expects that the South Korea-China FTA will not include as high-level liberalization as that which was reached in the China-New Zealand FTA, but argues that the closer to that level that China gets the closer the region can get in the long-run to an Asia-Pacific FTA.

Mr. Stangarone also pointed to the North Korean aspect of the Korea-China FTA. While both countries have zones in North Korea, and are considering including those zones in the agreement, it may be just a way to lay the groundwork for future cooperation. Mr. Stangarone cautioned that one cannot be very optimistic regarding the bilateral trade agreement's potential impact as a way of slowly bringing North Korea into a market-based system. However, if the zones are included, China and South Korea could potentially use the FTA as a way to start cooperation on aspects such as infrastructure development.

Mr. Stangarone concluded that, in the past, South Korea has taken a central role in the process of regional integration. South Korea has been a country that has caused trade liberalization to breed more liberalization. When South Korea started FTA talks with the United States, China expressed interest in a trade agreement with South Korea and Japan and said it would like to re-open those negotiations. Mr. Stangarone predicted that once one FTA agreement is completed the door will be open for additional trade liberalization.

Xiong Lili, associate professor at the University of International Business and Economics, focused his remarks on the possible influence of the South Korea-China FTA on future East Asian regional integration.

The South Korea-China FTA is significant for both countries. Over the past seven years, Dr. Xiong says, China has been South Korea's largest trade partner. In fact, China accounts for more than South Korea's combined total trade with Japan and the United States. On the other side, South Korea has been China's third largest trade partner, surpassing Japan. Now Korea is only behind the United States and the EU. Therefore, Dr. Xiong concluded, it is clear that South Korea and China are becoming more and more economically important to each other.

Dr. Xiong went on to highlight the implications for the region and the potential influence of the South Korea-China FTA on future regional agreements. Dr. Xiong argued that, with the help of this bilateral agreement, South Korea could be a pivot country in East Asian trade and integration, serving as a "chopstick in the noodle bowl" of regional FTAs. The South Korea-China FTA would, in this sense, position South Korea as a chopstick or a way out of the current noodle bowl of more than 19 overlapping agreements in the region. Dr. Xiong argued the bilateral agreement could be a way to start untangling "the noodles" into an overall regional FTA.

Furthermore, since South Korea is the largest economy to have an FTA with both the United States and

the European Union, Korea is in a very unique and special position to bridge trade relations between these two economic giants in Asia. In the future, since South Korea is the third largest trading partner of China, perhaps it could also be a bridge between China and the United States. A South Korea-China FTA would also put more pressure on Japan to complete an FTA, thus putting Korea also in the middle of Northeast Asian agreements. Dr. Xiong finally argued that this FTA could make regional integration meet the high standards being pursued by the United States in the TPP and easier for China and the region to accept in the future by creating a more open region now.

Dr. Xiong said he is also very optimistic about the role of the TPP in the future of East Asian integration. He does not think that the TPP should be thought of as competition between the United States and China. The United States is pushing TPP forward with a very high standard of liberalization. Dr. Xiong says this high-level, extensive trade agreement could be very difficult for China to accept and also might be difficult for Japan and South Korea to accept.

Dr. Xiong argued that because of the high level of the TPP, these countries might be in a position where they can only talk about bilateral agreements with the United States and, therefore, it is not unnatural for China to not accept the TPP now. Furthermore, Dr. Xiong believes that China might not be able to accept a TPP within the next three years, or even longer. However, Dr. Xiong does not believe that there will be any disadvantage. He posits that if China, Japan, and South Korea can have FTAs bilaterally with each other, then maybe it would create a de facto TPP. Such an arrangement would also lead to more open, lively, and energetic economic cooperation with the United States. Dr. Xiong ended by stating that he is excited about the role of South Korea in the region and is very hopeful that in the future the South Korea-China FTA will have a big influence on trade in the whole East Asian region.

Mr. Sternberg observed that the panelists were quite optimistic regarding the South Korea-China FTA. He, however, raised concerns regarding a truly realistic assessment of the quality of FTA that China would accept and whether the bilateral agreement would meet the high level of South Korea's other FTAs. Mr. Sternberg concluded the session by highlighting the trust-building importance of the South Korea-China FTA as well as both the strategic and economic benefits China and South Korea will reap once the agreement is concluded.

Session 3

Date: December 11, 2012
Time: 15:45-17:00
Place: Orchid

China and the Two Koreas

Moderator:	Shin Jung-seung, Korea National Diplomatic Academy
Speakers:	Chung Chong Wook, Dong-A University
	Andrei Lankov, Kookmin University
	Scott A. Snyder, Council on Foreign Relations
	Zhu Feng, Peking University
Rapporteur:	Seukhoon Paul Choi, Council on Foreign Relations

Shin Jung-seung, director of the Center for Chinese Studies at Korea National Diplomatic Academy, commenced the panel on "China and the Two Koreas" noting that a discussion on this topic was timely given the political transitions of the regional powers. He highlighted that in China the 18th Party Congress elected Xi Jinping to head the country's new leadership, in the United States President Barack Obama was re-elected for a second term, and in South Korea a new president would be elected during the following week. As this new collection of leaders and Kim Jong-un will shape the future of regional relations, Ambassador Shin asked the panel of experts what the policies of these leaders would be.

Zhu Feng, professor at Peking University, explained that it is too early to determine the policy positions and style of the new Chinese leadership. He noted, however, that the new generation of leaders is a learned group. With doctoral degrees and experience working at local levels of government, both Xi Jinping and Li Keqiang have academic and practical training that should enable them to introduce new policies and direct China to a brighter future. Professor Zhu expects the new leadership to be pragmatic. Xi is known to keep a low profile and manage relations well, which has allowed him to garner strong support from his colleagues. This quality and skill should enable him to balance not only the interests of competing camps within China, but also domestic and foreign policy. Professor Zhu noted, however, that while Xi will address both a domestic and international audience, the new Chinese leader will focus on the former. This however does not reflect a need to gain legitimacy or consolidate his internal power base, but rather demonstrates the confident thinking of the new generation of Chinese leaders. Beijing's leadership is convinced that China's development and strengthening at home will affect and provide opportunities for the rest of the world. It is convinced of this greater place and role in world affairs, and is confident not only in the effectiveness of it policies domestically, but that China's advancement will facilitate world peace and stability as well.

In regard to China's policy toward the two Koreas, Professor Zhu stated that China is likely to pursue a new equilibrium, improving its relations with South Korea and advocating greater coordination with other countries to address the unpredictable nature of North Korea's situation. With new leadership in Tokyo, Seoul, and Washington, Beijing will work to develop a new framework to strengthen action and engagement. Consequently, this provides China a good opportunity to restructure power relations. However, if mishandled such dynamics could also lead into a Cold War predicament. Finally, China's new leadership will be more benevolent and humanitarian. Professor Zhu noted that because China's system is not an open democratic system, its leadership is not required to campaign and court its citizens. He cited this as the reason why Chinese leaders are often expressionless. Nevertheless, Xi is practicing a new more humane type of leadership, exemplified by his proclivity to smile. This too will affect China's policy toward the Korean Peninsula as it urges the need to address North Korea's nuclear program and humanitarian disaster. Professor Zhu argued that China's new leadership will therefore not only view the strategic calculation on the peninsula, but also consider the deteriorating human situation. He concluded by stating that if the new leadership in Beijing is able to address both of these issues in a comprehensive way, that such action will greatly improve China's policy toward the peninsula.

Chung Chong Wook, distinguished professor at Dong-A University, stated that while it is difficult to predict the outcome of the upcoming South Korean presidential election, candidates Park Geun-hye and Moon Jae-in agree on the importance of improving ties with China, especially in trade and investment. Both camps have identified the improvement of Sino-South Korean relations as a policy priority. Park of the Saenuri Party is known for her extensive China experience. She has taken many trips to China, and was even sent in February 2008 as then president-elect Lee Myung-bak's special envoy to express goodwill. Furthermore, during her stay in Beijing, she met many leaders including President Hu Jintao. During Park's campaign, the candidate expressed her warm regard for China and is known to speak Chinese. If elected, she will be the first South Korean president that is able to speak the language. Moon of the Demo-

cratic United Party is also considered as having a favorable position toward China. He served as chief of staff to former president Roh Moh-hyun, whose government was known to have a positive view of China, its role in the region, and policy toward the Korean Peninsula. In regard to inter-Korean relations, Professor Chung explained that currently there is no contact and dialogue between the two countries, rather tension over the *Cheonan* sinking and Yeonpyeong Island shelling continue to rise. North-South relations were very bad during the five year period of the Lee administration, and both Park and Moon claim a different approach to North Korea. Professor Chung argued however that inter-Korea relations will only experience subtle changes.

Professor Chung stated that since Xi and Li have already been a part of China's political leadership, there is no reason to predict drastic changes in the country's policies toward North Korea. Xi's first five of ten years as China's leader will focus on domestic issues. Attention will be given to development and political stability. Still, Professor Chung noted that Xi is pragmatic and non-ideological. He will practice greater internationalism than Hu. Before becoming a senior leader in China, Xi visited the United States and has many friends in western countries. In regard to China's policies toward the Korean Peninsula, while the commander-in-chief of the People's Liberation Army may affect Xi's perceptions, the latter enjoys a greater understanding of the two Koreas than Hu. Furthermore, his experience in the thriving Chinese cities of Fujian and Zhejiang is likely to invoke a strong desire to see North Korea embark on reform. Finally, Zhang Dejiang, who is expected to take over as Chairman of the Standing Committee of the National People's Congress, has extensive experience and knowledge of North Korea. Zhang was born and raised in Yanbian, an area with a large Korean ethnic minority. He also studied economics at Kim Il-sung University in Pyongyang. Zhang is the first member of the Standing Committee who is fluent in Korean and has so deep an understanding of North Korea. Having also served as party chief in Guangdong province and other areas where the open-door policy was successful, Zhang like Xi is likely to advocate change in North Korea.

ASAN CHINA FORUM

Scott A. Snyder, senior fellow at the Council on Foreign Relations, explained the US position toward China and the two Koreas within the context of the US rebalancing policy. He argued that the US rebalance is actually ten years overdue, as it reflects the policy direction of the US Quadrennial Defense Review that was curtailed following the September 11, 2001, attack on the United States. While China perceives the strategy as a proactive policy, US perceptions are that it is a reactive response to Chinese action. Being a reaction, Mr. Snyder questions whether it is much of a strategy. The rebalance policy carries implicit expectations of its allies. In regard to South Korea, the United States will expect its ally to play a greater role in regional affairs and cooperate more with Japan. These expectations however do not imply a US aversion to stronger South Korea-China relations. Mr. Snyder pointed out that the rebalance emphasizes intensive high-level engagement with China. Noting that the United States holds a strategic economic dialogue with China with an agenda composed of a long list of issues, Mr. Snyder argued that the United States has every reason to support similar South Korea-China cooperation.

Finally, the Korean Peninsula may serve as an issue that facilitates US-China cooperation. In the context of the US rebalance, North Korean denuclearization will require greater US engagement and collaboration with China. Furthermore as Sino-US security cooperation on issues related to the South and East China seas are arguably more difficult, collaboration on policy toward North Korea may be relatively easy for Beijing and Washington. Mr. Snyder explained that while the United States is generally concerned about China playing a role that would change the status quo in the aforementioned seas, on the peninsula it is China that is trying to prolong the status quo. Still, while the Korean Peninsula may serve as an issue that facilitates US-China cooperation, Mr. Snyder argued that US policy toward North Korea should depend foremost on the nature of inter-Korea relations. It is upon this relationship that the United States should build its engagement policy with North Korea and China should focus its policy facilitating stability on the Korean Peninsula.

Andrei Lankov, professor at Kookmin University, expressed pessimism in regard to the potential for reform in North Korea. He explained that North Korea's policies are logical when viewed from the perspective of their elite. While the government made a serious attempt at reform in July and August 2012, this effort was halted and the elite are unlikely to again implement such change. This is because of the division of the Korean Peninsula and the consequent geopolitical reality that North Korea faces. Reform would make North Korea unstable, if not for Kim Jong-un then for his advisors. Also, because a lack of reform makes sense for elite interests but is bad for the economy, it is likely that North Korea will do all that is possible to maximize foreign aid. Professor Lankov noted China's current role as the main provider of this aid. However, he explained that historically North Korea has pursued a hedging strategy for its foreign policy. North Korea prefers diversifying its sponsorship among states that are antagonistic to one another. This enables North Korea to manipulate them, as was the case in the 1960s when North Korea took advantage of the Sino-Soviet rivalry. North Korea similarly maximizes on contention among allies, such as South Korea, the United States, and Japan. Consequently, Professor Lankov

expected North Korea to make efforts to improve relations with the United States. American aid would alleviate North Korean concern that it is becoming too dependent on China and enable North Korean elite to resist Chinese influence and threaten to improve relations with the United States at the cost of Sino-North Korean relations.

However, it is unlikely that the United States will pursue any meaningful engagement with North Korea, which Professor Lankov argued is a mistake. Chinese policy will also remain consistent as its North Korea policy has over the last decade been rational and effective in sustaining stability and a divided peninsula, as well as in pursuing its economic interests. Professor Lankov noted that while China prefers a non-nuclear North Korea, it prioritizes stability over denuclearization. Because of this, it is unlikely that any US or South Korean diplomacy will convince China to change this position.

Professor Zhu agreed that in the short term, China is unlikely to change its policy toward North Korea. He argued however that he expects a more nuanced policy and greater change in the mid-to-long term, as there is great debate over China's current position, and a more nuanced policy toward North Korea would be advisable. There is increasing popularity of the perception that the threat of North Korea is rising, and that China must be prepared for numerous scenarios that also involve coordinating with other countries in the region. Professor Zhu explained that the Chinese leadership is aware of its limitations to control the fate of the Korean Peninsula. Mr. Snyder concluded by explaining that any change in China's North Korea policy would require its leadership to view its relationship with the two Koreas on its own terms, rather than through the lens of their relations with the United States.

Session 3

Date: December 11, 2012
Time: 15:45-17:00
Place: Lilac and Tulip

China and the ASEAN

Moderator: Leong Mun Yoon, Universiti Tunku Abdul Rahman, Malaysia
Speakers: Huang Jing, National University of Singapore
Li Jianwei, National Institute for South China Sea Studies
Nyunt Maung Shein, Myanmar Institute of Strategic and International Studies
Carlyle A. Thayer, University of New South Wales
Hoang Anh Tuan, Diplomatic Academy of Vietnam
Rapporteur: Jonathan T. Chow, Reed College

This panel convened six distinguished speakers to discuss ASEAN's strategic regional role and its complex relationship with China. Much of the discussion centered on the longstanding dispute between China and various ASEAN claimants—Brunei, Malaysia, the Philippines and Vietnam—over territorial claims in the South China Sea, as well as the impact of China's growing power on ASEAN unity. The latter became particularly salient following the 45th ASEAN Ministerial Meeting (AMM) in Phnom Penh in July 2012. The meeting of foreign ministers, which took place alongside the ASEAN Summit, deadlocked over whether or not to include a mention of the standoff between China and the Philippines over Scarborough Shoal in the South China Sea. While the Philippines and Vietnam pushed strongly for a reference to the conflict, Cambodia insistently refused. Without a consensus, the AMM failed to issue a joint communiqué for the first time in its 45-year history, raising concerns about ASEAN's ability to maintain a unified front.

Leong Mun Yoon, director of the Centre for International Studies at Universiti Tunku Abdul Rahman, Malaysia, opened the panel by noting that ASEAN-China relations are significantly better than they were during the Cold War and especially the Maoist period, having improved dramatically during the 1990s and 2000s. The detente produced a series of significant agreements between ASEAN and China, including the China-ASEAN Free Trade Agreement, the China-ASEAN Strategic Partnership for Peace and Prosperity, and China's signing of the ASEAN Treaty of Amity and Cooperation. Dr. Leong argued that the combination of ASEAN states' small size and their location in China's shadow stimulated creative thinking about how to cultivate good diplomatic relations. "Despite ideological differences," said Dr. Leong, "there is no reason why we cannot work together." He pointed to ASEAN's engagement with former adversary Vietnam, which joined ASEAN in 1995, as a model for ASEAN-China relations.

At the same adversary Vietnam, which joined ASEAN in 1995, as a model for ASEAN-China relations. At the same time, Dr. Leong described the South China Sea dispute as an important test. He suggested that to a certain extent, warming relations between ASEAN and China may have obscured potential problems which have now materialized. Dr. Leong also observed that differences in individual member states' perceptions of China have given rise to questions about whether ASEAN will be able to maintain its unity as an organization.

Huang Jing, director of the Centre on Asia and Globalisation at National University of Singapore, focused his remarks at the level of broad geopolitics. ASEAN-China relations, he said, are heavily defined by both integration and uncertainty. Both parties have benefited tremendously from deepening regional integration, which Dr. Huang characterized as "irrevocable" because it is driven by market forces rather than state policies. Yet, there remains great uncertainty about the relationship. First, all of the major actors in the region, including China, Japan, the United States, and ASEAN are undergoing periods of transition and no one knows what the outcome will be. Second, as recently as five years ago, the United States' economic and political dominance in East Asia meant that it served as the primary "yardstick" by which regional states, including China, crafted their foreign policies. Since the early 2000s, though, China's rapid economic growth has made it another "yardstick" for Asian states, leading to widespread hedging behavior. Third, China's growing power is placing increased strain on the US-Japan and South Korea-US alliances. Dr. Huang argued that the Cold War-era system of bilateral alliances is by nature exclusive because it was designed for containment and not integration. Despite China's status as a top trading partner with its regional neighbors, it has not been successfully incorporated into regional security arrangements. A regional security arrangement that does not address China's legitimate security interests will constitute another source of uncertainty and hinder further regional integration.

ASEAN, said Dr. Huang, stands at a crossroads. It continues to profess neutrality in its relations with China and the United States. For its part, China continues to see a neutral ASEAN as a useful buffer against the United States and India. The strength of that buffer, Dr. Huang said, stems directly from ASEAN's ability to maintain a united front. However, China's growing power is placing pressure on ASEAN states to take sides, which could cause a fracturing of ASEAN unity as illustrated by the deadlock at the 45th AMM. Dr. Huang ended by asking: How sustainable is ASEAN neutrality? And how viable is ASEAN's norm of decision-making by consensus given the rising geopolitical stakes and the difficulties of reaching agreement among ten different states?

Li Jianwei, director and research fellow at the Research Division III, National Institute for South China Sea Studies suggested that China does not regard the South China Sea dispute as a major obstacle to relations with ASEAN. ASEAN, she said, plays an important role in building confidence and defusing tension over the South China Sea through three main channels: 1) Its own statements, especially the 1992 ASEAN Declaration on the South China Sea, which calls for peaceful dispute settlement, restraint, and efforts to develop cooperation in areas such as navigational safety and marine environmental protection; 2) ASEAN-China dialogue, which produced the 2002 Declaration on the Conduct of Parties in the South China Sea and the July 2012 Guidelines for Implementing the Declaration of Conduct; and 3) the multilateral ASEAN Regional Forum. China, according to Dr. Li, does not view ASEAN itself as a claimant to the South China Sea, but instead believes that ASEAN has a stake in maintaining peace and stability in the region, as well as an interest in promoting confidence to defuse tension and manage the dispute. The challenge for ASEAN in the South China Sea dispute, she said, is to balance its own organizational solidarity—which is key to its survival—with its overall relationship with China, which is of vital economic and geostrategic importance to ASEAN. Dr. Li concluded by emphasizing that both sides must continue to engage in dialogue and confidence-building at the Track One and Track One-and-a-Half/Track Two levels as well as to promote and implement a code of conduct to guide dispute management through the United Nations Convention on the Law of the Sea (UNCLOS).

Nyunt Maung Shein, chairman of the Myanmar Institute of Strategic and International Studies, discussed China-Myanmar relations. Located at the crossroads of China, India and ASEAN, Myanmar developed an especially close strategic partnership with China after the military government's suppression of the 1988 pro-democracy movement and the subsequent imposition of sanctions by Western countries. China is now Myanmar's largest foreign investor with some US$15 billion invested. Following the 2011 democratic reforms, though, Myanmar has sought economic and political rapprochement with the United States and the European Union. Ambassador Nyunt Maung Shein noted that Myanmar's engagement strategy has caused China some concern, though Beijing has publicly supported Naypyitaw's diplomacy and Myanmar has sought to allay its concerns. Such engagement with extra-regional partners, he argued, stimulates China to remain competitive in Myanmar.

