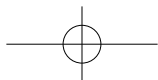
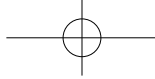


“New Waves in Asia”





NEW WAVES IN ASIA

EDITED BY Jeju Peace Institute

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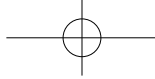
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Jeju Forum for Peace & Prosperity 2013

“New Waves in Asia”

Jeju Peace Institute

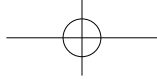


FORWARD

The 8th Jeju Forum for Peace and Prosperity was held from May 29 to June 1, with the theme “New Waves in Asia.” Facing the important time in history, after the changes in the top leadership of many countries, heightened tensions due to territorial disputes, and the continuing nuclear development in North Korea, we had many in-depth discussions on new cooperative measures for peace and prosperity in Asia. Distinguished political leaders and representatives from various academic and economic circles, cultural organizations, and women’s groups from the world graced the event with their presence.

Since the summit meeting between the president of Republic of Korea and the president of the Soviet Union in 1991, Jeju has hosted a number of talks promoting peace in Northeast Asia, including the Korea-US Summit and the Korea-Japan Summit in 1996, visits by China’s Prime Minister in 1995 and 1998, the Korea-ASEAN Summit in 2009, and the Korea-China-Japan Summit in 2010. Borrowing the spirit of these summit-level meetings, the Jeju Forum has evolved into Korea’s prized forum, contributing to peace and prosperity in Asia.

This year, the Jeju Forum hosted 3,672 participants from 49 countries, the largest number in the forum’s history, signaling its growing importance as an international forum that deals comprehensively with a variety of topics. With one voice, Asian political leaders and erudite scholars from around the world expressed their yearning for peace on the Korean Peninsula, and delivered the East Asian community’s shared vision of a peaceful, constructive resolution to historical and territorial disputes in Asia, founded on mutual understanding.



Seeking global cooperation that befits this anticipated paradigm shift, a broad range of topics was considered, including the economy, culture, women, energy, and climate change. As a result of these discussions, new measures were devised to respond effectively to various crises and changes.

Based on the fruits of this year's discussions, the Jeju Forum will prepare more topics on current issues in Asia for the 9th Jeju Forum, which will be held in May 2014.

We hope that the publication of the final report of the 8th Jeju Forum will be useful in preserving the forum's history and in its continued development.

We express our deepest gratitude to the sponsors of this forum and the citizens of Jeju. We wish you happiness, and look forward to your continued interest and support.

August 2013

Woo Keun-min

Chair, Organizing Committee of the
Jeju Forum for Peace and Prosperity
Governor, Jeju Special Self-Governing Province

Moon Tae-young

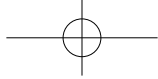
Chair, Executive Committee of the
Jeju Forum for Peace and Prosperity
President, Jeju Peace Institute

