

The 11th Japan-Korea Dialogue (Summary)

This year's Japan-Korea Dialogue was held on the afternoon of December 3, 2022, at Korea University in Seoul, South Korea. Security experts from Japan and South Korea attended the workshop to share their analyses and exchange their views on security in East Asia. In the opening session, Professor Hun Joon Kim delivered a welcome remark. He welcomed that such a meaningful annual dialogue has been established and expected the participants to promote productive discussions. This was followed by two sessions on Japan and South Korea's responses to the situation of U.S.-China strategic competition. As in the previous year, this year's Japan-Korea Dialogue was supported by a grant from the Ministry of Foreign Affairs of Japan and Republic of Korea respectively.

Session 1: “Present and Future Direction of China’s Economic Development: Implications for the Economic and Technological Policies of Japan and the ROK”

In the first session, Professor Miwa Hirono of Ritsumeikan University served as moderator, and Professor Yukyung Yeo of Kyung Hee University and Professor Mariko Watanabe of Gakushuin University made keynote presentations.

Professor Yeo began by noting that China is facing challenges both domestically and internationally. She pointed out that China's domestic economic growth is slowing, and problems such as local government debt and falling housing prices could potentially trigger a national economic crisis, which reveals the limitations of China’s investment-led growth model. According to Prof. Yeo, the government's dual circulation policy is not yielding the desired results, as the zero-Covid policy and severe lockdown have resulted in a serious youth unemployment rate of 20% as of July 2022, domestic consumption is declining, and capital is flowing abroad. Meanwhile, on the external front, the strategic struggle with the U.S. is seriously affecting China's economy and technology. The Xi administration is attempting to counter this through technological independence and self-sufficiency of supply chains, but she maintains that this policy is facing great difficulties due to China’s heavy dependence on advanced technologies from the U.S. and other countries.

In order for the government's dual circulation policy to succeed, namely to boost domestic consumption and maintain exports, the government needs to find a balance between exports and domestic consumption. However, according to Prof. Yeo, while increasing domestic consumption requires higher wages for workers, Chinese products have been internationally competitive until now largely because of their low prices and the low labor costs that underlie them, which suggests that the dual circulation policy contains contradictions. She also pointed out that the Chinese Communist Party would not welcome increasing political demands as people's standard of living improves and the middle class grows. On the other hand, when it comes to the common prosperity policy, Prof. Yeo posited that the government must implement institutional reform, or more specifically, tax reform, in order to reduce inequality in the country. The tax system has not been reformed for a long time, which has

resulted in an exceptionally low income tax rate, and there is no tax on household property, capital gains, and inheritance, which are income sources for the rich.

Finally, regarding what Japan and South Korea should do under these circumstances, Prof. Yeo argued that China's pursuit of self-reliance and technological improvement may put Japan and South Korea at a disadvantage as competition becomes more intense. She pointed out that the second-generation technocrats could lead China's technological advancement and that China may focus on lower-end chip technology rather than high-end products. She concluded that complete decoupling is not easy to achieve and that the direction of "loose coupling" is more realistic.

Next, Professor Watanabe analyzed the crisis of the WTO and its role under the U.S.-China strategic competition. She pointed out that the WTO is currently dysfunctional due to the U.S.-China competition, and that in order to overcome the current stalemate, the WTO needs to be reformed and its rules adapted to the current situation. While one cannot expect international law to have the same legal force as domestic law, rules are still necessary to avoid conflicts, and authoritarian states also need to be incorporated into the framework. In the case of China, although it is an authoritarian state, it has a greater commitment to the international trading system than Russia, and the costs of being cut off from it would inevitably be greater, so there is room for setting and enforcing rules, according to Prof. Watanabe.

She argued that it is also important to understand the Chinese system in order to achieve these goals. First, it is crucial to keep in mind that in China, the Communist Party is above the law and the constitution. The CCP is not bound by law, and this creates a risk of legal instability and unpredictability, which can cause friction with the WTO system. Second, it is also important to understand the peculiarities of a socialist market economy, which puts private and foreign companies at a disadvantage, and it must be kept in mind that there is no level playing field. Third, we must also consider the preferences of the Xi Jinping administration, especially with regard to the paramount importance it places on national security. State-owned enterprises used to be less significant in terms of competition, but with the departure of those from the Communist Youth League at the latest party congress, the previously defended principle of coexistence between private and state-owned enterprises has been removed. Therefore, Prof. Watanabe cautioned that we need to pay attention to future trends.