With respect to the South China Sea dispute, Ambassador Nyunt Maung Shein said that the failure of the July 2012 ASEAN Summit had called ASEAN's unity into question and he expressed his wish to avoid

a repeat episode in the future. Given that Myanmar is a non-claimant state and will also chair ASEAN in 2014, Ambassador Nyunt Maung Shein indicated that Myanmar would seek to facilitate the interests of China as well as those of other claimants; ASEAN, he said, wants to see peace and prosperity in China. Ambassador Nyunt Maung Shein concluded by expressing his hope that further developments in the drafting of a code of conduct for the South China Sea would be forthcoming by the time Myanmar assumes the ASEAN chairmanship.

Carlyle Thayer, emeritus professor at the University of New South Wales, noted that ASEAN has been instrumental in developing the region's security and economic architecture, guided by a doctrine of "ASEAN centrality" in which ASEAN norms govern multiple regional institutions such as the ASEAN Regional Forum, the ASEAN Plus Three, and the East Asia Summit. With the planned establishment of the ASEAN Economic Community in 2015, ASEAN seeks to become a unified market and production base able to leverage its relations with both China and the United States. However, Dr. Thayer stated that China's rise and challenge to American primacy in the region constitutes the single most important test of ASEAN centrality and has sparked divisions among member states over how best to pursue their economic and security goals.

Such divisions can create openings for the intrusion of great-power rivalry, as evidenced by competing trade agreements. The US-led Trans-Pacific Partnership (TPP), which currently includes Australia, Brunei, Canada, Chile, Mexico, Peru, Singapore, Thailand, the United States, and Vietnam, establishes unusually high standards for membership, making it extremely difficult for China to join. On the other hand, ASEAN is promoting the new Regional Comprehensive Economic Partnership (RCEP), which is intended to harmonize ASEAN's various external free trade agreements and will thus comprise the ten ASEAN states and their FTA partners: Australia, China, India, South Korea, Japan, and New Zealand. Notably, the United States is not a member. ASEAN states are divided over which trade regime to pursue, as that could potentially give China or the United States more influence in the region.

The South China Sea dispute has also fostered deep divisions within ASEAN. Here, Dr. Thayer identified a split among mainland states (Myanmar, Thailand, Laos and Cambodia), which prefer to maintain a relatively low-key diplomatic approach to China (the exception being Cambodia, which is vocally pro-China); littoral claimant states (Vietnam, Philippines, Malaysia and Brunei), which support ASEAN unity, and the maritime states of Indonesia and Singapore. A loose coalition exists among the Philippines, Vietnam, Indonesia, Malaysia, and Singapore, which seek to craft a unified China policy. This was indicated by Indonesia's efforts to recover some of ASEAN's unity producing a unanimous ASEAN agreement regarding six principles on managing the South China Sea dispute.

Dr. Thayer noted that at the September 2012 China-ASEAN Expo in Nanning, then-Vice President Xi Jinping indicated that China would dramatically increase bilateral trade with ASEAN to US$500 billion, encourage Chinese companies to invest in ASEAN, promote transportation connectivity between China and ASEAN, and facilitate 100,000 people-to-people exchanges over ten years. With respect to the South China Sea, the new Chinese leadership under Xi Jinping will inherit entrenched policies and is unlikely to seek a confrontation with the United States in the South China Sea. Rather, Xi will more likely offer to engage in diplomacy with ASEAN over a code of conduct in exchange for a more moderate US stance on the South China Sea. Nevertheless, China is likely to react strongly to any perceived challenge to its sovereignty, in part because of the growing difficulties that Xi faces in controlling China's vast provincial and local bureaucracies and managing domestic nationalism. Here, Dr. Thayer noted China's tough stance toward the Philippines, in which it has warned Manila not to discuss the South China Sea issue with the United States or the United Nations or even to hold press conferences on the subject. China's strategy will likely consist of cooperation with ASEAN in functional cooperation under the 2002 Declaration while "quarantining" any discussion of an actual code of conduct and utilizing paramilitary forces to resist any changes to the status quo.

Hoang Anh Tuan, director-general of the Institute for Foreign Policy and Strategic Studies at the Diplomatic Academy of Vietnam, noted that ASEAN-China relations have changed from the "golden age" of engagement in the 1990s and the early 2000s, when ASEAN served as a gateway for China to the outside world following the 1989 Tiananmen Incident and a "spokesman" for its peaceful policies. This engagement culminated in the signing of the ASEAN-China Strategic Partnership in 2003. Since 2008, China's more assertive stance toward ASEAN, particularly in the South China Sea, has generated apprehension both within and outside Southeast Asia despite China's protestations that the issue is not a major obstacle to good relations with ASEAN. Dr. Hoang argued that ASEAN-China relations could suffer damage unless viable solutions to the South China Sea dispute are found. China's claims, he continued, are not supported by international law, and while China has sincerely wanted to improve its relationship with ASEAN, the South China Sea dispute has tarnished its reputation and goodwill. Dr. Hoang noted that the widening power gap between China and ASEAN necessarily causes the smaller ASEAN states concern regardless of China's actual motives, and China thus needs to take its own size into consideration when conducting diplomacy in Southeast Asia. Given that ASEAN-China rapprochement has taken off only relatively recently, there is a need for the two sides to cement their partnership, but the South China Sea remains a major obstacle.

Session 3

Date: December 11, 2012
Time: 15:45-17:00
Place: Cosmos and Violet

China and Global Governance

Moderator: Evan Ramstad, The Wall Street Journal
Speakers: Kim Jaechun, Sogang University
Li Mingjiang, Nanyang Technological University, Singapore
Mo Jongryn, The Asan Institute for Policy Studies
Nam Chang-Hee, Inha University
Pang Zhongying, Renmin University of China
Rapporteur: Dawn Murphy, Princeton University

This session convened a panel of experts to discuss China's emerging role in global governance. The primary debates in this panel focused on how China's current level of contribution to global governance should be interpreted and the degree to which the international community should adjust its expectations of China's contributions based on its status as a developing country.

Mo Jongryn, senior research fellow at the Asan Institute for Policy Studies, initiated the discussion by posing the following questions: What is China's role in global governance? How is China contributing to global governance? What is it capable of contributing? Is China exercising power responsibly through global governance mechanisms?

Kim Jaechun, professor at Sogang University, began his comments by emphasizing that the rise of China is occurring during a time when the importance of global governance is also increasing. As a result of these concurrent developments, new types of global governance are needed. He asserted that the perception in the international community is that China is not cooperative in the realm of global governance and may even be a spoiler. His hope is that this is a misperception. He argued that although China is becoming an active contributor to global governance, it is still a relative newcomer to this arena.

Professor Kim specifically discussed China's involvement in the global governance of climate change and human rights. He asserted that China is actively contributing to global governance in both of these areas. In relation to climate change and human rights, China shares principles in common with the rest of the international community, but it argues for differentiated responsibilities. In the area of governance of global climate change, China claims that it should have different contributions and responsibilities than Western countries because it is still a developing country. In the more controversial functional area of human rights, China has paid heed to criticisms of the international community and is now contributing its own fair share of efforts. In relation to human rights, in recent years China's views on sovereignty and intervention are increasingly flexible and pragmatic. Overall, he argued that there is an increasing convergence between China's approach to global governance and international norms. In his opinion, China is now a more responsible actor in global governance, but it still needs to participate more actively.

Li Mingjiang, associate professor at Nanyang Technological University, Singapore, also asserted that China is a relative newcomer to global governance. In his opinion, the concept of global governance only recently entered China's foreign policy approach. He argued that the expectation of the international community is that China will play an increasingly active role in global governance.

Dr. Li's comments focused primarily on China's voluntary financial contributions to global governance in areas such as United Nations Peacekeeping Operations (UNPKO) and the World Health Organization (WHO). He argued that it will take China a long time to learn how to contribute because it still views its financial contributions to global governance as an instrument for achieving other foreign policy goals. In relation to China's financial contributions to UNPKO, Dr. Li suggested that China is doing a good job of providing compulsory contributions, but is lagging in voluntary contributions. He also argued that China's contributions to the WHO are disproportionately low compared to other countries. Based on his assessment of China's financial contributions to UNPKO and WHO, he argued that China is not taking a leading role in global governance and is more focused on bilateral initiatives with select countries rather than multilateral interactions. For example, China tends to provide bilateral aid. Dr. Li asserted that bilateral aid does not contribute to China's role in global governance.

Professor Mo's comments emphasized a South Korean perspective on China's involvement in global governance. He noted that outside of the North Korean nuclear issue, South Korea in general agrees with China's approach to global governance. In particular, he highlighted China's advocacy for South Korea's efforts to increase its own influence in global governance. For example, China has supported South Korea's bid for membership in the United Nations Security Council.

Despite Professor Mo's overall positive assessment of China's global governance behavior, he did note that China should be cautious about the potential negative effects of linking economic and political issues, especially in a region such as Northeast Asia, which still grapples with complicated historical issues. In particular, he mentioned China's recent export ban on rare earth minerals as a concerning example of China linking economic and political issues in a negative way.

Pang Zhongying, professor at Renmin University of China, emphasized that China is still a developing country and a latecomer to global governance. He argued that China has played a particularly construc-

tive global governance role in the development of Africa, peacekeeping operations and reform of financial institutions. He also mentioned that China has strongly cooperated with the World Bank.

Although there is a still a tendency for China to pursue a low profile foreign policy approach, Professor Pang asserted that in the future China should play a larger role in global governance and become a global governance rule supplier. According to him, within China, there is ongoing debate about China's relation to the existing liberal economic and political international order. In Professor Pang's opinion, although China is an active participant in the liberal international economic order, it is not part of the liberal international political order. This distinction between China's relation to the economic and political orders results in China considering alternatives to global governance, especially in the political realm. Also, he noted that China is still learning how to contribute to global governance. That said, China strives to actively contribute to global economic governance and particularly seeks to serve as a leading participant from the developing world. For example, China has pursued increased voting powers and involvement in both the IMF and the World Bank.

In Professor Pang's opinion, although China seeks an active role in global governance mechanisms, those organizations may not be enough. Alternative global governance forums, such as the G20, the BRICS, or other new groupings may provide opportunities for China to play a larger role.

Nam Chang-Hee, professor at Inha University, provided commentary on South Korean views of China's engagement in global governance. In particular, he discussed how the South Korean media perceives China's contributions to global governance. He argued that South Korea perceives China to be a positive contributor in some functional areas such as UNPKO and financial reform, as a bystander in the functional area of controlling weapons of mass destruction, and a spoiler in the realm of human rights and intellectual property rights protection. In relation to climate change and poverty issues, in South Korea China is often perceived as using double standards for its own benefit.

According to Professor Nam, the South Korean media has a very mixed view of China's engagement in global governance. In Professor Nam's opinion, China's spectrum of involvement from positive contributor to spoiler is likely due to the fact that China has contrasting identities. While China is the world's second largest economy, it is still a developing country. As a result, it often shows two faces in the global governance arena across functional areas. Also, China's behavior in global governance is often influenced by nationalistic education in China which results in less cooperation from China in this arena.

Finally, Evan Ramstad, reporter in the Seoul Bureau of the *Wall Street Journal*, posed questions about what China should be expected to contribute to global governance in light of its level of economic development. How should China contribute to global governance while it is still a developing country? In response, Professor Pang predicted that China's contributions will continuously increase. He also argued one must consider China's bilateral activities in addition to its multilateral contributions. He noted that bilaterally China has provided a great deal of development aid. He also offered other examples of Chinese contributions outside of global governance, including activities of the China Development Bank and the China Import-Export Bank.

Dr. Li responded that it is a common argument that China is still a developing country and as a result its financial contributions to global governance are still limited. That said, China is still the world's second largest economy in terms of gross domestic product. In Dr. Li's opinion, China should contribute in proportion to its overall economic capability. He argued that China's lagging financial contributions to global governance is a value issue. His view is that global governance is not a priority for China.

Next, Mr. Ramstad asked panelists: What lessons can China learn from South Korea in developing a more active role in global governance? Professor Nam responded that after South Korea reached a certain level of affluence, it became a donor country. Today, China is the world's second largest economy, but it is still heavily focused on its own domestic development. As a result, in the near future the international community should not expect to see China increase its financial contributions to global governance.

In a similar vein, Professor Kim argued that South Korea began to contribute financially to global governance after it reached a certain level of income. South Korea focused on its own domestic economic issues first and then contributed financially to global governance. Western countries also took care of domestic economic concerns before contributing. In his view, China is very new to global governance and its expected contributions need to be based on that fact. He suggested that the international community needs to be more patient with China.

Finally, Professor Mo responded that while China is focused on hardware contributions, South Korea is more interested in seeing China making software contributions. By hardware he primarily meant financial contributions and dedication of other resources to various global governance mechanisms. Software

contributions would include contributing ideas to global governance, especially in representing the interests of developing countries.

During the question-and-answer session, discussion occurred regarding the root causes of China's limited contributions to global governance. One audience member observed that China still does not have a consciousness of global public goods and lacks a history of philanthropy. He argued that China's approach to global governance is transactional and it strongly considers the benefits for China from each initiative. Finally, the audience member noted that China is primarily preoccupied with domestic issues as opposed to global initiatives.

In response to this audience member's comments, Professor Pang again stressed that the underlying principles of global governance are liberal principles and institutions that were formed by the West without participation from China. As a result, there is a fundamental conflict between liberal principles and Chinese principles in the realm of global governance. For example, he noted that in Africa liberal political policies have failed and China's approach to the continent, especially the non-interference principle, has succeeded. In reflecting on these developments, he argued global governance is now at a crossroads and perhaps a third way of global governance which differs from both the liberal political international order and China's approach to international order will emerge in the future.

Although the panelists all provided nuanced analysis of China's contributions to global governance, some common themes emerged during the session. First, China's status as the world's second largest economy has resulted in the international community increasingly expecting China to contribute to global governance. Although China's economic power has grown, it is still a newcomer to global governance and considers itself to be a developing country. Its lack of experience in the global governance arena and a need to focus its resources on its own development and other domestic issues has limited China's contributions to global governance. The international community should acknowledge that in many ways China is still a developing country and is not yet ready to contribute to global governance on par with developed countries. Also, China's contributions to global governance vary across functional areas. For example, in general, China is seen as a positive participant in global economic governance, but in other issue areas such as human rights it is perceived to be a spoiler. As Professor Pang highlighted in his arguments, this variation across functional areas is likely tied to China's approach to the international order that differs from the liberal political order. Overall, panelists encouraged patience in the international community and predicted that China contributions to global governance are likely to increase over time.

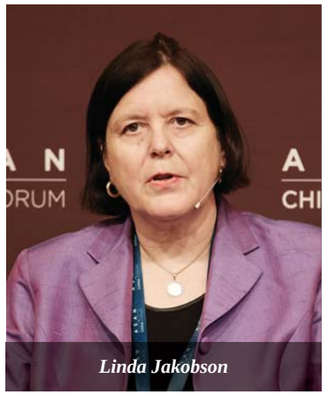
Plenary Session II

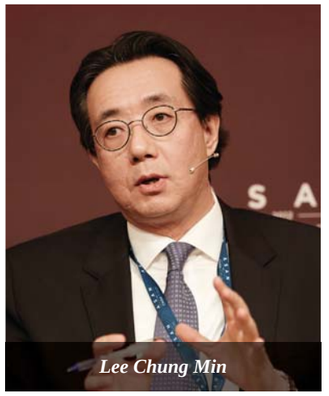
Date: December 11, 2012
Time: 17:15-18:30
Place: Orchid

China in Northeast Asia

Moderator:	Simon Long, The Economist
Speakers:	Linda Jakobson, Lowy Institute for International Policy
	Lee Chung Min, Yonsei University
	Shi Yinhong, Renmin University of China
	Yamaguchi Noboru, National Defense Academy of Japan
Rapporteur:	Troy Stangarone, The Asan Institute for Policy Studies


Simon Long


Linda Jakobson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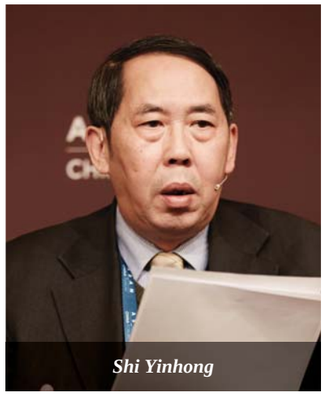
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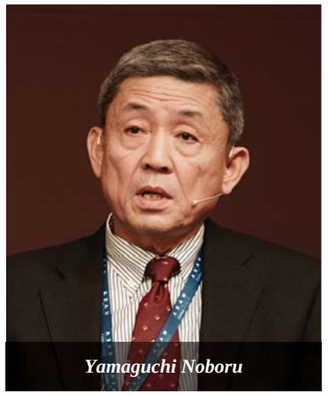
Yamaguchi Noboru

As much of Northeast Asia undergoes leadership changes in 2012, the region faces a series of seemingly contradictory trends. The current period is a time of increasing tensions, with the potential for a new cold or hot war, but at the same time the region is undergoing a period of greater economic integration. As these trends take place, it is unclear what China's role in Northeast Asia will be in the short and long terms.

The challenge for China goes beyond the trends taking place in Northeast Asia as China finds itself at its own crossroads. In many ways, China is at the height of its own history. Never before have so many Chinese been so wealthy while China is at peace with its neighbors. As a consequence, China's new leaders have access to more national power than prior generations. However, as Shi Yinhong, director of the Center for American Studies at Renmin University of China, noted, China's new leaders also face a much more uncertain international environment than before.

Domestically, China faces challenges as well. Lee Chung Min, dean of the Graduate School of International Studies at Yonsei University, suggested that the trends which have allowed China to reach its current level of prosperity, including the development of a highly educated and globalized population, a burgeoning middle class, and an export oriented economy argue for both political and economic reforms.

For China, balancing these trends will be a key. While China has historically been a great power in the region, these challenges mean that it will have to re-learn how to act like a great power. In the past, China was a great power because it faced no rivals. Today, the interests of all of the world's great powers intersect in Northeast Asia. Japan is a formidable power, the United States will be in the region for a long time to come, and South Korea is very different than it was 50 years ago. The litmus test for China will be its ability to re-learn how to be a great power under these circumstances.

In the realm of foreign policy, the most significant challenge facing China's new leadership is that it has no grand strategy. While China's leadership is highly capable, they have not developed a strategy for how to deal with a range of issues China will be facing in the years ahead. Internally, the leadership will face pressures from popular nationalism and complex domestic forces. Externally, China will need to learn how to manage its increased ability to project military power and increased national strength, while protecting its economic interests abroad. At the same time, China will need to develop a means for handling relations with the United States, especially with the prospect of military and geostrategic rivalry developing between the two nations. China will also need to ensure that its increasing regional role is acceptable to its neighbors.

In terms of China's relations in Northeast Asia, how relations develop under the second Obama administration and the new Xi Jinping administration will impact relations around Northeast Asia. If this relationship is handled poorly, Lt. General Yamaguchi Noboru (Ret.), director for International Programs at the National Defense Academy of Japan, cautioned that relations in Asia will no longer be a positive-sum game.

However, if China is able to manage its relations with the United States properly, it will have a significant impact in Northeast Asia. According to Dr. Lee, China's ability to emerge as a world power and a responsible stakeholder will depend on the strategy it sets out in Northeast Asia. If China can succeed in Northeast Asia, it will succeed in East Asia and, by extension, in the world.

Dr. Lee went on to suggest that as a successful rising power, it was time for China to set aside the century of shame. China no longer needs to look to the past given its economic success. Instead, China's leadership should tell its people that they should be proud of their success and look to a new horizon. He noted that nationalism is a tool that has been abused in the past, and that China should not expect that other countries in Asia will share its view. Dr. Lee also suggested that it is time for other Asian nations to let go of the past as well and argued that it is because of these differing views that Asia's future rests with some form of institutional democracy.