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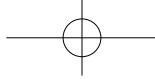
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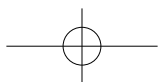
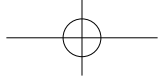
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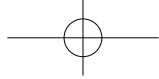
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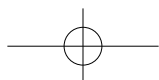
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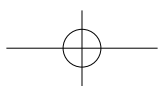
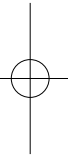
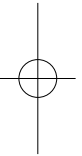
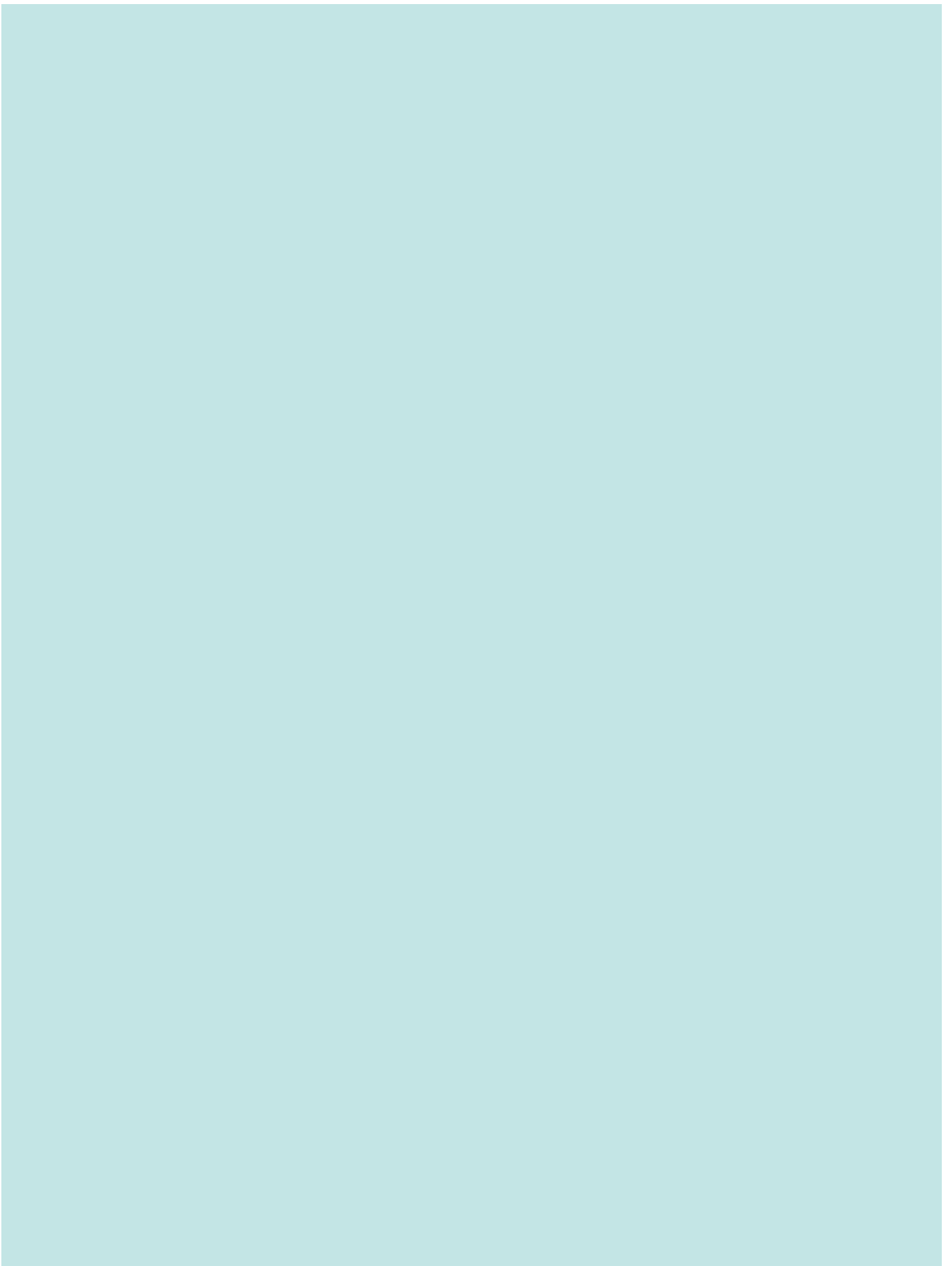
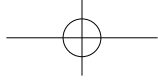


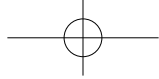


Part I

New Waves in Asia







OPENING CEREMONY

The year 2013 has been a year of transitions for the international community, with changes in the administrations of the US, Japan, China, Russia, North Korea, and Korea. Major policy changes are expected in Korea, China, Japan, and ASEAN countries, heralding new waves of changes in the Asia-Pacific region.

Through keynote speeches, leaders from across the Asia-Pacific region delivered their visions of regional cooperation and Asia's changing role in the international community.