When considering potential measures Japan and Korea could take in the future, Prof. Watanabe maintained first that the current approach is not taking full advantage of the WTO rules against China. In this sense, having the Japan-China-Korea Investment Agreement is an advantage for the two states that the US and Europe do not have. Japan and South Korea currently do not make much use of this for fear of a Chinese backlash, but she suggested that they could, for a similar measure is frequently used between Europe and the U.S. Second, we also need to go into areas where adequate regulation does not yet exist. For example, regulations of competition as well as access to and ownership of data are not well-defined. In conclusion, Prof. Watanabe stressed that we must suppress escalation to avoid military

conflict. She concluded her presentation by stating that it is necessary to create rules that would be disadvantageous for China to deviate from, and that Japan and South Korea should make efforts to establish rules in East Asia and link them to global rules.

Based on the above two presentations, the general discussion addressed the following issues, among others: the reason for China's failure to reform its tax system, how we should understand the change in the relationship between the party and the state, Japan's position on the decoupling movement, and the respective perceptions of Japan and South Korea on the economic situation in China.

Session 2: "Chinese Foreign Strategy after the 20th Party Congress"

In the second session, Professor Hankwon Kim of the Korea National Diplomatic Academy served as moderator, and Professor Hun Joon Kim of Korea University and Professor Jaehwan Lim of Aoyama Gakuin University made keynote presentations.

Professor Kim's presentation aimed to answer three questions. First, he discussed whether China's foreign policy has become more hawkish or dovish after the party congress. He posited that there has not been much change so far, but it is possible that China would become more confrontational and ideological. There are both Chinese and American factors behind this. As for the former, the threat perception toward the U.S. and the wolf warrior diplomacy-like approach may be strengthened with the rise of the younger generation that has made their careers during the Xi era. At the same time, the U.S. is also strongly checking China and is increasingly emphasizing democracy and reinforcing its alliances, clearly perceiving China as a threat.

Second, regarding the prospects for U.S.-China competition during the third term of the Xi administration, Prof. Kim expressed the view that the next decade will continue to be one of intense competition or conflict. He pointed out that the Xi administration may politicize the Taiwan issue as a means to ensure its domestic legitimacy. According to Prof. Kim, while China is unlikely to use force anytime soon, it may well use the Taiwan issue as a diplomatic point of contention. China's grand strategy is difficult to see, he said, and while it is clear what it opposes, it is unclear what it intends to do.

Third, Prof. Kim noted that difficulties are expected in terms of how China's foreign policy will affect Korea-China relations and how Japan and Korea can cooperate in dealing with China. First, in Korea-China relations, he said that since the May 2021 meeting between former President Moon Jae-in and U.S. President Biden, political pressure from China on South Korea has increased. After several meetings, it has become clear what China wants from South Korea, but there is a significant divergence between the two countries' positions. In the context of Japan-Korea relations, Prof. Kim concluded that the framework for cooperation between the U.S., Japan, and South Korea as set forth in the "Phnom Penh Statement on Trilateral Partnership for the Indo-Pacific" is crucial, but negative incentives

make cooperation difficult. The question is whether this cooperation can be sustained given the lack of strong domestic support for the current administration in the South Korea.

Professor Lim presented his analysis of the work report Xi Jinping delivered to the Party Congress. Looking at the new leadership presented at the congress, Prof. Lim noted that not much has changed in terms of foreign policy, which suggests significant continuity. Throughout the second term of the Xi administration, China has been oriented toward expanding its international influence and gained confidence. According to Prof. Lim, the key to understanding China's foreign policy is whether it views time as favorable or unfavorable to itself. If it is unfavorable, China may take a hard line on Taiwan and other issues. However, he maintained that we have not yet reached that point, meaning that the CCP leadership still believes that time is in its favor. Prof. Lim stated that the Xi administration's most prominent move in recent years has been the personalization of power, but it is still unclear how this will affect actual policies.

Recognizing that changes in language and policy are linked, Prof. Lim further reported on the results of his ongoing study of work reports using machine learning. He presented some important points including the emphasis on the fighting spirit against the U.S. and the repeated use of the word "security." Professor Lim pointed out that it is important to understand how security defines foreign and domestic policies. On the other hand, there were also a great number of references to China's relations with developing countries, which can be interpreted as an indication of China's efforts to bring developing countries into its camp.

On the military front, there have been no major changes, and although there is much talk in the West of an imminent invasion of Taiwan, Prof. Lim expressed skepticism. A military invasion would be the last resort for China, and in a country where power is increasingly personalized, it is unlikely that Xi Jinping will be forced by the military to take action. Prof. Lim mentioned that the traditional economic and social approaches have not been abandoned. Lastly, as for the new diplomatic leadership, Prof. Lim pointed out that none of the five people appointed to the top positions had an American background and that these appointments indicated an emphasis on public relations skills in the international arena.

Based on the above two keynote reports, the participants discussed issues like the difference between centralization and personalization, the distinction between preventing developing countries from approaching the West and forming anti-Western groups, how to separate economic and security issues, and methodological challenges in situations where one cannot travel to China, all of which led to a lively exchange of opinions among the presenters and participants.