In this sense, whether Japan, South Korea, and China can get along will depend on their ability to reach a grand reconciliation. If Japan were able to see history correctly, there could be a significant amount of good will in the region and it would enable China and South Korea to move forward in relations with Japan. However, Linda Jakobson, East Asia Program Director of Lowy Institute for International Policy noted that she did not see China putting history behind it or Japan facing up to it under the present circumstances.

In a broader sense, Dr. Lee also argued that Asians need to understand how important it is for Asia to be wealthy and free. Japan, South Korea, and Taiwan have demonstrated that democracy can co-exist with Asian values and that Asia can be a positive influence for the global community.

In regard to China's relations with its other neighbors, there is little expectation for broader change in China's foreign policy in general. However, the new administration in Beijing does need to address relations with Japan. This can be challenging as China's relations with Japan are complex for a number of reasons, including historical issues, the vibrant economic ties that exist between the two countries, Japan's anxiety over China's rise, and China's anxiety over the US-Japan alliance and the ROK-US alliance. Additionally, all of these issues are intertwined in China and Japan's dispute over the Senkaku/Daioyu Islands, which are expected to be the top foreign policy issue early on for the new leadership in China.

The dispute over the Senkaku/Daioyu Islands has the potential to spiral into a dangerous situation and is one that China and Japan need to find a way to either diffuse or manage. According to Dr. Jakobson, managing the crisis would likely mean Japan tacitly accepting Chinese patrols and China tacitly accepting Japanese sovereignty. It would also mean that each side would have to coordinate their patrols so that neither side bumped into the other.

Along similar lines, Professor Shi said that China's demands on this issue are clear. Japan must let go of the position that there is no dispute over the Senkaku/Daioyu islands and be willing to accept the end of 100 percent administrative control. If Japan were to accept this position, negotiations could begin. In practicality, this means that Japan would have to accept partial Chinese administrative control over the seaways and agree that neither side should send people to the islands. Otherwise, Professor Shi said that China would be unlikely to decrease the pressure on this issue, as something must be done that will satisfy the demands of the Chinese people.

However, the dispute over the Senkaku/Daioyu Islands is unlikely to be resolved soon. Lt. Gen. Yamaguchi suggested that it could still be a point of contention between China and Japan a decade from now. However, he thought the dispute was unlikely to rise to the level of conflict.

Lt. Gen. Yamaguchi also outlined the conditions under which the United States could be drawn into a conflict between China and Japan over the Senkaku/Daioyu Islands. First, the islands would have to be considered to be under Japanese administrative control, which they currently are. Second, the islands would have to be attacked, which under the current situation is not the case. Lastly, Japan would have to actively engage in a joint defense of the islands with the United States. If Japan did not respond to an attack, the United States would not be obligated to defend the islands.

From the Chinese side, there are indications that Xi Jingping has already been highly involved in managing this issue, according to Dr. Jakobson. It is expected that Xi will seek a solution to the dispute to allow China to focus on pressing domestic issues and avoid the dispute with Japan becoming a hot conflict. However, while Xi is expected to seek a solution to this issue, domestic pressures in China mean that he cannot be seen as having lost to Japan early in his administration. At the same time, he is seen as unlikely to try to use the issue to distract the public from domestic troubles.

In regard to North Korea, the expectation is that China's policy will remain largely the same. There have been no signs of change in the motives behind China's policy or in individuals, such as Zhang Dejiang, who are central to China's policy towards Pyongyang. However, while there are no indications of change in China's policy, the issue of North Korea is perhaps the most divisive foreign policy issue for China's leaders and its people.

The divisions over North Korea policy in China come from Pyongyang's actions. According to Professor Shi, North Korea's actions have entangled its alliance with China. China faces a North Korea with few prospects of engaging in economic reform and a foreign policy that cannot be described as peaceful. Additionally, it is becoming clear that North Korea has no intention of giving up its nuclear weapons. This means that China has few options other than forbearance and an ambiguous hope for the future.

In terms of China's policy towards North Korea, Dr. Jakobson described it as the three no's—no instability, no war, and no nuclear weapons. For China, the most important of the no's is instability. Beijing places a high priority on stability on the Korean Peninsula for fear of instability in North Korea spilling over the border into China and it sees growing economic ties with North Korea as an important part of maintaining stability in the North. While China knows its policy is not effective, it sees no alternative to the maintenance of stability.

However, China does have a strong interest in detente between North and South Korea. While both Koreas are reluctant for China to play too large a role in their relations, China would like to see reduced tensions and improved relations between the two Koreas. Detente on the Korean Peninsula would help to improve China's security situation by removing the fear of military conflict between the two Koreas and precluding potential US and Japanese military responses to North Korean provocations.

Despite placing stability as its highest priority, Dr. Lee noted that China can still play an important role in the denuclearization of North Korea and Lt. Gen. Yamaguchi noted that China should be praised for its efforts in the Six-Party Talks.

In its relations with the two Koreas, Dr. Lee suggested that China is unlikely to choose one Korea over the other as it needs to have good relations with both Koreas. However, he noted that North Korea is where China was 50 years ago, and South Korea is where China needs to go, so it is unclear how long China can balance this position with the dynamics at play.

The issue of Japan potentially revising the defense provisions of its constitution was also raised. In regard to this prospect, Dr. Lee noted that for 60 years Japan has been a model democracy that has contributed to stability in the region and provided a growing amount of development assistance in Asia. As a democracy, it is up to Japan to make the choice on what to do regarding the posture of its military. However, Dr. Lee also noted that should Japan choose to change its defense posture, it should expect there to be negative repercussions in the region.

Day 2

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Session 4

Date: December 12, 2012
Time: 09:00-10:15
Place: Orchid

China's Defense Policy

Moderator: Choo Jaewoo, Kyung Hee University
Speakers: Cheung Tai Ming, University of California at San Diego
Han Yong-Sup, Korea National Defense University
Kim Heungkyu, Sungshin Women's University
Liu Qun, The Asan Institute for Policy Studies
David Shambaugh, George Washington University
Rapporteur: Jonathan T. Chow, Reed College

How is China's defense posture developing, particularly in light of the recent leadership transition at the 18th Congress of the Communist Party of China (CPC)? This panel convened experts from China, South Korea and United States to offer insights into the trajectory of China's defense policy.

Choo Jaewoo, professor at Kyung Hee University, opened the panel by articulating a number of questions facing analysts in the wake of the 18th Party Congress: How will China's new leadership manage relations with the military? What will be the role of the People's Liberation Army (PLA) in the near future? How will China's naval power projection capabilities affect regional politics? Which elements of the defense industry will be emphasized or deemphasized? And how will neighboring countries perceive changes and reforms in China's defense policy?

Cheung Tai Ming, director of the Institute on Global Conflict and Cooperation at the University of California, San Diego, began his remarks by observing that, over the past year, there have been a number of developments with potentially momentous significance for China's defense posture. First, the most recent leadership transition broke with the precedent set by Deng Xiaoping and Jiang Zemin, who retained their positions as chair of the Central Military Commission (CMC), the top military decision-making body, for approximately two to three years following the end of their respective tenures as paramount political leaders. This enabled them to significantly shape Chinese military doctrine. Deng Xiaoping oversaw a doctrinal shift away from fighting major wars to preparing to fight limited wars. Likewise, Jiang Zemin developed a doctrine based on "fighting local wars under high technology conditions." After Hu Jintao took over as CMC Chair in 2002, he developed the "New Historic Missions" doctrine that sought to push the PLA away from traditional security to non-traditional security issues. This time, though, Hu relinquished both his position as General Secretary and as CMC Chair, allowing his successor, Xi Jinping, to assume the top Party and military posts simultaneously. This will give Xi an unprecedented opportunity to shape PLA discipline and doctrine over the next two to three years.

While Dr. Cheung said that it was still too early to determine the direction in which Xi will take the PLA, he noted the re-emergence of nationalist themes in military circles and specifically the notion of "techno-nationalism," which emphasizes the development of indigenous military technologies. Based on the 18th Party Congress Work Report and Hu's statements, China is emphasizing its growth as a maritime power and the development of military space and cyberspace technologies. Additionally, said Dr. Cheung, the United States' "rebalancing toward Asia" strategy seems clearly—if not explicitly—aimed at addressing China's counter-intervention strategies employing the use of anti-access and area-of-denial weapons. We should expect to see new Chinese military doctrines emphasizing integrated joint operations, expanded asymmetric capabilities, and cross-domain deterrence. All of this is fueling a spiraling security dilemma between the United States and China.

Finally, Dr. Cheung noted that while China is emphasizing the development of military technology—as illustrated, for instance, by the September 2012 commissioning of the *Lioaning* aircraft carrier and the respective unveiling of the J-20 and J-31 stealth aircraft prototypes in 2011 and 2012, such developments can also be interpreted as a sign of relative weakness given that the technologies in question copy heavily from Russian designs rather than represent indigenous innovations and that technologies such as stealth aircraft remain unproven. Thus, Dr. Cheung cautioned that Chinese military power is growing gradually rather than making leaps and bounds.

Han Yong-Sup, vice president of the Korea National Defense University, described an increasingly powerful China, pointing to its March 2012 defense white paper, which described the world as evolving from unipolarity into multipolarity as US power declines. He estimated that China's defense budget in East Asia will exceed the United States' defense budget for the region by the year 2030. China's assertiveness in the South China Sea and East China Sea will also continue to alarm its neighbors. At the same time, the United States' shift from a "pivot" strategy to a "rebalancing" strategy has caused China concern about Washington's intentions and capabilities. Dr. Han took a pessimistic view of the short-term trajectory of Sino-US relations, suggesting the possibility of a new Cold War-style confrontation if China's improved military capabilities are not accompanied by a well-defined strategy. In such an environment, China and North Korea would exploit the ambiguous situation because of a pessimistic outlook on the global economy and growing nationalism in East Asia. However, Dr. Han expressed optimism about the long term (i.e. beyond 2030), arguing that pressing transnational problems—such as in nuclear energy safety—would demand regional cooperation. Dr. Han concluded that China needs to articulate a long-term strategy for achieving a peaceful and harmonious world, improve its transparency and enhance military cooperation with its neighbors and the United States.

Kim Heungkyu, professor at Sungshin Women's University assessed the development of Chinese military capabilities and its implementations for South Korea. He noted that China has consistently increased its anti-access and area-denial capabilities. Nevertheless, he maintained that assessments of China's military capabilities suffer from a certain degree of exaggeration and that there are important limits on its growth. For example, the large amount of money spent on military development belies structural inefficiencies stemming from the bureaucracy of China's Soviet-style military-industrial complex, though Dr. Kim noted that such inefficiencies were not nearly as severe as those encountered by the Soviet Union. Chinese leaders have also focused technological development in a few key sectors, including cyberspace capabilities, nuclear weapons, and ballistic missiles. Dr. Kim argued that China continues to suffer a gap between the requirements of the "local war under high-tech conditions" doctrine and its actual operational capabilities. China's current conventional capabilities, he said, would be unable to guarantee victory even in a limited war with Japan. Moreover, China's leaders are currently more focused on maintaining domestic stability and continued economic growth. Resource allocation under the "New Security Concept" places a higher priority on economic development, which also limits military growth. It is notable, Dr. Kim said, that, over the past three decades, China's military expenditures have risen in proportion to the government's average expenditures, a trend that Dr. Kim predicted would remain consistent for the near future.

South Korea, for its part, regards China's military power with some ambivalence by virtue of the two countries' proximity to one another, vast differences in size, and a long history of invasions launched from Chinese territory. By contrast, advances in China's military technology are less of a concern for South Korea. In military-to-military relations, both countries agreed in 2012 to hold meetings between their ministers of national defense and a strategic security dialogue, but Dr. Kim argued that such engagement will remain superficial unless China and South Korea can overcome certain obstacles, particularly the low level of political trust, China's relationship with North Korea, and uncertainty over the strategic environment in East Asia.

Liu Qun, visiting research fellow in the Center for China Policy at the Asan Institute for Policy Studies, discussed the leadership transition within the Central Military Commission and its significance for China's military development. Xi Jinping's simultaneous appointment as both CPC General Secretary and CMC Chairman marks a growing institutionalization of the military leadership transition process and an increasing centralization of power in the paramount leader. Moreover, military department heads are increasingly being recruited from among the commanders of military regions whereas they were previously recruited from the CMC itself. The two vice-chairs of the CMC are both remarkable for different reasons. Gen. Fan Changlong was promoted to vice-chair directly from the position of region commander for the Jinan Military Region, skipping over the usual term as a member of the CMC. Gen. Xu Qiliang, the other vice-chair, is notable for being the first PLA Air Force commander to have attained the position.

Dr. Liu then suggested that there was a contradiction in the views of various observers regarding China's military development: While it is commonly heard that China's military spending is rapidly growing, various analyses have concluded that China's military technology lags 20 years behind that of the United States. Regarding China's transparency, Dr. Liu noted that China has published defense white papers every two years, indicating China's strategic intentions. If anything, he continued, China has been too transparent. The United States already knows a great deal about China's military situation and has intensified surveillance in the South and East China Seas. Without greater mutual trust between China and the United States, said Dr. Liu, further transparency on China's part would be of no use. At the same time, he emphasized the importance of a cooperative US-China dialogue in military issues, though he observed that the US National Defense Authorization Act of 2000 has severely restricted military exchanges between the two countries. In his concluding remarks, Dr. Liu emphasized that China's military policy is defensive in nature and that China seeks to share the responsibility to maintain a peaceful and stable world. He ended by expressing his hope for future dialogue and cooperation between China and its neighbors.

David Shambaugh, professor and director of the China Policy Program at George Washington University, discussed developments in China's military doctrine, capabilities, sources of supply, and broader questions for the future. Doctrine, he said, is shaped by the strategic environment and countries' assessments of long-term and more immediate threats, as well as available defense technology and sources of supply for weapons platforms. Bureaucratic politics also affect the evolution of Chinese doctrine and capabilities; thus, the centralization of political and military power in the hands of Xi Jinping is significant.

Professor Shambaugh stated that China's broad strategic environment and long-term threats have changed, with its periphery more peaceful than it has been in the past. However, new short-term threats are emerging in the East China and South China Seas. In addition, as indicated by the "New Historic Missions" promulgated by Hu Jintao in 2004, China is increasingly concerned about non-traditional security issues such as energy security, space, and cyberspace as well as the more traditional security concerns of Taiwan, littoral maritime defense, continental defense, and area denial. This is a complex set of missions that requires a complex doctrine.

Professor Shambaugh then considered whether China's capabilities are sufficient to implement its increasingly complex mission requirements. Here, he cautioned that there is a tendency to focus primarily—if not solely—on the development of military hardware in assessing China's military readiness. This, he argued, was a mistake. Of crucial importance is the role of "software," that is, the quality of military personnel, how they are trained, the coordination of logistics, the ability to conduct combined arms operations, and so forth. Over the last two decades, the PLA has strongly emphasized "software" upgrades, improving the PLA's training and significantly enhancing its effectiveness.

This is not to overlook hardware developments, however. Professor Shambaugh noted that the PLA Navy has been the chief beneficiary of China's military modernization, particularly in the development of submarines, allowing it to shift from a "green water" navy to a "semi-blue water" navy. The eventual full deployment of the Type 093 attack submarine and Type 094 ballistic missile submarine, said Professor Shambaugh, would significantly alter the strategic environment in the western Pacific. On the other hand, the PLA Air Force's development of stealth technology remains unproven. Professor Shambaugh said that if the J-10 fighter is any indication, the J-20 will be a long time in coming. China has also emphasized the development of the Second Artillery Corps which, thanks to significant investment in land-based and sea-based systems, now possesses a genuine strategic triad for nuclear deterrence.

A major restriction on Chinese military innovation, according to Professor Shambaugh, is its limited range of suppliers owing to embargos from the United States, the European Union, Australia, and New Zealand. Without access to advanced Western technology, China has been forced to rely on Russian supplies and technology. But Russian imports have dropped significantly since 2007, partly due to growing Russian concerns over the potential consequences of arming China, as well as fears that China is reverse-engineering Russian technology for indigenous production.

Finally, Professor Shambaugh pointed out that for all the PLA's modernization, it has not gone to war since 1979 and its capabilities remain untested. Were a conflict to emerge on China's periphery, the PLA would have to sustain a long-range operation utilizing combined air and naval forces, which would pose major challenges. Still, the incentive to develop expeditionary capabilities will likely grow as Chinese civilians increase their presence abroad and require more robust evacuation capabilities, a problem starkly illustrate by China's reliance on Mediterranean countries to evacuate its nationals from Libya during the recent civil war. In conclusion, Professor Shambaugh noted that the security dilemma between the United States and China was not going to go away. However, he said, despite the PLA's considerable progress over the last two decades, there are still numerous weaknesses and analysts should be careful not to overestimate China's military capacity.

Session 4

Date: December 12, 2012
Time: 9:00-10:15
Place: Lilac and Tulip

China and India

Moderator:	Andrew Small, German Marshall Fund of the United States
Speakers:	YK Gera, United Service Institution of India
	Jia Lieying, Beijing Language and Culture University
	Prakash C. Katoch, United Service Institution of India
	Li Tao, Sichuan University
Rapporteur:	Brittany Billingsley, Center for Strategic and International Studies

YK Gera, consultant and head of the United Service Institution of India, opened the panel by noting that China and India have a long history of simultaneously being both regional competitors and economic partners. Even in modern times, both countries continue to function at two levels—cooperation in trade and economics, with divergences in regional security and other security issues.

With regard to the former, Maj. Gen. Gera stated that China and India accounted for nearly 40 percent of global output until the late eighteenth century, when India's colonization and China's semi-colonization broke the Asian trading preeminence. However, China's growth since 1978 and India's since 1991 onward have revived the promise of Asian giants regaining their previous economic clout. China has since emerged as the factory of the world and India as the regional software hub. Sino-Indian bilateral trade and investment has expanded, and China is now India's largest trade partner at US$75 billion annually, but the balance of payments remains in China's favor. Several India-China dialogues on economic strategy combined with increasing mutual economic stakes will compel them to remain engaged.

Maj. Gen. Gera acknowledged that India and China have credibly cooperated on climate change, pollution control, and multilateral trade agreements and cooperate in such multilateral forums as the Shanghai Cooperation Organization (SCO) and the Brazil-Russia-India-China-South Africa (BRICS) economic forum. However, there are several divergences between China and India which were quickly growing.

The first such divergence is the India-US partnership. China's concerns about the US pivot and rebalance to Asia have become a foreign policy focus in Beijing and will cast a shadow over India-China ties. This, combined with India's growing ties with the United States since their civil nuclear treaty, has made

China increasingly unhappy. The upswing in US relations could alter the Asia Pacific's geopolitical landscape and enable India more control over the situation.

The second divergence is the China-Pakistan nexus. Many believe China helped Pakistan develop its nuclear and missile capabilities, and that China has sent personnel to Pakistan-occupied Kashmir for various projects. China also built Gwadar Port on Pakistan's Makran coast to improve access to resources, and it is believed that Chinese personnel have been sent to Pakistan-occupied Kashmir to work on various projects. India is thus apprehensive that in a military conflict, China may use Pakistan and its territory against India. Another contentious issue is the unresolved land border dispute, where China is accused of illegally occupying Indian territories in the state of Jammu and Kashmir and has been claiming Arunachal Pradesh as its own. This could become a flashpoint if bilateral relations turn sour. A fourth divergence is Tibet. India has been careful by preventing Tibetan refugees from executing political activism against China in India, China is nevertheless dissatisfied with the situation.

Maj. Gen. Gera acknowledged that China is a rising power, but that this continued rise will likely lead to strategic assertion. China's policy is to restrain India politically while simultaneously seeking agnostic cooperation and economic engagement. India may follow a policy of engaging China and balance it via diplomatic, economic, political, and military leverages according to its legitimate aspirations and national interests. Ultimately, capabilities matter more than intent; thus India should continue to build "comprehensive national power" to reach its full potential and place among nations.

Jia Lieying, professor at Beijing Language and Culture University, focused on contemporary relations between China and India and addressed the many ways they could be analyzed. First was Chinese literature concerning bilateral relations, divided in six ways—1) By time, specifically during or after the Cold War, or in terms of the countries' leaders (e.g. Mao and Nehru); 2) by the circular relations between the two sides, namely, from clashing cooperation, to friendly cooperation, to hostile indifference; 3) by cognitive periods of indifference to friendship to enemies and back; 4) by problematic sectoral division in politics, economics, security, and culture; 5) by language and nationality; and 6) by historical, political,

or psychological research methods.

Professor Jia also noted that bilateral relations were multi-structural. First, there were multilateral diplomatic institutions (the G20 and BRICs). Second, China-India relations fall within the structure of the present international political system. Third, understanding China-India relations within the changing international economic structure was also noted to be important.

The Chinese people's perspective is also relevant for understanding the relationship. From the government level, bilateral ties are a strategic, cooperative partnership for peace and prosperity. Chinese and Indian leaders pay close attention to the relationship's strategic points. Professor Jia cited several examples to highlight this point, including Deng's 1988 statement of China's importance to the Asian Century; Wen Jiabao's 2005 statement that there would be no war between India and China; and Prime Minister Singh's 2008 declaration that there was enough space for them both to develop and cooperate. Chinese scholarly opinions of bilateral relations vary, being positive, negative, uncertain, or conditionally dependent. Chinese citizens also have different ideas about relations with India. Some are indifferent, others uncertain, and still others very emotional in their perception of the relationship.

Recent developments and communication mechanisms help in understanding China-India relations. Professor Jia mentioned that regular exchange mechanisms between the Chinese People's Political Consultative Conference (CPPCC) and the People's House of India's parliament began from 2008. With heads of state and government launching regular mutual visits and a new hotline between Premiers, 2011 became the "Year of China-India Exchanges." 2012 subsequently became the "Year of China-India Friendship and Cooperation."

While Professor Jia remained optimistic about the future of relations between China and India, he closed his remarks with a few suggestions on how to improve bilateral ties further. The two countries have the same historical fate, the same task of development, are geographical neighbors, combined account for 2.5 billion people, and both have possibilities and necessities that must be met. As such, the two sides should enlarge contact, increase mutual trust, and strengthen current dialogue mechanisms in order to construct the future.

Prakash Katoch, council member of the United Services Institution of India, noted that China and India's civilizations have striking resemblances throughout history; from their first dynasties' founding in the third century BC and development of philosophical thinking, to their respective cultures' survival despite foreign invasion. A golden period between the two countries emerged following India's 1947 independence and new China's 1949 establishment, which lasted until 1959 when the Dalai Lama and his followers retreated to India. Bilateral estrangement continued through the 1962 Sino-Indian Border War until 1988 when Prime Minister Rajiv Gandhi traveled to China to establish border negotiations, high-level

summits, confidence building measures (CBMs), and bilateral trade. Since then, and given their economic development and large populations, what happens between them will affect the rest of the world.

Whether the two will be able to cooperate is uncertain. Sixteen rounds of border talks have seen little progress and no outcome while there are several bilateral high-level summits that convene only sporadically. CBMs continue, but the two countries must establish an environment to discuss nuclear weapons, naval activities, and water access. Bilateral trade has increased to US$75 billion, but the balance already favors China by an excess of US$20 billion, a trend that will continue as bilateral trade expands. There is apprehension toward greater bilateral cooperation on border security, interference in internal matters, the China-Pakistan relationship, and Chinese development activity in Kashmir. Because both are developing countries, concerns exist on the potential for an arms race, energy security, access to resources, and supply line safety.

The primary concern between the two countries, Lt. Gen. Katoch argued, is the lack of institutionalized framework for talks on these issues. Other concerns exist—there is consistent feedback calling for political engagement with China but little progress. China's "peaceful rise" is consistently emphasized, but China has sent signals that India argues are not "peaceful." Finally, the biggest threat to China is internal dissent. In every country experiencing internal dissent, political authorities divert attention to external issues, which may be why authorities want hot spots to endure, but must still ensure they do not escalate to war. What happens in the future, Lt. Gen. Katoch argued, depends on China.

Li Tao, professor at Sichuan University, focused her remarks on the Tibetan issue within China-India relations, interpreting it as an element of India's national, geopolitical security concerns. She noted the Tibet issue remains a source of doubt in bilateral ties due to concerns that it could be a "card" used by the Indian government to condemn or influence China. Professor Li addressed several factors in support of this argument, including the belief that India had inherited much of its Tibetan policy from British colonial rule and the consistency of India's Tibet policy. Professor Li also noted that India could use the Dalai Lama and his supporters to pressure China or try to turn Tibet into a buffer state. She called for prudent Indian action on issues of separatism and Tibetan independence and that they be mindful of diplomatic conceptualization of non-interference in another nation's domestic affairs

Regarding a question on the strategic diads of China-Pakistan and India-US and China's response to the US-India civil nuclear agreement, Maj. Gen. Gera said there are no permanent friends or enemies, only permanent national interests. The agreement was in both countries' interests: India bypassing the regime that would prevent it from gaining access to technology helped the US reframe the geopolitical issue. China has focused on the Asia-Pacific and Washington's rebalance, and has been more proactive in bolstering relations with Pakistan. The nuclear deal has implications for Indian and American interests as well as global interests: What a nation gains, the world gains.

Professor Jia noted that negatives and positives exist in any country-to-country relations, and there are many actors in world politics—government, people, and individuals. Friends exist within different levels of this structure, and problems such as those between China and India, are old. The two countries cannot wait to cooperate until all problems are resolved.

Lt. Gen. Katoch reminded participants that the India nuclear deal was recent, whereas China-Pakistan cooperation occurred much earlier. On the border issue, he emphasized that China has sent wrong signals, including displaying a map incorporating Arunachal Pradesh in China and all of Kashmir as part of Pakistan. Meanwhile, India moves closer to the United States and is searching for its position in the US Asia pivot because thus far India's role remains unclear. Lt. Gen. Katoch further mentioned Chinese "meddling" in insurgency in India, which is not well-known in China but has been reported by the Indian press and downplayed by New Delhi.

Responding to a question on her remarks, Professor Li clarified that the Indian government does not currently use Tibet as a card. However, she noted that when a Chinese leader visits India, New Delhi initially and temporarily restricts the Tibetan population. Additionally, India sometimes uses Tibet as a bargaining chip in border talks. She emphasized a need for people-to-people exchanges, especially in the media, to improve bilateral trust and negate this perceived two-faced stance's effect.

Responding to an observation that the two sides avoid discussion of strategic issues in bilateral strategic and economic dialogue, Maj. Gen. Gera emphasized the need for the border issue communication, point-

ing out that different governments handle negotiations differently. He suggested that India and China sit down to border talks, lay out the facts, and come to a logical conclusion. This would only happen in an environment conducive to such open discussion, however. When divergences in strategic areas are ignored, they will simmer or grow; when they are discussed, a solution can be found.

Lt. Gen. Katoch reiterated the need for a quick resolution of the border issue and emphasized that it was important to recognize that the Indian media was not the Indian government. The two operate independently of one another, and media reporting is a serious matter in India. He agreed that bilateral dialogue on strategic issues was missing and noted the need to institutionalize discussions for there to be progress, ideally a mechanism separate from the bilateral economic dialogue such as separate dialogues on different issues. Referring to Professor Li's people-to-people exchanges comment, he noted there was already a high level of exchanges between both countries' populations and that the problem was rather the signals coming from Beijing.

Professor Jia added to these insights that for the vast majority of their history, China and India had maintained good relations, and that there was only a limited time in which they had been in contact. As such, he was confident the two could find a proper mechanism to improve bilateral relations and resolve outstanding disputes.

Session 4

Date: December 12, 2012
Time: 09:00-10:15
Place: Cosmos and Violet

Public Opinion in China

Moderator:	You Sangchul, Joongang Ilbo
Speakers:	Bang Hye Jung, Sogang University
	Chen Xiaoshen, Communication University of China
	Li Chunfu, Sungkyunkwan University
	Wang Xiaoling, Chinese Academy of Social Sciences
Rapporteur:	Niu Xiaoping, Seoul National University
Translator:	Caleb Dependahl, Science Applications International Corporation

"If you take a look at the graduate theses of recent politics majors," began Bang Hye Jung, researcher at Sogang University, "it is not difficult to find that those writing on Chinese public opinion are gradually increasing. Whether it is China scholars, social and non-governmental organizations, or simply the outside world, all are showing great concern and expectations for Chinese public opinion."

The political situation in China today is gradually beginning to change. Many people think there is a strong correlation between this and changes in public opinion; namely, that the liberalization of public opinion is promoting political reform and change. However, Dr. Bang believes that the social movements of citizens and the force of public opinion do not hold too much influence over political change. This is because in China, the government leads society; the politics represents management of the people.

Dr. Bang agrees that the Internet and public opinion have greatly developed in China, but that it has always been within the boundaries of the political system, and change is therefore very limited. In China's political environment, it is very difficult for the free expression of people seeking to address common social problems to coalesce and form a collective identity. This is due to the inefficiency of traditional media, and the existence of various regulatory regimes. Therefore, Dr. Bang is not too optimistic about the development of democratization in China.

In addition, Dr. Bang believes that there are two sides to the Internet issue. On the one hand, the Internet has opened up many more avenues for the public to express their ideas. On the other hand, it has also become an effective channel for the government to disseminate propaganda. Furthermore, China's Internet management is still mainly under government control. In 1994, China connected to the World Wide

Web. Today, Chinese Internet users total over 538 million, and network coverage has reached 39.9 percent. As China's primary focus is economic development, it continues to promote Internet development, but it is also strengthening supervision and management. In 1996, there were only four government-approved Internet providers, but this number has now risen to nine.

Dr. Bang pointed out that the government's management and control of the Internet is primarily seen in three aspects. These are the restrictions on technology, restrictions on supply and marketing, and the interception of some information online. At the same time that the government is strengthening Internet supervision and management, it is also actively using these diverse channels for propaganda. According to South Korean news reports, not only have all levels of the Chinese government opened official websites, but they have also created over 60,000 "weibo" accounts. These activities by the government will cause ordinary citizens to feel as if they are being monitored and must censor their own activities. Dr. Bang believes that since the development of the Internet in China has always occurred within the bounds of the political system, there is no way to predict that democracy will develop further.

Chen Xiaoshen, vice president of the Institute for Cultural Development of Communication University of China, began his remarks with a famous saying in China: "Concern is strength, onlookers change China." It essentially means "to watch with close attention is power, and a mass of such watchmen changes China." This saying undoubtedly affirms the great influence of public opinion on the formation of social and public policy. In the past two years, micro blogging has fully emerged, becoming both the staging ground of public opinion and the main front for the battle of ideas. Additionally, it is also of positive significance to the promotion of democratization in China. A Western scholar has previously stated that "the Internet is a gift of God to the Chinese people." This is not to say that the emergence of the Internet is not as significant to other countries, but that the Internet has special importance for the development of democratic politics in China because it gives people the right to know. Professor Chen believes that the innovation and development of technology and social systems are closely linked. Once these technologies are popularized and once they enter society, they become a part of the system. In this sense, IT innovation will undoubtedly have a major impact on the evolution of the political system.

Professor Chen observed that in recent years, public opinion in China has greatly matured, and this development is primarily seen online. First, the number of Internet users in China has increased significantly, reaching over 538 million people, with mobile "netizens" accounting for a great part of that number at 388 million. Of these, more than 66 percent of Internet users say that they frequently make opinion posts. For the government, these activities undoubtedly constitute a slight pressure. Next, the public's attention to the media has changed. Currently, most of the main issues of concern include livelihood issues such as health care, education, housing, anti-corruption issues, and unexpected public events. Third, the advent of the Internet has changed the mechanics for the generation of public opinion. The traditional media takes initiative in setting the agenda as well as limiting the scope of public opinion. However, now the

issues discussed are becoming freer, and better reflect the voice of the people. Fourth, news cycles and the expression of public opinion have shortened, thus strengthening the interactions and timeliness of exchanges between traditional and new media, as well as the media and the public. Fifth, the role of opinion leaders is becoming increasingly stronger.

While public opinion is developing in these ways, there are also a few problems. Professor Chen pointed out that while the scale of public opinion being expressed on the Internet appears great, it lacks any organizational nature and coordination needs to be strengthened. This is reflected in four aspects. First, in the expression of public opinion; for example, micro-blogging is limited to 160 characters. Therefore, the emotional expressions of people are subject to certain restrictions, and some sensitive content can be censored. Second, false information can be spread. Third, some people will express extreme ideas. Fourth, there is concern that the spreading of some public opinion could be due to manipulation. Faced with this set of problems, how the government can effectively manage, promote and make use of the Internet is a huge challenge.

Li Chunfu, senior researcher at Sungkyun Institute of China Studies at Sungkyunkwan University discussed his personal views on the nature of public opinion between China and South Korea and how the two interact. He believes the contradictions existing in the public opinion of both countries exist primarily in the fields of history, culture, territorial disputes, and security. The main historical topic is the Koguryo issue. South Korea has produced many historical dramas in this setting. The main cultural issues revolve around applications for World Cultural Heritage items. One such example is that the people of both countries claim the Dragon Boat Festival. Next, the main territorial disputes are over small islands. Fourth, the primary security issue is related to China's concerns over the ROK-US alliance. China and South Korea have yet to establish mutual trust over this issue. Concerns over these issues sometimes cause the exchange of public opinion to escalate to the level of national debate.

In addition, Dr. Li believes that there are three important aspects to the interactions between China and

South Korea. The first is the conflict between history and culture. When the Northeast Revitalization Project was proposed, South Korea expressed a certain degree of resentment. To mitigate such sentiments, the leaders of China and South Korea reached five verbal agreements. The second aspect is territorial security. Examples are national territorial disputes between China and South Korea and the different stances both countries have on the North Korean nuclear problem. These problems are often connected to perceptions of security, which are caused by friction and lack of mutual trust between the two countries. If ROK-China relations develop under positive conditions, many problems will be much easier to solve. For example, negative elements would be greatly reduced in the handling of the Kim Young-hwan issue. Third, differences in the political and social systems of the two countries can create conflicts because of differing values. One such example is how the increasing value of the ROK-US alliance upsets the Chinese people.

To avoid these problems, Dr. Li gave three recommendations. First of all, China and South Korea must work to increase the mutual trust between them. Since the establishment of diplomatic relations in 1992, mutual trust between the two countries has remained low due to the influence of North Korea and other political, security, and military matters. The proper handling of the problems between China-North Korea relations and ROK-US relations is extremely important.

Second, when controversial issues arise, it is most important to seek common interests under the premise of mutual respect. From China's point of view, how to maintain peace and stability on the Korean Peninsula is the fundamental issue, while from South Korea's perspective, how to ease China's doubts regarding the ROK-US alliance is essential.

Lastly, academic and historical issues should be strictly separate. The opinions of scholars do not represent the views of the government. Both China and South Korea are on the rise today, and so is nationalism within each country. It is very important that an effective measure is found to avoid future problems.

Wang Xiaoling, associate professor at Chinese Academy of Social Sciences, discussed his views on how ordinary people see the world, and how the mentality of peoples across the world has changed. In 2008, the Chinese Academy of Social Sciences conducted an investigation of the Chinese public using surveys and interviews to determine how ordinary Chinese citizens viewed the world, how other countries viewed China, and to analyze these mentalities. The surveys included only China, the United States, South Korea, Japan, Europe, and Russia.

When asked which countries Chinese favored most, Russia placed first, followed by Europe, the United States, South Korea, and then Japan. Reasons for favorability were primarily based upon these countries' economic and technological development, as well as cultural identity. However, on the subject of political systems, Chinese held reservations. When asked which countries are most important to China, the top pick was the United States, followed by Russia, Europe, and then Japan and South Korea. As to the quality of China's foreign relations with these countries, the majority of people generally believed that China enjoys a cooperative relationship with Russia and the European Union, that the relationship with the United States is both of cooperation and competition, and that there are two separate sides to relations with Japan and South Korea. The relationship of these countries is of a friendly nature, while there is friction in people-to-people exchanges. Also, economic exchanges are cooperative and positive, while some political friction between these countries exists.

The Chinese Academy of Social Sciences also conducted surveys in each of the subject countries on their views of China. These survey results ranked China third in international influence, behind the United States and the European Union. When asked if China could become the top world power in the future, most people thought it possible, but also believed that the US position in the world would not change much. Compared to the views of other countries towards China, the attitude of Chinese citizens proved more optimistic. Professor Wang concluded that the formation of this type of attitude is not unrelated to China's current domestic cultural nationalism, as well as the formation and development of its new middle class.

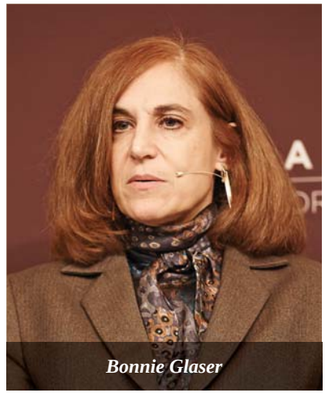
Plenary Session III

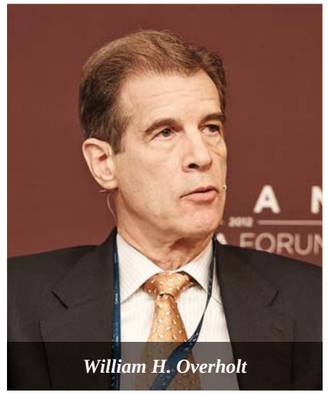
Date: December 12, 2012
Time: 10:30-11:45
Place: Orchid

China and the US

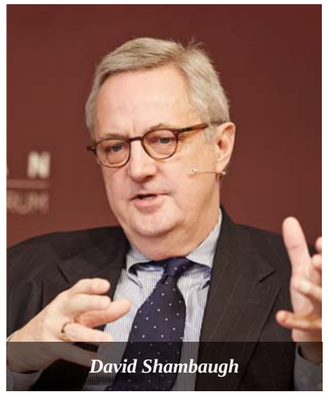
Moderator: Choi Kang, Korean National Diplomatic Academy
Speakers: Bonnie Glaser, Center for Strategic and International Studies
William H. Overholt, Harvard University
Pan Zhenqiang, China Reform Forum
David Shambaugh, George Washington University
Rapporteur: Dawn Murphy, Princeton University


Choi Kang


Bonnie Glaser


William H. Overholt


Pan Zhenqiang


David Shambaugh

This session convened a panel of experts from the United States and East Asia for discussion of China's current relations with the United States. The primary debates in the panel focused on potential changes resulting from a new administration in China and the re-election of Obama and the emerging competitive dynamics of relations between the two countries. Particular attention was paid to the need to manage relations and promote cooperation in an era of a shifting balance of power and increasing mutual distrust between China and the United States. Choi Kang, dean of Planning and Assessment at Korea National Diplomatic Academy, initiated the discussion by posing the following questions: What are Chinese and US intensions towards each other? What are potential areas of cooperation between the two countries?

Bonnie Glaser, senior adviser for Asia at the Center for Strategic and International Studies, started her comments by emphasizing that the priorities of both the United States and China are currently domestically focused. As they both resolve domestic issues, there is a better chance of positive relations between the two countries. She argued that the new leadership in China is committed to positive relations with the United States. China does not want to challenge the United States and seeks to avoid rivalry. The US Obama administration is also committed to cooperative relations with China.

Despite the desire of the United States and China for constructive relations between the two countries, Ms. Glaser argued that growing mutual suspicion is a real problem. Chinese leadership is particularly suspicious about the US pivot to Asia and doubts that the United States will accept a rising China. The United States is increasingly concerned over Chinese economic and trade policies, bullying behavior towards its neighbors, coercive economic diplomacy, lack of contribution to solving global problems, and military development.

According to Ms. Glaser, in order for the two countries to cooperate, they need converging interests. Those interests do exist and the United States has developed a series of consultative mechanisms to interact with China regarding those interests.

Ms. Glaser also argued that small and middle powers are increasingly worried about US-China rivalry and expressed concern that the security dilemma between the United States and China is dominating the US agenda towards China. In her opinion, since the late 1990s, the two countries have been preparing for war against each other.

Finally, Ms. Glaser noted that a critical factor in US-China relations is the global balance of power. Starting with the global financial crisis, China began to perceive a decline of the United States. This led to China testing the waters and a rethinking of its own approach towards the United States. If China's assessment is that it will be replacing the United States as the leading global power, this could lead to a dangerous situation.

William H. Overholt, senior research fellow in the Kennedy School of Government at Harvard University, agreed with Ms. Glaser's arguments. He began his comments by observing that since 1972 China

and the United States have basically had the same policies towards each other. This approach has been stable and successful. The United States has welcomed China's rise but hedged against potential aggression by China. China joined the international system and focused on its own economic development.

In Dr. Overholt's opinion, the global financial crisis strained US-China relations, but cooperation continued. This was a useful test of the relationship and demonstrated that relations were strong enough to endure a crisis of that magnitude. That said, strategic misperceptions between the United States and China are becoming increasingly serious. China believes that the United States is attempting to contain it. The United States perceives that China has abandoned its strategy of peaceful rise as demonstrated by recent intimidating behavior towards its neighbors.

According to Dr. Overholt, the US pivot to Asia has been poorly managed. The United States needed to reengage Asia, but it did not need to heavily focus on the military aspects of balancing. Also, he argued that China blames the United States for many of the maritime conflicts it is currently experiencing. That said, Dr. Overholt speculated that rising tensions over maritime territorial issues would be escalating regardless of the US pivot to Asia.

Focusing on the future of relations, Dr. Overholt suggested that strategic mistrust could be minimized through cooperation between the United States and China on issues of mutual interest, such as select economic issues, the environment, and denuclearization of the Korean Peninsula. Now is the time for the United States to push for cooperation with China in general. He urged the United States to emphasize that the only trade liberalization approach to Asia must contain China rather than exclude it. He also stressed that there is currently an opportunity to come to a broader understanding in Asia between the United States and China, especially on issues such as North Korean nuclear proliferation. For example, China could work with the United States to develop a new approach towards North Korea.

As opposed to the other panelists, Pan Zhenqiang, senior advisor to the China Reform Forum, asserted that the root cause of continuous ups and downs in US-China relations is not strategic mistrust but a lack of definition by the United States of the exact nature of US-China relations. In his opinion, mistrust is merely a symptom of this larger problem. He argued that if one examines history, the United States has developed its approach to US-China relations in an ad hoc fashion. When the United States needed China, there was great incentive to focus on cooperation. When the United States thought that China was not very important, there were problems in the relationship. He believes that the United States needs to decide whether it considers China to be a partner, an adversary, or something in between. In his opinion, this lack of definition of the relationship is the root cause of US hedging against China. Hedging provokes China and forces her to react.

Despite his views about the root causes of tension in the China-US relationship, Maj. Gen. Pan expressed optimism regarding the future prospects for US-China relations. He argued that for relations to develop

positively China needs continued economic growth and the two countries must work together on common threats. The world is moving towards multipolarity, therefore, the United States and China must find ways to work together. Although there are opportunities for cooperation, before US-China relations mature, Maj. Gen. Pan speculates that there may be a period of transition. In order to ensure a smooth transition, the two countries need to develop a new vision that comes to terms with the world situation, work out rules of the game, and agree on the force posture of the two sides.

In his comments, Maj. Gen. Pan was particularly concerned about rising tensions between China and its neighbors over territorial disputes. He believes that China's good neighbor policy will continue, but it will take steps to preserve its sovereignty and territorial integrity. In the future, China will see increasingly important stakes in its maritime interests. Based on its experiences to date, China has learned that unilateral restraint has not achieved its desired results. Also, China believes that if it does not respond firmly to territorial disputes, it will affect China's own domestic stability. Finally, Maj. Gen. Pan emphasized that the current stronger Chinese stance on maritime issues is a response to the Asian rebalancing of the United States.

Finally, David Shambaugh, professor and director of the China Policy Program at George Washington University, emphasized that the recent change of leadership in China and the re-election of the Obama administration in the United States is unlikely to impact relations between the United States and China. In his opinion, individual leaders do not have much of an impact on current relations. Instead, deeper-structural factors are driving the dynamics of the relationship. Relations now are complex and systematically embedded in the structure of the international system.

Professor Shambaugh discussed the impact of external drivers (e.g. a shifting distribution of power in the international system) and domestic drivers (e.g. rising nationalism in China, an insecure party-state in China) on US-China relations. He agreed with Ms. Glaser's comments on the desire of both China and the United States for positive relations. In his view, although both sides aspire to positive relations, US-China

relations are now a mixture of cooperation and competition that is shifting with the global balance of power. Over the last thirty years, cooperation has been the dominant characteristic of the US-China relationship. Now the balance of power is shifting and relations are increasingly competitive. There is also an emerging ideological competition over the norms of the new world order. In his opinion, this is the new normal. In this new normal, both sides must now manage increasingly competitive relations under conditions of deep interdependence. That said, he did stress that competition does not mean an adversarial relationship.

Professor Shambaugh argued that the biggest challenge for both countries is to manage this emerging competition. US-China interactions are now global in a wide range of functional areas, including economics, politics, and ideology. As a result, China and the United States are bumping against each other in new regions around the world. In relation to the US pivot to Asia, Professor Shambaugh asserted that the challenge for the United States is to not polarize relations and to find ways to accommodate a rising China in the Asia-Pacific.

Professor Shambaugh also discussed domestic drivers influencing US-China relations. He argued that relations are now a product of domestic circumstances in the two countries. In the US, there is a bipartisan consensus about the rise of China. The focus is on both engaging and hedging while not driving US-China relations in a negative direction.

In China's domestic politics, US-China relations are increasingly influenced by China's rising nationalism and a perception of victimization on the part of China. In Professor Shambaugh's opinion, this is not a productive basis for building relations with the United States and the West more generally. Also, the Chinese regime is insecure domestically. Therefore, the United States is dealing with an insecure, weak party-state that is overwhelmed and needs positive relations with the United States.

Regarding the future, Professor Shambaugh argued that neither side wants an adversarial relationship, but there are issues that could undermine relations. The two most prominent issues are Taiwan and third party issues both in and outside Asia.

Finally, he argued that the security dilemma that is emerging between the United States and China has its own dynamics and at the end of the day both sides must learn to live with ambiguity. In his opinion, the main task now for both sides is to learn how to manage a predominantly competitive relationship.

Overall, panelists for this session stressed that both the United States and China are seeking ways to build cooperative relations. Neither side wants adversarial relations to dominate the dynamics of interaction. Despite those efforts, relations between the two powers are increasingly competitive during an era of a global shift in the balance of power. Mutual distrust is growing. As a result, the primary task for both China and the United States is to find ways to positively manage the relationship and identify areas of mutual interest and opportunities for cooperation.

Session 5

Date: December 12, 2012
Time: 13:45-15:00
Place: Orchid

China and East Asian Regional Integration

Moderator:	Hugo Restall, The Wall Street Journal Asia
Speakers:	Choi Won-Mog, Ewha Womans University
	Ren Xiao, Fudan University
	Igor R. Tomberg, Institute of Oriental Studies, Russian Academy of Sciences
	Zhao Huaipu, China Foreign Affairs University
Rapporteur:	Troy Stangarone, The Asan Institute for Policy Studies

East Asia is a prime candidate for further regional integration. With two billion people, the region is larger than the combined population of the 27 members of the European Union, by nearly 1.5 billion people, and has the potential to be the world's largest market. East Asia is also one of the fastest growing economic regions in the world and is highly integrated into the global economy. At the same time, the region holds over half of the world's foreign currency reserves. These factors make the region ideal for further regional integration, which would also serve as the best means for the region to address the side effects of globalization.

Regional integration has in fact been taking place for some time in East Asia on an economic level, even if it has not occurred through the same type of formal processes that have been seen in Europe. Since the 1990s, the economies of East Asia have gradually created a de-facto common market through a process of domestic structural reforms and external market liberalization. This process has helped to lay the foundations for East Asian integration.

Historically, integration in East Asia has been centered on the Association of Southeast Asian Nations (ASEAN), but the process should be seen as consisting of two sub-regions—Northeast Asia and Southeast Asia. ASEAN's role in the integration process can be seen as either taking leadership or as that of a convener. It has served as an important organizer for regional summits since it began holding leadership and cabinet-level summits with China, Japan, and South Korea in 1997. It has also been the focal point of efforts for economic integration, including the recently-launched Regional Comprehensive Economic Partnership (RCEP). By serving as a convener or taking leadership roles, ASEAN has helped to sustain momentum for integration within the region.

However, despite pushes for regional integration and a larger role for ASEAN since the 1990s, Zhao Huaipu, director of European Studies Center at the China Foreign Affairs University, noted that the region still lacks the necessary institutional arrangements or political mandate to pursue further regional integration.

Notwithstanding ASEAN's efforts to foster greater regional cooperation through a series of summits with its regional partners, such as the East Asia Summit, and the conclusion of Free Trade Agreements (FTAs) with China, Japan, and South Korea, the region still faces a series of hurdles for more meaningful steps towards regional integration. According to Dr. Zhao, ASEAN lacks the infrastructure to lead the regional integration process and the institutional weight to help foster security in East Asia. It is also limited in the role that it can play in diplomacy among the major powers of the region.

However, he notes that its role could grow after 2015 when ASEAN is set to move towards deeper integration among its own membership. If ASEAN is successful in establishing an economic community in 2015, it will be able to play a more significant role in the regional integration process.

In general, this skepticism of ASEAN's role was also shared by Choi Won-Mog, director of the WTO Law Center at Ewha Womans University. He noted that ASEAN cannot be the ultimate hub of East Asian integration as it lacks high levels of human capital, the necessary infrastructure to serve as a regional hub, and the ability to implement integration policies. For regional integration there needs to be a stronger source for the basis of the integration process. He suggested that the South Korea-China FTA could play a convener role in the integration process and that the proposed trilateral FTA between China, Japan, and South Korea could have the potential to draw countries in the region into a larger framework.

Integration in East Asia faces challenges beyond the role of ASEAN as well. None of the three major economies—China, South Korea, and Japan—have FTAs among themselves, inhibiting the potential for regional economic integration. At the same time, there is a lack of social and political trust among the

ASAN CHINA FORUM

"Big Three" and they have been unable to move past historical issues towards deeper integration. If they are unable to lead the integration process, no other country in the region is large enough to do so. However, the successful conclusion of a trilateral FTA among China, South Korea, and Japan would have the potential to draw other economic actors into the arrangement and serve as a vehicle for integration.

While not currently involving any of the economies of Northeast Asia, it was also noted that a South Korea-China-Japan FTA and the RCEP are not the only potential vehicles for regional integration in East Asia. The Trans-Pacific Partnership (TPP) agreement could also play a significant role in political and economic integration in the region. The TPP currently involves countries spanning the Asia-Pacific region, including the United States.

Beyond issues related to economic integration, the region also faces difficult security dilemmas. Rivalries exist between China and the United States, as well as China and Japan, while territorial disputes remain unresolved throughout the region and are sources of friction. However, Ren Xiao, professor at Fudan University, suggested that the territorial disputes are not a real burden on the integration process, as countries have continued to move ahead with regional integration and, overtime, the countries in the region will realize that the mutual benefits of regional integration are in their national interest. However, he said that Taiwan's participation in regional integration would be part of cross-strait cooperation.

Dr. Zhao supported this view on territorial disputes. He added that it is the job of states to defend their territorial integrity and that China is unlikely to back down in territorial disputes. To do so could lead to internal instability. However, he agreed that these disputes should not affect the ability of states to cooperate on other issues and suggested that what were needed were efforts to develop common interests.

Beyond the challenges of integration and the role of ASEAN in the process, it is also unclear which states should be involved in regional integration. While the concept of East Asian integration has traditionally been conceived of as consisting of the ASEAN Plus Six grouping (the ASEAN countries plus China, South Korea, Japan, India, New Zealand, and Australia), Igor R. Tomberg, director of the Centre for Energy and Transport in the Institute for Oriental Studies at the Russian Academy of Sciences, argued for a more expansive view from the perspective of the region's energy needs.

If ASEAN has played a leadership or convener role in regional integration, Dr. Tomberg suggested that energy cooperation could also play an important role in the integration process. However, under his vision this would also include the energy suppliers of Central Asia. To illustrate the role that energy cooperation could play in the region, he noted that the proposed Korean Peninsula pipeline could provide economic and political benefits to both Koreas.

While China has supported ASEAN's role at the core of the integration process, it also has a substantive

role to play. After the 2008 global financial crisis, many in the region recognized that China played the largest role in the economic recovery and has served as an engine for increased economic growth and trade in the region. While China's rise has also seen it play a larger political and diplomatic role in helping to foster regionalism and contributing to opportunities for further political and economic integration in East Asia, its rise could lead to conflicts within the regional integration process.

China's role in East Asian integration should be understood from the perspective of China's efforts to develop a peaceful neighborhood. Unlike the United States, which exists in a relatively benign and isolated region, China lives in a neighborhood with more states bordering its mainland than any other country. This means that China places a greater emphasis on the development of a peaceful region for the continuation of its own economic development.

For China, the China-ASEAN relationship is the basis of its regional efforts, with the ASEAN Plus Three (China, South Korea, and Japan) as the main vehicle for regional integration, and the East Asian Summit as a supplement to regional cooperative efforts.

Within China itself, Professor Ren suggested that there is a consensus on China and East Asian regionalism. While there might be minor differences of opinion, the consensus within China is that it should play a positive role in the process. Progress towards integration will be a step-by-step process over a long period of time, though he agrees that historical differences will need to be overcome.

However, it is unclear if the gradual approach with China's current hands-off leadership will be successful in leading East Asian integration. Dr. Zhao suggested that East Asia is at a critical point in its development where more structure and leadership is needed to achieve integration. Yet, China's future role in the process is difficult to define, to say nothing of its current role, especially when it is unclear if political integration is a goal for East Asian leaders. Though, we should expect China to continue in the role of facilitator and enforcer of regional cooperation.

Additionally, since China is closely integrated into the global economy, there are additional incentives for it to pursue greater regional economic integration. In pursuing regional economic integration, China is negotiating a series of FTAs including the RCEP, which includes the ASEAN Plus Six countries, as well as China's bilateral FTA with South Korea and a trilateral agreement in Northeast Asia with South Korea and Japan.

However, according to Professor Choi, for regional economic integration to be successful there will need to be a paradigm shift in economics; specifically how free trade agreements are viewed. First, their needs to be shift away from the use of bilateral agreements towards multilateral agreements such as the RCEP, which offer additional economic benefits.

Second, FTAs need to be seen more for the benefits they provide to consumers than producers. In South Korea, FTAs are often seen as being pro-Chaebol and anti-consumer. More emphasis should be placed on how FTAs benefit consumers' pocketbooks.

Third, FTAs need to be pursued not primarily for their economic gains, but rather as tools to solve problems and create peace and stability in the region. A well-structured FTA with China could help to resolve outstanding irritants and help to contribute to stability and peace. In the South Korea-US FTA (KORUS FTA), many of the concerns of US industry were addressed. An FTA with China could be used to address such issues as unethical business practices, trade remedy measures, and sanitary and phytosanitary issues. In essence, FTAs should be seen as a means for problem solving.

For cooperation in the region to deepen, the example of Europe is instructive. Within the European Union states have ceded a significant amount of sovereignty to central EU authorities. However, it is unclear if the states of Asia are prepared to cede sovereignty to a supranational body at this point in history.

Additionally, in the European case, integration was driven by Franco-German cooperation. In the East Asian case, cooperation could be driven by the interaction of the sub-regional processes of Northeast Asia and Southeast Asia, but Northeast Asia will need to catch up with Southeast Asia in terms of regional integrative development for the two sub-regions to become the engines of integration. For the moment, trilateral cooperation in Northeast Asia makes the most sense.

This means that, despite the challenges, ASEAN is likely to remain at the core of Asian integration for the foreseeable future. Professor Ren notes that because of the mutual suspicions between China and Japan, ASEAN has become an acceptable leadership vehicle for all of the parties involved. This is unlikely to change in the near future, in spite of the structural challenges of ASEAN leading the process of regional integration.

Session 5

Date: December 12, 2012
Time: 13:45–15:00
Place: Lilac and Tulip

China's Economy

Moderator:	Hong Duck-Hwa, Yonhap News Agency
Speakers:	Jin Zhe, Liaoning Academy of Social Sciences
	Kang Jun-Young, Hankuk University of Foreign Studies
	Ku Ki-bo, Soongsil University
	Pan Liang, Global Finance Magazine
	Shen Zhihua, National Defense University
Rapporteur:	Chung Joo Young, Yonsei University
Translator:	Caleb Dependahl, Science Applications International Corporation

In this panel on China's economy, scholars discussed economic-model conversion issues, economic policy changes under the administration of President Xi Jinping and Li Keqiang, and the future direction of China's development.

Hong Duck-Hwa, vice-editor of Overseas Korean News Desk at Yonhap News Agency, commenced the panel by observing that the 18th National People's Congress has concluded and China's economy is undergoing changes in a new environment. Facing numerous potential crises and challenges, the new generation of Party leadership will make extremely important decisions on economic policy, especially regarding monetary and fiscal policy. He expected President Obama to win a second term and take a tougher stance on increasing the value of China's currency. General Secretary Hu Jintao has clearly stated in political reports that China will neither cling to outdated and isolationist methods, nor undergo radical change. What are the implications of these events for China's economic development?

Jin Zhe, chairman of the Institute of World Economy at Liaoning Academy of Social Sciences, began his remarks by addressing the adjustment of China's development philosophy. Mr. Jin stated that in the 18th National People's Congress, China's development path and external relations shifted from the usual confrontational tone to one that is tolerant. China's change has come about after having undergone confrontation and conflicts in the past. In the past, China's core socialist values demanded a critique of the Western values of democracy, freedom, and equality. Yet China now acknowledges the contributions of Western civilization, and embraces Western democracy, freedom, equality, fraternity and other values. He observed that there has also been a change in China's thinking on strategy in foreign relations, emphasizing equality, mutual trust, tolerance, harmony and common prosperity. At meetings with foreign guests, President Xi announced the three major elements of China's development. First, China needs the support of the peoples of the world. Second, China needs to be open to the world and learn from it. Third, China needs to pursue common development with all countries of the world.

Mr. Jin argued that China has commenced a new stage in its economic development model for Northeast China. Development in Liaoning Province is in a new formative phase. In 2011, Liaoning Province's GDP was 2 trillion renminbi. It relies on scientific innovation for development, and its development strategy has been to first open up to the coastal economic belt. Second, Liaoning has focused on promoting economic integration with Shenyang. Its third strategy has been to use the economic development of coastal areas to drive the more undeveloped areas of western and northern Liaoning. The economic situation in Liaoning Province is a microcosm of the economic situation of China overall. It is estimated that by 2020, the Shenyang Economic Zone may reach a level of development to become competitive in Asian markets.

The following tactics, Mr. Jin continued, have been employed in pursuit of these economic strategies. The first is the establishment of scientific centers. By 2011, Liaoning Province already established 35 national-level centers for science and 44 provincial-level centers. The second tactic is adjustment of the industrial structure. Shenyang belongs to this model. Finally, each province has focused on improving competitiveness in their key industries, such as equipment manufacturing in Shenyang, software in Dalian, and metal processing in Liaoning Province. These areas enjoy economic development through pursuit of the above strategies and in cooperation with the economies of Northeast Asia.

Kang Jun-Young, professor of Graduate School of International and Area Studies at Hankuk University of Foreign Studies, used is expertise in economics to discuss China's economic problems from a broader perspective, with particular focus on China's economic ideology. He argued that the reason China established a socialist country was initially to confront the ills of capitalist countries. However, in order to overcome poverty, Deng Xiaoping advocated reform and opening up and building socialism with Chinese

characteristics. Deng Xiaoping's reform and opening up and "allow some to get rich first" theory brought about China's economic development, but also created the current problems of wealth disparity and uneven distribution. To solve these problems, Professor Kang opined, there needs to be an inclusive approach to development while maintaining intensive economic growth.

Professor Kang stated that in March of 2013 there will be new ruling leadership, but the work experience and economic views of Xi Jinping and Li Keqiang are different. Xi Jinping worked in Fujian Province, Zhejiang Province, and Shanghai—regions that enjoy good economic conditions and high levels of industrial development. However, Li Keqiang was born into the Communist Youth League, served as Party Secretary of Henan Province and Liaoning Province, and was in contact with the poor. The devel opment of the coastal areas of Zhejiang and Shanghai has followed the model of welcoming foreign investment to stimulate the economy, but development in Henan and Liaoning has been based on fostering local development. Because of the difference in the backgrounds and work experience of Xi Jinping and Li Keqiang, their views on economic development also differ. How they adjust and manage these differences will be the key. Also, in 2013, after Li Keqiang becomes Premier, Premier Zhang Gaoli may become a Vice Premier. Zhang Gaoli previously worked in Tianjin, and Tianjin is another city that has welcomed a large volume of foreign investment for economic development.

Professor Kang argued that China's current situation is not so simple. Foreign scholars are now concerned about who will serve as the main leaders in economic policy, and how they will reconcile their differing views on China's economic development and future path. How China's leadership adjusts and attempts to bring these different orientations together is of great significance to China's development. Professor Kang concluded by noting that Sino-US relations are also very important, especially with regard to trade disputes and the issue of appreciation of the renminbi. South Korea is also paying close attention to these issues.

Ku Ki-bo, professor at Soongsil University, began with the observation that economic, political, and cultural exchanges between China and South Korea have developed rapidly in a short period of time. Because China-ROK relations have developed in this manner, Professor Ku believes a number of problems have developed as well.

First, investment from Korean companies improves the employment rate in China, export-led growth, and contributes to overall economic growth. But, in recent years, this investment is playing new roles, including upgrading China's industrial structure.

Second, the scale of trade growth is unbalanced. South Korea's trade dependence on China is too high, which, Professor Ku stated, is also a concern of the United States. Furthermore, Korea's high economic dependency on China will influence North-South relations after reunification, which may encourage the two Koreas to remove the influence of the United States.

Third, capital flows between China and South Korea is largely in one direction—from South Korea to China—with a smaller proportion of Chinese enterprises investing in South Korea. However, Korean companies have reduced investment in China over the past several years. This is because of increased labor costs in China, the reduction of the Chinese government's preferential policies towards foreign-funded enterprises, the global financial crisis, and the appreciation of the renminbi.

The fourth problem Professor Ku presented involves the procedures for South Korean enterprises to leave China, as they require the support of the Chinese government. At present, the procedures require one or two years for enterprises to fully withdraw from China. The incomplete withdrawal of Korean compa nies, Professor Ku stated, is another problem that must be solved.

Fifth, the focus of South Korean investment in China has changed. In the past, Korean companies invested in China mainly to reduce production costs, and, in particular, to take advantage of low-cost labor. However, Korean companies are now working to develop the Chinese domestic market. This is an important change.

The final issue Professor Ku raised involves the Korean free trade market; namely, the FTA. Professor Ku concluded that, in order to promote the development of China-ROK relations, there must be mutual understanding of each other's respective positions and interests. For example, because South Korea is very sensitive to its agricultural industry, China must take this into consideration when negotiating for a China-South Korea FTA.

Pan Liang, member of the Editorial Board at *Global Finance Magazine*, observed that China is in the midst of transforming its economic goals. At the 18th Party Congress, it was announced that China would "not return to the old, isolated path, nor would it change its social system." To "not return to the old, isolated path" means China should continue on the road of the market economy and not return to a planned economy. That China would not "change its social system" refers to the socialist market economy, which was first put forth in 1992 at the 14th Party Congress. Mr. Pan argued that the goal of China's economic reforms is to build a socialist market economy. However, there are fundamental differences between

China's socialist market economy and the capitalist market economies of Europe and the United States.

The goal of the socialist market economic system is common prosperity. However, Mr. Pan went on, it is necessary for a portion of the populace or country to become wealthy first. The "allow some to get rich first" theory is not the goal, but a means in reaching the final goal. Therefore, as long as common prosperity is being realized, it is a true socialist market economy. On the other hand, the capitalist market economies of Europe and the United States are fundamentally unable to achieve common prosperity, Mr. Pan argued. This is because of the pursuit of personal interests to maximize profits under private ownership. This is the irrationality of producing capital. In the West, during the financial crisis of 2008, Mr. Pan stated that the irrationality of pursuing capital is what created economic losses for society as a whole. The irrational, non-harmonious capitalist economic systems of Europe and the United States and the socialist market economy of China are not the same. Mr. Pan concluded that as China moves forward with its socialist market economy, it points to the importance to the shared prosperity of distribution.

The final panelist, Shen Zhihua, professor at National Defense University, argued that there are four major issues concerning China's economic transition. The first question concerns the goal of China's economic restructuring: Where is China coming from and where is it going? The second question asks why China is moving from its present position to the next. The third problem is whether this transformation will be an easy or difficult thing to do. What might be the difficulties? The fourth question is whether this is something to solve or overcome. If solvable, from where will the resolution to any difficulties that may arise come?

Both yesterday and today, Professor Shen observed, many of the scholars at the conference expressed great interest in how China's new leadership might change China. Many focused on the personality traits of individual leaders and their past experiences. However, Professor Shen argued, the nature of China's economic transformation is such that it is not dependent upon the personalities or experiences of individuals. The transformation involves completely changing the management of China's domestic and international affairs, and this change, Professor Shen stated, is necessary.

If a change does not occur, Professor Shen posited, China will experience economic problems. Over the past few decades, China has solved the issue of feeding its people. After resolving this, the Chinese people had new needs. They needed more vigorous education, medical and insurance systems, as well as the promotion of democratization. In response to the requirements of the Chinese peoples' living standards and the requirements of the lower class, Professor Shen observed that it is social conflict and corruption that have guided the transformation of the Chinese economy. Professor Shen concluded that China must transform from a backward-looking developmental pattern to an economic development model.

Session 5

Date: December 12, 2012
Time: 13:45-15:00
Place: Cosmos and Violet

Cross-Strait Relations

Moderator:	Ha Jong-Dae, Donga Ilbo
Speakers:	Liou To-hai, National Chengchi University
	Moon Heungho, Hanyang University
	Park Doo Bok, Korea National Diplomatic Academy
	Wang Xiangsui, Beijing University of Aeronautics and Astronautics
	Zhou Yongsheng, China Foreign Affairs University
Rapporteur:	Wang Yali, Korea University
Translator:	Caleb Dependahl, Science Applications International Corporation

Liou To-hai, professor at National Chengchi University, began the panel discussions by noting how the development of Cross-Strait relations is a credit to the wisdom of the leaders of both sides. Interaction across the Straits began with Deng Xiaoping's "Reform and Opening" in 1979 and Chiang Ching-kuo's lifting of martial law in 1987. Lee Teng-hui's "1992 Consensus" was the first step in the initial formation of a mechanism for Cross-Strait dialogue, with the two sides formally meeting in 1993. Under Chen Shui-bian's administration, the Cross-Strait relationship became tense, and Hu Jintao made policy adjustments accordingly. During Lien Chan and Song Chuyun's official visit to Beijing, the leaders of the two sides held consultations to simplify the procedures for Cross-Strait exchanges, thereby opening up the agriculture and fishery industries and further promoting Cross-Strait relations. In 2008, Ma Ying-jeou became Taiwan's new leader and utilized single-issue interactive exchanges to broaden the range of activities across the Straits, thereby opening a new phase in Cross-Strait relations.

Professor Liou believes that with the re-election of Ma Ying-jeou and the new Xi Jinping administration, Cross-Strait relations will enter a new stage once again. The main characteristics of this stage are that the two sides are further strengthening economic integration and promoting the possibility of political reconciliation. However, these hopeful prospects are not without their own series of challenges. For Taiwan, whether it is internally or externally, the pressures it is facing are becoming greater and greater. Internally, Ma Ying-jeou's policies have not received the support of all Taiwanese citizens. Under international pressure the two sides signed the Economic Cooperation Framework Agreement (ECFA), but subsequent agreements failed to meet timely completion. Externally, pressure from the international community had a definite impact on both sides signing ECFA. At the same time, the Korea-US FTA, the negotia-

tions for a China-Japan-Korea FTA, and US pressure have caused Taiwanese exports to fall. All of these internal and external factors could potentially affect Cross-Strait development trends. For these reasons, Professor Liou concluded that the future of Cross-Strait relations will face numerous variables and challenges requiring the joint efforts of the leaders on both sides.

Moon Heungho, dean of Graduate School of International Studies at Hanyang University, discussed four core issues of concern in his analysis of Cross-Strait relations. First, there lies a problem in the political definition of Cross-Strait relations. How does one reconcile the contradiction between the “One China” principle and the reality that the two sides are separated? In theory, we accept the “One China” principle, that Taiwan is an inalienable part of China. However, from a practical point of view, we should also accept the current separation of China and Taiwan. Therefore, how to explain the relationship between these two concepts and how they affect the current and future state of Cross-Strait relations holds very important significance. The views of the United States on this issue also play a decisive role.

Second, Professor Moon argued that a problem lies in Cross-Strait people-to-people exchanges. The policy differences between Taiwan’s Democratic Progressive Party (DPP) and Chinese Nationalist Party (“Kuomintang” or KMT) towards mainland China are great, but they do hold the same attitude towards non-governmental exchanges. Although the current policy of “No Unification, No Independence” is capable of maintaining the status quo, Professor Moon believes this is not a permanent solution. As to whether ECFA is conducive to the development and growth of Taiwan, there is a great difference between the two parties. On one side, the KMT believes that the agreement will bring a lot of positive and beneficial effects, and should therefore be effectively promoted. On the other side, the DPP believes that the agreements are not beneficial for each class, and with the passage of time, the efficiency of this agreement will decrease.

Third, Professor Moon continued, there are important differences and similarities between Cross-Strait relations and North-South relations. Although both the historical background and current status of the latter is different, there still remain several similarities between the two. How to explain the similarities

and differences is an interesting subject. Professor Moon posed the question of to what extent such similarities or differences are due to the national character of the people of China and South Korea or to understandings held by the leaders of both countries.

The final point that Professor Moon raised dealt with changes in Cross-Strait relations since Xi Jinping’s rise to power. From 1985 to 2002, Xi worked in Fujian province and personally experienced the changes in the development of Cross-Strait relations. Representing a new generation of leaders in China, his view on Cross-Strait relations and whether or not he can correctly understand the essence of this relationship will undoubtedly affect future relations, policies, and reforms.

Park Doo Bok, professor emeritus of Korea National Diplomatic Academy, stated that Cross-Strait relations are at the best that they have been in the past 40 years. Ma Ying-jeou's re-election and Xi Jinping’s assumption of office suggests that the two sides will continue to adjust policies and maintain the existing relationship, going even further in establishing a relationship of mutual trust. For now, the conditions are not yet ripe for the two sides to sign a peace treaty, and mainland China will not apply pressure on Taiwan. Therefore, in taking a long-term view of Cross-Strait relations, Professor Park argued that there should not be any great changes. Even if conflicts arise in political negotiations, this should still remain the case.

Professor Park stated that part of the Chinese mainland believes that too many concessions are given to Taiwan and hope that Ma Ying-jeou will be able to clearly express support for “One China.” There are also some people who think that while the ECFA could play a role in promoting Cross-Strait economic exchanges, if the two sides are too slow to carry out substantive discussions, the value of the agreement and the outcome of Cross-Strait exchanges and trade could be compromised.

Professor Park raised two further points. First, Taiwan has an internal need to establish consensus on Cross-Strait development. The Communist Party of China (CPC) has already established party-to-party relations with the KMT government, but it should also establish a similar relationship with the DPP. This would aid in the establishment of a consensus on Cross-Strait negotiations within Taiwan. As for mainland China’s problems in negotiation policy on Taiwan, they should avoid excesses and maintain a pragmatic attitude, avoid pressuring Taiwan, and push policy negotiations forward based on the establishment of mutual political trust.

At present, Professor Park continued, if the two sides wish to seek common ground and areas for cooperation and mutual benefit, they should pursue commonality in issues such as economic growth. To seek cooperation and find commonality, it is important that Taiwan establishes a consensus on negotiations within the government. The government of mainland China has already established party-to-party relations with the KMT, while following the last elections; the DPP put forward requirements for adjusting the tone of Cross-Strait relations strategy. Therefore, mainland China should assist the DPP in building

political trust, and on this foundation restart negotiations and discussions on policy issues. Professor Park concluded that the most important issue is the deepening of mutual trust between the two governments, and that the two sides properly view the importance of inter-party relations and policy negotiations.

Wang Xiangsui, professor and director of the Strategic Studies Center at Beijing University of Aeronautics and Astronauts, argued that four (Chinese) words can sum up the changes in Cross-Strait relations. The first word is "timetable." In the 1980's, Deng Xiaoping hoped to take advantage of their long mutual history to achieve reunification, but did not fully take into account the variability and complexity of Cross-Strait issues. Thus, the issue of reunification of the two sides continues to this day.

The second word is "bottom line." During the Li Teng-hui, Chen Shuibian, and Jiang Zemin administrations, Cross-Strait relations saw the continuation of the "No Independence, No War" status for a period of time, during which both sides sought to find each other's "bottom line" amid a tense relationship.

The next word is "consensus." During the Ma Ying-jeou, Lien Chan, and Hu Jintao Administrations, Cross-Strait relations improved and mutual understanding was deepened. Consensus was reached on the anti-secession law, and Cross-Strait relations went from pointing the finger at each other to traveling in the same direction.

The final word is "cooperation." This cooperation between the two sides of the Taiwan Strait is primarily economic cooperation, and it mainly relies on the power of enterprise.

Professor Wang also noted that the future development of Cross-Strait relations can be summarized in two words. The first word is "peace." The 18th National Congress of the CPC put forth an explicit proposal to create the full conditions for peaceful reunification. Peace is the key for Cross-Strait relations.

The second word is "uncertainty." Conflicts between Taiwan's two parties and the US "Pivot to Asia" policy create many uncertainties for the future of Cross-Strait relations. Since Taiwan is a two-party system and the policies of the DPP and KMT vary, there are many conflicts between the two parties that affect Taiwan's stability and domestic unity.

Professor Wang believes that foreign relations are much more important in Cross-Strait relations. Although the United States remains relatively neutral on Cross-Strait issues, its alliances in Northeast Asia affect its interests in the region. In 2011, when the United States announced its high-profile return to the Asia-Pacific region, the China containment issue returned, and the Korean Peninsula again heated up. As to whether Cross-Strait relations will experience new problems as well, Professor Wang concluded that it remains to be seen.

Zhou Yongsheng, professor at China Foreign Affairs University, presented a review of the current status of Cross-Strait economic cooperation. The first aspect he discussed was transport and telecommunications. In December of 2008, the two sides achieved the "big three links," the Xiamen- Jinmen underwater cable officially opened in August 2012, and preparatory construction work has been ordered for the Fuzhou-Tamsui underwater cable project. The second aspect involves finance. Following the two sides signing the ECFA in 2010, on August 31, 2012, the two sides signed a memorandum of cooperation on Cross-Strait currency clearing and financial cooperation. This created a clear deepening of cooperation in finance. The third aspect is trade. The ECFA began the second phase of tariff reduction on January 1, 2012, which quickly resulted in 94 percent of the total number of goods achieving zero tariff status.

One other Cross-Strait link that Professor Zhou discussed was tourism. Statistics show that in 1987, more than 40,000 people traveled from Taiwan to mainland China. In November 2012, mainland tourists to Taiwan reached 1.8 million people, accounting for 35 percent of Taiwan's inbound tourism. It is expected that by 2012, Cross-Strait personnel exchanges will exceed more than 700 million. This shows that the active cooperation of the two sides in the areas of transport, telecommunications, finance, trade, and tourism have made remarkable achievements.

According to Taiwan's "United Daily News," surveys show that more than 70 percent of Taiwanese people feel that Cross-Strait relations are in a good state. At the same time, mainland Chinese people hold that "blood is thicker than water." Therefore, the future development of Cross-Straits relations rests on a strong base of popular support.

However, Professor Zhou also pointed out that we should not overlook some of the problems that still exist between the two sides. First, the procedures mainland Chinese must go through to enter Taiwan have yet to be simplified. The "three big links" were realized four years ago, but it is still a complicated process for mainland Chinese to travel to Taiwan.

Next, the proportion of trade in goods needs to improve for Cross-Strait economic and trade cooperation to continue. In the ECFA, early harvest products only account for 10 percent of Cross-Strait trade out of more than 8,000 kinds of products. Cross-Strait cooperation in deep-water areas still needs to open up further as well.

In conclusion, Professor Zhou pointed out that in the present context, neither side of the Taiwan Strait should be the first to rush to conduct political negotiations. This is because political negotiations will necessarily involve the rights of distribution. Instead, the two sides should further establish a common market, work to expand the scope of ECFA cooperation, achieve the total abolition of quantitative and tariff restrictions, and fully realize Cross-Strait free trade flows.

Session 6

Date: December 12, 2012
Time: 15:15-16:30
Place: Orchid

China-North Korea Economic Cooperation

Moderator:	Yin Zhibo, People's Daily
Speakers:	Jin Jingyi, Peking University
	Lee Heeok, Sungkyunkwan University
	Man Haifeng, Eastern Liaoning University
	Park Byung Kwang, The Institute for National Security Strategy
	Shi Yuanhua, Fudan Universtiy
Rapporteur:	Song Wenzhi, Yonsei University
Translator:	Caleb Dependahl, Science Applications International Corporation

Jin Jingyi, professor at Peking University, commenced the panel by discussing the reasons behind the recent strengthening of China-North Korea economic cooperation as well as the impact these changes have had on North Korean domestic economic reforms. He believes that these recent changes are due to several factors. First, the center of China's regional development focus has been transferred from the Pearl River Delta region to Northeast China with the "Northeast Revitalization Plan." However, because much of Northeastern China is landlocked, there is a great need for access to North Korean ports, which naturally requires the cooperation of North Korea. Second, North Korea is also implementing economic development programs, including the construction of special economic zones, and North Korea's economic development in these areas is inseparable from China's resource and technical cooperation. Third, after Lee Myung-bak's administration took office, North-South relations were interrupted and North Korea only had China to rely upon.

As to the character and significance of China-North Korea economic cooperation, Professor Jin believes these exchanges could influence North Korea to accept Chinese investment in accordance with the rules of a market economy, commence trade exchanges with China, and develop the relevant laws and policies. The first point is that during the Cold War, economic exchange between China and North Korea were on the basis of planned economy to planned economy, not a market economy to a planned economy. In order for North Korea to accept Chinese investment and economic exchanges, there must be some institutional adjustments.

Next, in the past, the economic and trade relations of China and North Korea could primarily be charac

terized as blood transfusions from China to North Korea. North Korea must learn to "produce their own blood." One such example is the Da'an glass factory. Although it was funded with Chinese aid and the two countries constructed it together, the internal management is entirely made up of North Koreans. Lastly, China-North Korea economic cooperation is not a zero-sum game, but a win-win relationship. This is a marked change from the past, in which political interests were above economic interests.

The geopolitical situation on the Korean Peninsula reflects the geostrategic conflicts of the great powers. In relatively recent history, China, Japan, and Russia have all competed over their interests in the Korean Peninsula. Thus, we witnessed the Sino-Japanese War and the Russo-Japanese War. Today, there are still some big powers seeking their own political interests in the region that would like to take advantage of the divided state of the Korean Peninsula. The development of economic relations between China and the DPRK will help change the geopolitical environment of the peninsula. Economic cooperation, said Professor Jin, will solve the problem of the Korean Peninsula.

In his closing remarks, Professor Jin noted that North Korea is not like China and cannot undertake large-scale reforms. Also, North Korea does not yet possess the determination to do so. It will require the economic cooperation between China and North Korea to guide North Korea's opening. For South Korea, this cooperation can also play a primary role in paving the future of North-South cooperation.

Lee Heeok, professor at Sungkyunkwan University, discussed the political factors that should be considered when discussing economic cooperation between China and North Korea. He first mentioned the concept of the "influence dilemma." China has more influence on North Korea than any other country and will continue to expand it in the future, but if China attempts to exert influence on North Korea, it actually loses influence. Conversely, if China does not attempt to exert any influence, it loses influence again. For example, after North Korea's second nuclear test, when facing China's sanctions, North Korea immediately met the United States for talks. Also, North Korea worries that their dependence on China

immediately met the United States for talks. Also, North Korea worries that their dependence on China is too great, and that this could potentially threaten their security. Lastly, China and North Korea differ in their desired targets for development. China is more concerned with gaining access to a North Korean port to reduce logistics costs and contain Japan, while North Korea hopes to develop the Huangjinping area.

With respect to North Korea's economic reforms, Professor Lee believes that as the Kim Jong-un regime gradually consolidates its power and re-strengthens the party-state system, its great concern will be nuclear development. However, for long-term development, North Korea will devote more attention to the economy and this will lead to reforms in the future. In addition, when viewing China's experience and development while the moral character of entrepreneurs does not appear to be too high, they have maintained relatively good relations with the Chinese government. Professor Lee concluded that this model of reform in which entrepreneurs work closely with the government did not bring danger to China. Therefore, North Korea will be in no danger when it opens its markets either when business relations between the government and entrepreneurs become close.

Man Haifeng, director of the Institute of the North Korean Peninsula at Eastern Liaoning University, focused on the challenges to China-North Korea-South Korea cooperation and the role the city of Dandong in Liaoning province plays as a bridge for economic cooperation between China and North Korea. He believes that since the 1980s, cooperation has become the theme of social development, and each region has engaged in different forms of cooperation according to the unique characteristics of their region. However, this cooperation needs a premise, and that is to seek common ground while reserving differences.

Professor Man believes that this concept is more prominent in North Korea border cooperation. He believes that the status quo behavior in market economy relationships is that of competition. This is an objective reality, but competition has two results. The first is one party devouring the other party, while the other result can be seeking mutual benefit. Companies in other countries also apply this principle. Also, each country should play to their strengths. For example, South Korea should make use of its capital, science, and technology, while North Korea should make use of its comparative advantage in labor.

Professor Man also discussed the role Dandong plays in the economic cooperation between China and North Korea. Since China launched the process of revitalizing the economy of Northeastern China, Liaoning Province has achieved double-digit growth. However, Dandong has not experienced any large increase. This is mainly due to the security situation at the border, as well as the difficulties faced between the market economy of China and North Korea's planned economy. Professor Man believes that Dandong should play to its own geographical advantages and play a greater role as a bridge between the economies of China and North Korea.

Park Byung Kwang, senior research fellow at the Institute for National Security Strategy, analyzed the background and significance of China-North Korea economic cooperation. He believes that the reason why China and North Korea are strengthening economic cooperation is connected to China's strategic judgment. This can be seen in China's hopes for North Korean regime stability, the resolution of the North Korean nuclear issue, maintaining influence on North Korea, and guiding North Korea towards reform and opening. This is also connected to North Korea's need for economic assistance and aid from China.

Dr. Park also analyzed the significance of China-North Korea economic cooperation from South Korea's perspective. He stated that while some South Koreans worry North Korea might become the fourth northeastern province of China, this is basically impossible. This is because North Korea has always sworn to the *Juche* ideal and, by nature, values its autonomy. Lastly, he stressed that the South Korean government can learn from China's handling of Cross-Strait relations; focusing first on the economy and then on politics and, in this manner, improve North-South relations.

Shi Yuanhua, director of Korean Studies Center at Fudan University, outlined four strategic considerations for the strengthening of China-North Korea economic cooperation from China's point of view. First, economic cooperation between China and North Korea has opened a new path to solving the North Korean nuclear issue. During the Cold War, the two Koreas were balanced, but with the collapse of the Soviet Union the northern triangular alliance ended. However, the southern triangular alliance remained, and the increasing military might of the ROK-US alliance started to threaten North Korea. The strategic balance that existed during the Cold War then disappeared, and the result was North Korea's development of nuclear weapons to restore balance to this relationship. Therefore, to get North Korea to abandon its nuclear program, China must foster the bilateral economic relationship to lead North Korea back to the international community. Dr. Shi argued that only in this manner can North Korea be led to gradually recognize that there is no place for nuclear weapons on the path to economic development.

Second, Dr. Shi stated that North Korea should not be dismissed from Northeast Asian cooperation, and the economic cooperation between China and North Korea is pushing North Korea towards integration with the rest of Northeast Asia. North Korea and Mongolia are often absent from discussions on regional cooperation in Northeast Asia, and this approach is unreasonable. She stated that North Korea should be brought into regional cooperation and North Korean issues be dealt with under framework agreements of Northeast Asia.

Third, China-North Korea economic cooperation is a new point for economic growth in the region. As China is implementing the Northeast Revitalization Plan and North Korea is also developing the economy in special zones, economic cooperation between China and North Korea will affect the entire region and bring new development opportunities.

Fourth, Dr. Shi continued, there must be a new model of harmonious diplomacy. The past model of ROK-

US threat diplomacy has not solved the North Korea problem. After reviewing the results of the past several years of ROK-US policy, Dr. Shi argued that threat diplomacy has not achieved its desired effects. Therefore, Dr. Shi believes that the United States, Japan, and South Korea must change their diplomatic approach. China's policy shift on North Korea is based on Premier Wen Jiabao's visit to North Korea in October of 2010. Previously, China was together with the United States, Japan, and South Korea in stressing the North Korean nuclear issue and expanding the Six-Party Talks with this at its center. There was progress, but the goal was never achieved. Now, while China continues to be concerned with the nuclear issue and continues to collaborate with the United States, Japan, and South Korea, new focus has also been given to strengthening economic cooperation and bringing North Korea into the international community. Symbols of this can be found in Huangjinping, the development of Weihua Island, the restoration of the Yalu River Bridge, and the renting of a North Korean port. In 2011, North Korean trade volume with China accounted for 89 percent of its total trade. This was irregular, and mainly due to President Lee's policies towards North Korea, which led to the deterioration of relations between the South and the North. However, Dr. Shi believes these policies may change with the election of a new president in South Korea.

Dr. Shi's final point was that when it comes to the issue of South Korean companies participating in the economic cooperation between China and North Korea, there is room for South Korean companies to invest heavily in Northeast China. South Korean companies could do so under China's name, but this would also be subject to North Korea's policies. Dr. Shi concluded that it is up to the next president of South Korea to adjust current policies on North Korea and improve North-South relations, or North Korea may not accept the entry of South Korean companies.

Yin Zhibo, senior reporter of the *People's Daily*, concluded the session, saying "China-North Korean economic cooperation can be said to be 'small scale and not so developed,' and China-North Korean relations can be characterized as 'inconsistent and messy.'"

Session 6

Date: December 12, 2012
Time: 15:15-16:30
Place: Lilac and Tulip

Ethnic Minorities in China

Moderator:	Hwang Jaeho, Hankuk University of Foreign Studies
Speakers:	Dong Qingling, University of International Business and Economics
	Jin Qiangyi, Yanbian University
	Lee Dong Ryul, Dongduk Women's University
	Shen Dingchang, Peking University
Rapporteur:	Niu Xiaoping, Seoul National University
Translator:	Caleb Dependahl, Science Applications International Corporation

As the Korean ethnic minority group in China is comprised of over 1.9 million people, South Korea is very concerned with Chinese ethnic minority issues. Jin Qiangyi, director of the Center for North and South Korea Studies at Yanbian University, pointed out that so-called "minority issues" have actually been formed in modern times due to significant changes to regional political structures and other historical reasons. In a country such as China, with 56 ethnic groups forming one political entity, there are both widespread interactions between these peoples, as well as problems. After undergoing decades of the socialist construction process, many minority issues have already been resolved. Therefore, from a political point of view, discussing China's policies towards ethnic minorities is a positive issue. Taking the Korean minority group as an example some will highlight negative phenomena, but Professor Jin holds that the Korean minority group in China has never experienced a better state of democratic relations. The conflicts that existed between groups during the Cultural Revolution have disappeared, and each exists together now in harmony.

Professor Jin further pointed out that following the continual improvement of China's social and political systems, the friction between various ethnic groups and cultural differences will gradually dissipate. Therefore, generally speaking, existing policies pertaining to ethnic minorities in China are quite suitable for China's multi-ethnic society, and they are conducive to the promotion of national unity and integration.

Professor Jin noted that some foreign scholars of China's ethnic minority policies are quite critical of the Chinese government, believing that there are problems with all of China's policies. Any policy that persecutes minorities is poor policy, but implementing and promoting policy towards ethnic minorities involves the policy of assimilation. In this regard, Professor Jin encouraged scholars engaged in this research to

go out, conduct field interviews, and investigate in this manner.

As to the question of the relationship between the Korean minority group and the two Koreas, Professor Jin believes that all three should explore their common cultural roots, strive to foster their maternal ethnic culture, and promote the development of China-South Korea, China-North Korea, and North-South relations. Finally, they should work to promote the peace process on the Korean Peninsula, and lay the foundations for further stable development of Northeast Asia.

Lee Dong Ryul, professor at Dongduk Women's University, began his remarks with the observation that at the 18th Party Congress, China once again referred to the great rejuvenation of the Chinese nation. This is certainly not a new concept as it was put forward a long time ago. For multi-ethnic countries like China, ethnic unity is an important factor in maintaining national unity. Amongst the 55 ethnic minorities in China—with the exception of Xinjiang and Tibet—all ethnic groups and regions are basically stable. Professor Lee believes that the Chinese government is using economic development in Xinjiang and Tibet to facilitate assimilation. Economic development is particularly rapid in Tibet, yet the effects do not directly improve the living standards of the Tibetan people and they remain unsatisfied. To this, Professor Lee believes that compared to economic development, Tibetans place much more value on identity, ethnic culture, and traditional religion.

Professor Lee pointed out that there have been two important opportunities for improving China's policies towards Tibet. The first opportunity was in 2001. After the event of September 11, 2001, a wave of recrimination was set off throughout the world. Following this, much of the outside world's position on Tibet underwent a great change. The former "freedom fighters" became a terrorist organization, and the Chinese government accordingly took a tougher stance to repress their separatist activities. After this, when China hosted the Olympic Games in 2008, a number of these separatists demanded Tibetan independence and actively worked to spread these views. This sparked the unifying of Han Chinese.

Professor Lee further argued that in earlier stages, advocates of Tibetan independence were mostly Buddhist, and the ways in which they fought for independence were more peaceful. However, following the emergence of terrorism, Tibet isolated itself in the eyes of the international community. Their sense of crisis has become stronger and stronger, the methods they adopt have become even more extreme and intense, and this will undoubtedly affect the stability of Chinese society.

Professor Lee believes that it would be very difficult for Tibet and Xinjiang to achieve independence and that even their proposed requirements for a higher degree of autonomy are unlikely to come to pass. From the Chinese government's perspective, if they continue to employ harsh measures against them, it may result in unintended and unwanted consequences. In order to alleviate the sense of crisis felt by independence advocates, Professor Lee believes the government should adopt more tolerant policies.

Shen Dingchang, director of the Center for Korean Studies at Peking University, began by reiterating the previous panelists' observation that China is a multi-ethnic country and has therefore always attached great importance to minority issues. When the People's Republic of China was newly formed, the central government established the State Ethnic Affairs Commission which was tasked with addressing minority affairs. Despite ethnic minorities making up a very small proportion of the population as a whole, being less than 10 percent, they are still dispersed throughout the country because of recent economic development and population mobility. As for areas with a higher concentration of minority groups, they are mainly concentrated in the west and border regions. For a long time, the Chinese government has developed and improved policies pertaining to minorities, and has created a series of policies to promote national unity and shared development.

Dr. Shen then gave a brief introduction of China's ethnic minority policies. The first policy is upholding ethnic equality and unity. This can even be seen in the flag of China, being a symbol of the unity of all ethnic groups. Second, China upholds regional ethnic autonomy, granting a high degree of autonomy to ethnic minorities. China has five autonomous regions for minority groups, as well as over 30 autonomous prefectures and more than 100 autonomous counties. Third, the Chinese government has exerted great effort in developing the economies of these areas. In the late 1990s, China put forward the Western Development Strategy to give minorities a large degree of support and to promote economic development for minorities concentrated in the northwest region. Fourth, the Chinese government has worked to develop the ethnic culture and education industries. To this end, China has established an ethnic minority culture publishing house and translation bureau. These have played a positive role for minority cultural heritage.

The fifth policy is the training of leaders from ethnic minority groups. Both the Central University for Nationalities, regional universities for nationalities and short-term training programs have provided effective channels for the training of talented personnel. This training includes the fields of party and govern

ment, economy, science and technology, culture, education, health, and other aspects of minority talent cultivation. Additionally, in the Chinese People's Congress, the proportion of representatives that are ethnic minorities has been improved.

The next two policies are the use and development of ethnic minority languages, and granting ethnic minorities a variety of preferential policies, such as bonus points for entrance examinations, allowing multiple children, and so on. The eighth point is respect for the cultural and religious practices of ethnic minorities.

Since the founding of the People's Republic of China, ethnic minority policy has played a positive role in promoting national unity and social stability. At the same time, Dr. Shen pointed out that imbalances still exist between Han Chinese and minority groups, and finding how to deal with these issues is still a problem. Furthermore, inequalities between ethnic minorities have tended to increase. In developing ethnic minority policies, the focus on comprehensiveness and synchronization is very important. Moving forward, friction between ethnicities cannot be ignored. Dr. Shen concluded that, if improperly managed, these frictions may cause problems to worsen.

Dong Qingling, assistant professor at the University of International Business and Economics, began with the observation that because China is made up of 56 ethnic groups, maintaining peace and stability among them in a country of 9.6 million square kilometers is a great challenge. Professor Dong pointed out that many countries neighboring China, including Kazakhstan and Russia, are comprised of many ethnicities. However, China differs from them because it is difficult to find instances of ethnic oppression in China. While cultural diversity amongst the various ethnic groups in China varies widely, basic ethnic conflicts do not come from political injustice. Most of the so-called minority issues are connected to the decision that was made in 1978 to prioritize the economic development of the eastern portion of the country. After the adoption of this strategy, the eastern part of China developed very quickly, while the west developed more slowly due to the limitations of natural conditions. This led to high concentrations of Han Chinese in the well-developed east and high concentrations of ethnic minorities in the comparatively undeveloped west, thus creating a large degree of regional inequality. Therefore, we can say that Chinese minority issues primarily revolve around economic rebalancing.

As can be seen from the former administration's efforts, China has begun to seriously promote its Western Development Strategy. An increasing number of government officials share origins in western China and, Professor Dong continued, there is definite commitment to the redistribution of economic interests amongst ethnic groups. The goal of China's ethnic minority policies is national prosperity and national co-prosperity. Professor Dong further pointed out that if China wishes to maintain its rapid economic development, it is very important that China promotes policies for balanced economic development across regions and ethnic groups.

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As to the future direction of China's policies towards minority ethnic groups, Professor Dong believes the Chinese government will continue to pursue economic balancing between ethnic groups to promote national unity. Mutual understanding between peoples and in this manner shapes national identity. For special cases such as Xinjiang and Tibet, Professor Dong pointed out that these political-ethnic conflicts generally occur in border areas, and these types of national problems are often influenced by the international political environment.

In the future, Professor Dong believes that China should promote ethnic minority policy in two ways. First, domestically, China should continue to promote economic cooperation in order to promote reconciliation between ethnic groups. Second, in foreign policy, China should pay more attention to cross-border ethnic issues, and establish crisis management mechanisms with neighboring countries to avoid potential border disputes.

Session 6

Date: December 12, 2012
Time: 15:15-16:30
Place: Cosmos and Violet

China and Russia

Moderator: Kang Yoon Hee, Kookmin University
Speakers: Andrey Kortunov, Russian International Affairs Council
Sergey Lukonin, Institute of World Economy and International Relations
Georgy Toloraya, BRICS Research National Committee of Russia
Yang Shu, Lanzhou University
Zhao Huirong, Chinese Academy of Social Sciences
Rapporteur: Steven Oliver, University of California at San Diego

Kang Yoon Hee, associate professor at Kookmin University, began the panel by highlighting the present similarities between China and Russia. China and Russia are similar in that both states are increasingly prosperous and have recently experienced leadership turnover with the ascension of Xi Jinping to the post of General Secretary of the Communist Party of China (CPC) and the return of Vladimir Putin to the post of President of the Russian Federation. Yet Professor Kang was careful to point out that these similarities alone offered no guarantee that presently clement relations between these two neighboring states would continue as such or that their interests could not come into conflict in the coming decades. In light of this fact, Professor Kang directed the question of where the panelists saw potential for convergence or divergence in the interests of the two states and how recent leadership turnover might affect future bilateral relations.

Andrey Kortunov, director general of the Russian International Affairs Council, was the first panelist to address these questions. Dr. Kortunov began his comments by noting that although present bilateral relations appear to be at an all-time high point, there remain many important but unresolved issues and ways in which the interests of China and Russia could diverge in the coming decade. Dr. Kortunov then posed a normative vision for future bilateral relations, arguing that China and Russia, as neighbors, should aspire to develop a relationship akin to that shared by the United States and Canada.

In order to emulate the bilateral relationship shared by the United States and Canada, Dr. Kortunov more specifically argued that China and Russia should look to the pillars that have and continue to support this most successful relationship. Dr. Kortunov identified three such pillars; that both the United States and Canada are 1) liberal democracies and thereby share in the liberal peace; 2) united by much culture, social interactions and rights and values rather than just bilateral trade and investment; and 3) share membership in a greater, multilateral community of states through membership in international organizations like North Atlantic Treaty Organization (NATO).

In assessing the current state of relationship between China and Russia, Dr. Kortunov argued that these three pillars are currently absent or quite fragile. Neither China nor Russia currently possesses domestic political arrangements or institutions that correspond to those associated with liberal democracies. Current relations between China and Russia are also limited to trade and investment by large enterprises rather than to regular social and cultural exchanges. Lastly, China and Russia, though both are members in regional bodies such as the Shanghai Cooperation Organization, have yet to develop dense, multilateral ties in Northeast Asia. While Dr. Kortunov was clear to point out that the absence of these pillars was no guarantee of a decline in relations between China and Russia in the future, he argued that attempting to construct these pillars offered the best way to ensure that relations would continue to flourish in the coming decade.

Sergey Lukonin, director of China Studies at the Institute of World Economy and International Relations (IMEMO), also began his comments by recognizing that bilateral relations appear to be at a high point. However, Dr. Lukonin chose to focus his attention on the potential sources of future divergence in interests between China and Russia.

In particular, Dr. Lukonin hit upon the issue that current relations between China and Russia remain largely based upon trade in energy resources. Whereas Russia may be capable of serving China's energy needs in the present, production of coal, oil, and natural gas for export by Russia will inevitably decline in the coming decades. The decline of this currently lucrative trade could ultimately prove to be quite problematic for bilateral relations in the long term. Furthermore, the unwillingness of Russia to engage in technology transfers in the nuclear energy and defense sectors was also a point of divergence in interests.

More worrisome, Dr. Lukonin argued that China's rise on the global stage was leading to increasing competition between the two states. Competition between China and Russia over access to energy resources in developing countries, particularly within those located in Central Asia and the Shanghai Cooperation Organization members, threatens to make relations more characterized by conflict. Dr. Lukonin also made mention that China has become increasingly aggressive about the interests of Chinese companies and workers operating in Russia.

Georgy Toloraya, executive director of the National Committee for BRICS Research, Russia, echoed the sentiments of the prior panelists in stating that China-Russia relations appeared to be at an all-time high point. Dr. Toloraya then identified a number of aspects to explain why China-Russia relations were at their "best ever." These aspects are 1) historical, 2) political, and 3) economic in nature.

With respect to historical aspects, Dr. Toloraya argued that Russia in the post-1991 era initially desired membership and to play a part in the Western world. Yet the hostility of elites towards the West, driven largely by uncertainty regarding Western intentions following the fall of the Soviet Union, prevented Russia from full participation. The emergence of China as a power has therefore drawn attention eastwards and led to elite opinion regarding Russian relations with China to be characterized by mutual respect rather than ambivalence as with the Western world.

Among political aspects driving the current state of China-Russia relations, Dr. Toloraya argued that the shift to a more polycentric international system had made good relations with China to Russia's advantage. Dr. Toloraya argued that, itself no longer a dominant power, Russia needed to seek membership in a grouping or association that could become a power center in international politics. A rising China offers an anchor for one such power center and can thereby help Russia ensure itself a global position in the future.

Lastly, Dr. Toloraya cited an economic logic for the current state of relations in the complementarity of China and Russia. Far from competitors, China and Russia have benefitted from increasing exchange. To detractors who argue that Russia risks becoming less developed by increasing engagement and technology transfer with China, Dr. Toloraya pointed to the relationship between the United States and Mexico to argue that no such problems characterized that bilateral relationship.

Yang Shu, director of the Institute for Central Asian Studies at Lanzhou University, approached questions of the China-Russia relationship from a different angle. Arguing that, whereas both Chinese and Russian elites appeared to exhibit a high degree of mutual trust, Professor Yang pointed out this mutual trust did not appear to be mirrored in their respective publics. Professor Yang attributed this to the move towards much more pragmatic relations based upon trade and investment rather than regular social and cultural exchange.

Professor Yang argued that the most effective way to address this disparity between elite and mass opinion was through a greater emphasis on social and cultural exchange between both China and Russia. In terms of solutions, Professor Yang proposed effort on the part of both states to promote cultural communication similar to during the early 1950s when China-Russia relations were at a similar high point. Successfully promoting cultural communication will further rely upon both states creating new, mutually acceptable cultural products rather than allowing Western cultural products to displace indigenous products.

Lastly, Zhao Huirong from the Chinese Academy of Social Sciences rounded out the panel by placing China-Russia bilateral relations in the context of their shared neighborhood of Central Asia. Dr. Zhao argued that this relationship could be thought of in terms of three stages, characterized by 1) the growth of mutual knowledge and understanding, 2) the development of practical solutions and a framework for cooperation, and 3) the rapid expansion of trade and relations within the region. The first stage extends from 1992 through 1995 and ended with the establishment of the Shanghai Five in 1996. The second stage extends through the end of 2000 in which the Shanghai Five added new members to become the Shanghai Cooperation Organization.

Dr. Zhao argued that this change was the consequence of five different factors: 1) China and its neighbors in Central Asia, including Russia, share broadly similar goals; 2) China and Russia share common interests in the development of cooperation; 3) both are willing to be flexible in their approach to one another and are capable of seeing issues from one another's perspective; 4) both signal their commitment to good relations by keeping in communication through regular visits and exchanges; and lastly, 5) both are willing to take advantage of the Shanghai Cooperation Organization and other multilateral venues to work out issues with one another. Despite questions about competition between China and Russia over investment and trade with Central Asian states, Dr. Zhao argued that both share an understanding that fellow member states of the Shanghai Cooperation Organization have the right to choose whom they wish to partner and that this understanding offered a basis for continued stability in bilateral relations.

Upon the conclusion of the regular comments portion of the panel, Professor Kang opened the panel up for discussion. At this time, Dr. Toloraya commented on Professor Yang's comments regarding the present lack of cultural communication between China and Russia. Whereas China has spent significant resources on promoting cultural communication through the founding of Confucius Institutes in both Russia and elsewhere, Russia has yet to make similar investments. According to Dr. Toloraya, the primary reason for this shortcoming was not lack of interest in promoting cultural communication but rather a general lack of resources. However, Dr. Toloraya was quick to emphasize that such an investment should be made given the importance of expanding Russia's soft power in China.

Following the discussion, Professor Kang chose to invite the audience to pose questions to the panelists. Questions from the audience largely focused Dr. Kortunov's hope that China-Russia relations would

come to resemble those of the United States and Canada as well as on the potential for competition between China and Russia within Central Asia.

In particular, questions addressed to Dr. Kortunov concerned the necessity of the three pillars he identi fied as supporting US-Canada relations as well as how China and Russia might go about attempting to construct these pillars. In response, Dr. Kortunov argued that the most reasonable way to go about emulating US-Canada relations was to begin by focusing first on developing ties through membership in multilateral institutions such as the Shanghai Cooperation Organization and by establishing new multilateral institutions in Northeast Asia. Second, China and Russia could fruitfully seek to develop denser, more varied ties on a bilateral level through exchanges like those suggested by Dr. Toloraya and Professor Yang. Finally, Dr. Kortunov took the position that the development of mature, liberal democratic institutions was a much more difficult way to go about building good bilateral relations but that other arrange ments might be possible.

With respect to the potential for competition between China and Russia over influence among neighbors in Central Asia, Dr. Zhao argued that the portrayal of China-Russia relations in Central Asia as increasingly being characterized by competition has been somewhat overblown. To this end, Dr. Zhao restated her earlier point about mutual understanding between China and Russia regarding the right of Shanghai Cooperation Organization member states to choose their own partners, and emphasized the stability of this principle.

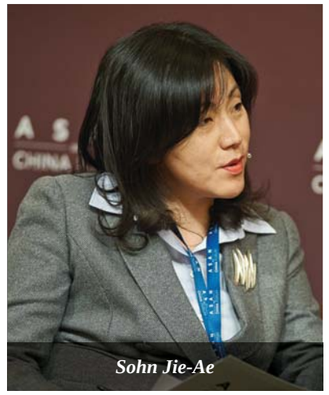
While the panelists offered differing opinions about the direction in which China-Russia relations could head from their currently quite good condition, all of the panelists seemed to suggest that leaders in both China and Russia would be able to take steps to ensure the gains of recent years as well as build and maintain shared interests. Whether these steps involve the promotion of cultural communication through social and cultural exchanges or promoting the further development of multilateral institutions through which potential conflicts can be addressed, the future of China-Russia relations appears quite hopeful.

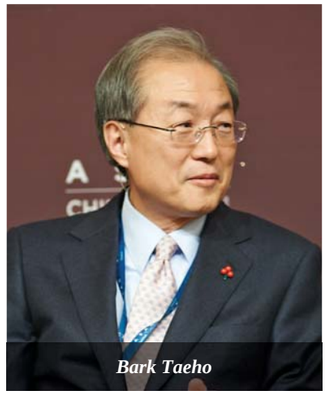
Plenary Session IV

Date: December 12, 2012
Time: 16:45-18:00
Place: Orchid

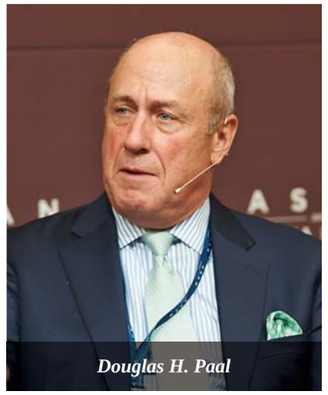
South Korea and China

Moderator:	Sohn Jie-Ae, Korea International Broadcasting Foundation
Speakers:	Bark Taeho, Ministry of Foreign Affairs and Trade, ROK
	Vasily V. Mikheev, Institute for World Economy and International Relations
	Douglas H. Paal, Carnegie Endowment for International Peace
	Pan Zhenqiang, China Reform Forum
Rapporteur:	Tingting Li, University of Chicago


Sohn Jie-Ae


Bark Taeho


Vasily V. Mikheev


Douglas H. Paal


Pan Zhenqiang

The closing plenary session convened a panel of experts from South Korea, Russia, the United States, and China for discussion on prospects of China's relations with South Korea. In response to the December 2012, North Korea rocket launch, moderator Sohn Jie-Ae, CEO of the Korea International Broadcasting Foundation, suggested that panelists briefly comment on the event before proceeding to the assigned topic.

Bark Taeho, minister of trade of the Ministry of Foreign Affairs and Trade, Republic of Korea, commented that the rocket launch will not have a big influence on the trade relations between East Asian countries. He asserted that the overall negotiation process for regional economic cooperation would not be directly affected by the event, although some steps could be slightly delayed due to adjustments in government policy priorities.

Vasily V. Mikheev, vice president of the Institute of World Economy and International Relations (IMEMO), argued that there could be discussions about the successfulness of the launch, pointing out that the North Korean ballistic missile technology is based on 1960s Russian short range missile technology that cannot be used for ballistic missiles. He also noted that Americans tend to overestimate the nuclear potential of North Korea in order to get more funding for the missile defense system. When asked about the influence of the launch, Dr. Mikheev anticipated that the event would create some noise and result in another United Nations Security Council (UNSC) resolution to condemn the North Korean violation of previous resolutions, but expressed doubt about the effectiveness of sanctions based on the fact that North Korea does not have larger-scale trade with the rest of the world except with China.

Douglas H. Paal, vice president for Studies at Carnegie Endowment for International Peace, pointed out that the United States is responding to North Korea missile capabilities out of genuine concerns over regional security and nuclear proliferation instead of purposes pertaining to the US budget. He also asserted that the rocket launch would pose an early test for the new Chinese leadership, saying that China's response will be symbolic to indicate whether the new leadership is willing to take a tougher attitude to provocative behaviors. On the question of sanctions, Dr. Paal noted that there are a number of North Korean entities that could be sanctioned without even having a new UNSC resolution. Among the 40 entities reported to be vulnerable to sanctions by a commission established to fulfill the UNSC presidential statement of the previous spring, only three were approved in the subsequent bargaining that went on in the council, according to Dr. Paal.

Pan Zhenqiang, senior advisor to China Reform Forum, advised against overreacting to the rocket launch because an overreaction would contribute to campaigns in North Korea to call the launch a success. Meanwhile, he emphasized the importance of treating the event with a sense of urgency to get North Korea back into negotiation. In his opinion, additional sanctions are unlikely to work any more efficiently than the previous ones, so the international community should try not to be distracted from the existing path of multilateral regional efforts in order to not close the window of opportunity for restarting negotiations.

Returning to the topic of South Korea and China, Mr. Bark examined the development of bilateral trade negotiations between the two countries, noting that the huge growth of bilateral trade since the normalization of diplomatic relations resulted in rising calls for a South Korea-China free trade agreement (FTA) from both countries, particularly the South Korean business community. Accordingly, the two countries have held four rounds of bilateral negotiations so far and are planning to open the fifth negotiation in early 2013.

Mr. Bark also argued that a high-quality FTA between South Korea and China could set a model for future regional economic cooperation. He noted that three multilateral regional agreements are under negotiation in the Asia-Pacific region—the China-Japan-Korea free trade agreement (CJK FTA), the Regional Comprehensive Economic Partnership (RCEP), and the Trans-Pacific Partnership (TPP)—and that bilateral FTAs tend to merge into large regional agreements, which is positive development toward a multilateral trade system. According to Mr. Bark, if such negotiations can progress in the right direction based on the open regionalism principle and attract the participation of Russia, the Asia-Pacific region as a whole can expect to achieve a free trade area in the long run, which is also the long-term goal of Asia-Pacific Economic Cooperation (APEC). Such long-term vision cannot be realized if the gap between the RCEP and the TPP is too large, so it will be very important that the RCEP aims at a relatively high standard and comprehensive agreement. To realize this goal, Mr. Bark suggested that South Korea and China should go for a very high quality and comprehensive bilateral FTA and provide a model for future FTAs in East Asia.

Dr. Mikheev focused on two dimensions of South Korea-China relations: 1) Cooperation on the North Korea issue; and 2) economic cooperation aimed at creating a Northeast Asia free trade area. He argued that these two dimensions should be separated so that the former will not impede the latter. About the North Korea issue, he asserted that China and South Korea would be able to maintain cooperation because their shared strategic interests in turning North Korea into a normal market and open state will in the long run overweigh their differences in approaches that are of historical and political origins. The goal of current China-South Korea cooperation on the North Korea issue, according to Dr. Mikheev, should be to push for peaceful transformation of the North Korean regime in the direction of market reform and openness.

The only way to achieve this goal, Dr. Mikheev proposed, would be the policy of "total engagement," which means: 1) Engagement of North Korean elites in cultural, economic, and other people-to-people exchanges in order to change the psychological and knowledge climate of the society; and 2) participation of all the Six-Party Talks members, China and South Korea in particular. Only total engagement, as opposed to conditional engagement as some American experts advocate, can solve the North Korea issue because the key to a solution is not nuclear per se, but the character of the regime, according to Dr. Mikheev. If the regime changes in the right way, the nuclear and missile problem will also be solved.

Dr. Paal borrowed the Cold War term “correlation of forces” to analyze current South Korea relations with China. He considered the situation quite positive based on three aspects: 1) China is offering tremendous investment opportunities to South Korea; 2) the United States is headed for a steady market recovery and has reached the bipartisan commitment to support the rebalancing toward Asia; and 3) South Korea itself has a well-restructured economy in parallel with a solid democracy. In particular, he believed that the economy is strong enough to pull along other factors that are not developing as rapidly, such as regional political and security architecture. Meanwhile, Dr. Paal also pointed out that South Korea’s long-term relationship with China is highly vulnerable to an important variable; namely, the division of the peninsula under an unstable regime in the north. He suggested that South Korea needs to maintain very close coordination with the United States in order to manage North Korea and to promote bilateral ties.

In order to add stability to South Korean relations with China, Dr. Paal argued, crisis-management tools need to be created, starting from Washington and Beijing reaching some understanding about each other’s limits and bottom lines. Referring to the competitive capabilities developing in the military security apparatuses of both countries, he asserted that the moment is right for the United States and China, decades after the 1970s Nixon-Zhou meetings, to establish a framework that gives each other a minimum set of assurances and reduces the prospects for mutual misinterpretations. He also considered it a good time now to work on such a framework because re-elected President Obama and the new Chinese leadership are both showing great confidence. Although personnel change may make no difference as China’s interests have not changed, it would be helpful to see whether the new leadership would make a difference in the way China approaches its enduring interests. If such a framework can be established, Seoul will then have the room to proceed on its own to try to build a complementary relationship with Beijing. In addition, according to Dr. Paal, a strong Korean status in the new balance of power environment will also increase the potential for South Korea and Japan to develop a lateral alliance structure.

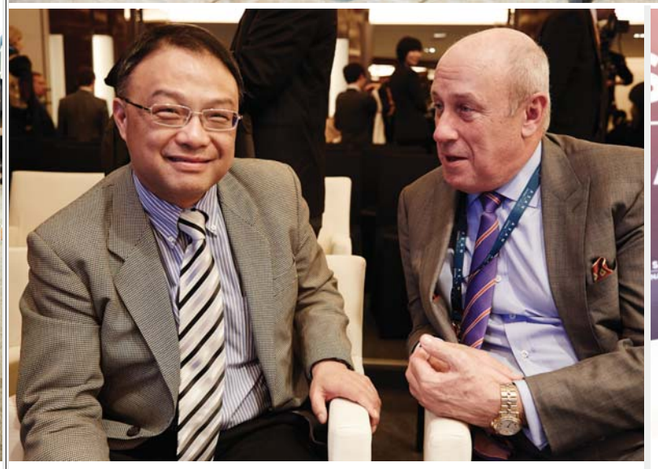
Maj. Gen. Pan asserted that China and South Korea need to build new frameworks in economic relations, security, and public opinion in order to maintain the momentum of bilateral cooperation. Regarding economic relations, he noted that the two countries should make efforts to create a more open and reasonable business environment, putting priorities on FTA negotiations, technology transfers, and investment from both sides. As for public opinion, he suggested that encouraging contacts between younger generations might help establish better ties between the two countries.

Focusing on the security area, Maj. Gen. Pan argued that China and South Korea should develop ways to better manage the influence that a third country, especially North Korea or the United States, could exert on their bilateral relationship. On the part of China, he asserted that the challenge is to find a way to deal with the two Koreas and not let China’s relationship with the North interfere with China’s relationship with the South. Although good China-North Korea relations would contribute to the peace and stability of the peninsula, China is sometimes put under very difficult situations when the two Koreas

have poor relations with each other. Maj. Gen. Pan noted that China would try to encourage the two Koreas to get together and hope the South can take more responsibility in helping the North so as to build a real basis for peaceful reunification. On the part of South Korea, he expressed concerns over its relationship with the United States. In his opinion, South Korea has each foot on two boats, relying on China for continuous economic growth and depending on the United States for security. He questioned the sustainability of this pattern based on the fact that the US intention for its military alliance with South Korea is linked with its security policy in the Asia-Pacific region. In spite of South Korean claims that the security alliance is aimed at North Korea instead of China, he considered it questionable whether South Korea would have the capability to resist US intentions should emergencies occur.

In response to a question from the floor about China’s role on the global stage, Maj. Gen. Pan noted that China’s rise is a process and that the country is still struggling with development. Citing the recent party congress report, he emphasized that even if the GDP redoubles in the next five years, China would still be at the primary stage of socialism and remain a developing country. In his opinion, China will continue to be a regional power with some global influence, focusing on the Asia-Pacific region. As for its global role, he agreed that China will certainly have an expanding responsibility to contribute to the peace and stability of the region as well as the world. Meanwhile, he noted that China has a different approach to global governance, coming from a different philosophy, and gave the example that China will oppose the way that Western countries are dealing with Syria and Libya because such approaches can be read as neo-interventionism and is causing unintended consequences, such as weapons proliferation into the hands of Islamic extremists.

Asan China Forum 2012 Photos



냉전기 한·중 관계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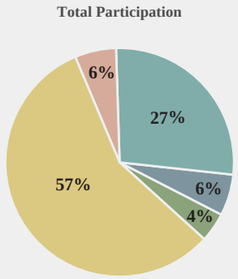
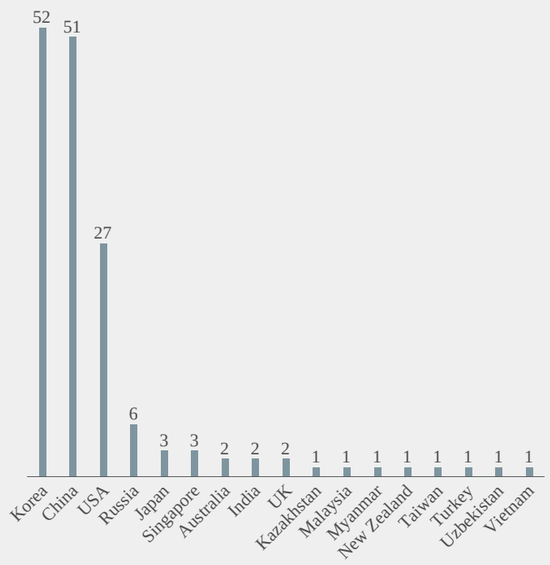
Statistics

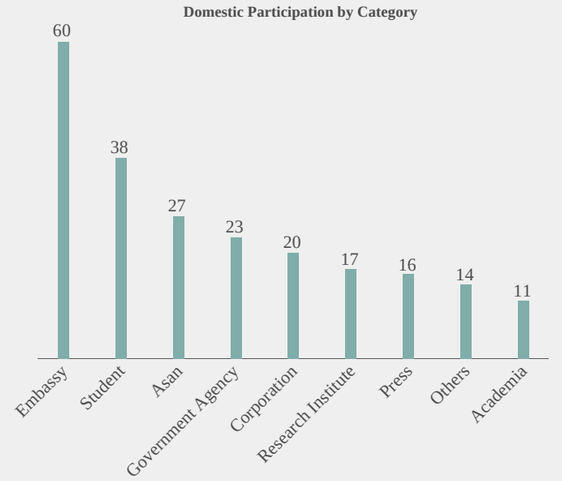
Total Participation	
Final List Total	422
Speaker	114
Observer	24
Rappoteur	18
RSVP	242
Press	24



Overseas Participation by Country	
Korea	52
China	51
USA	27
Russia	6
Japan	3
Singapore	3
Australia	2
India	2
UK	2
Kazakhstan	1
Malaysia	1
Myanmar	1
New Zealand	1
Taiwan	1
Turkey	1
Uzbekistan	1
Vietnam	1
Total	156



Domestic Participation by Category	
Embassy	60
Student	38
Asan	27
Government Agency	23
Corporation	20
Research Institute	17
Press	16
Others	14
Academia	11
Total	226



Comments

"I was very impressed by the *Asan China Forum*—it has instantly become one of the very best on the international circuit of China watching events."

- David Shambaugh, George Washington University

"The Forum was well-organized and informative. Participants benefited greatly from the panel discussions of topics they are interested in. This was also a rare chance to communicate face-to-face with those big name China experts from across the world. Such effective communications will turn out to be fruitful in the future, not just for the participants themselves but also for their institutions."

- Chen Ping, *Global Times* English Edition

"Asan is to be commended for bringing such a superb group of Chinese foreign policy thinkers to town. Well done."

- John Delury, Senior Fellow, Center on US-China Relations;
Assistant Professor of International Studies, Yonsei University

"The *Asan China Forum 2012* is a wonderful conference. It helps a lot to deepen the relationship between Koreans and Chinese. As a Chinese individual, I understand Koreans' serious concern with regional security. I hope Korea can find a way to permanent peace with help from China."

- Liu Mei, *Global Finance Magazine*

"I believe this forum can be the stepping stone to becoming a world renowned event regarding China issues from outsiders' viewpoints."

- Ahn Dukgeun, Seoul National University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