Opening Remarks

Woo Keun-min Chair, Organizing Committee of the Jeju Forum for Peace and Prosperity

Welcoming Address

Gong Ro-myung Chair, East Asia Foundation
Hong Seok-Hyun Chair, Joongang Ilbo/ JTBC

Congratulatory Remarks

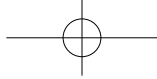
Chung Hong-won Prime Minister, Republic of Korea

Keynote Speakers

Mahathir Mohamad Former Prime Minister, Malaysia
Hatoyama Yukio Former Prime Minister, Japan; Director, East Asian Community Institute

Dinner Speech

Yun Byung-se Minister of Foreign Affairs, Republic of Korea
Ju Chul-Ki Senior Secretary to the President for Foreign Affairs and National Security, Republic of Korea



OPENING REMARKS

Woo Keun-min

Governor, Jeju Special Self-Governing Province

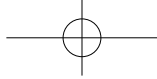
Peace-loving leaders of Korea and foreign countries, and distinguished guests, I would like to give you a warm welcome to Jeju, the Island of World Peace. On behalf of all Jeju citizens, I express my deepest gratitude to Prime Minister Chung Hong-won, former Prime Minister of Malaysia, Mr & Mrs Mahathir Mohamad, former Prime Minister of Japan, Mr & Mrs Hatoyama Yukio and representatives of various international organizations, governments, agencies, corporations, and NGO's, for gracing the 8th Jeju Forum for Peace and Prosperity with your presence.

This year marks the 13th year of the Jeju Forum's history. I am pleased to see the forum evolve into a venue for discussions promoting peace and prosperity on the Korean peninsula and throughout East Asia, attracting business and political leaders and prominent scholars from around the world. The Jeju Forum is the only international forum in Korea hosted by a regional government with official central government sponsorship.

Jeju Island is an environmental treasure, the only place in the world that has received three UNESCO designations: as a Biosphere Preserve, a World Natural Heritage, and a Global Geopark. Jeju was also voted by the world one of the 'New7Wonders of Nature' for its magnificent environment. But hidden behind Jeju's beauty is a tragic history. Sixty-five years ago, tens of thousands of people were killed during the April 3rd Incident, amidst the division of the country and the Cold War. Owing to its people's spirit of reconciliation and coexistence and the world's yearning for peace, Jeju was able to overcome this legacy of strife and has been reborn as an island of peace and prosperity.

After many years of persistence, antagonism and dissension are dissipating and the new government is making efforts to open a new future of forgiveness and coexistence. Looking back, Jeju served as an important junction of politics on the Korean peninsula and in Northeast Asia in the 1990s, hosting numerous summit-level meetings. The summit meeting between Korean President Roh Tae-woo and President Gorbachev of the Soviet Union in 1991 changed the structure of Cold War politics in Korea. Jeju hosted the Korea-US Summit in 1996, and received Chinese President Jiang Zemin in 1995 and Chinese Vice-President Hu Jintao in 1998. The Korea-ASEAN Summit in 2009 and the Korea-China-Japan Summit in 2010 were also held in Jeju. Through these meetings, Jeju became

| New Waves in Asia |



an important venue for dialogue on peace and reconciliation.

The Jeju Forum was founded in 2001 with the goal of contributing to world peace and mutual prosperity, borrowing the spirit of summit-level diplomacy that sought to overcome the vestiges of the Cold War and allow peace to take root. In the years 2001, 2003, and 2005, the incumbent Korean President participated in the Jeju Forum, spurring breakthroughs in peaceful cooperation and providing new milestones for global cooperation on world peace.

The Jeju Forum has served as a venue for dialogue among the political, corporate, cultural, and academic leaders of Asia-Pacific countries. Since the 6th Jeju Forum in 2011, topics of discussion were broadened from peace and security to include the economy, environment, culture, women's issues, food, energy, IT, and tourism, in order to present a more complete future vision of peace and international cooperation in East Asia. I would like to thank the honored guests who have gathered here from Korea and abroad, and everyone who has participated in and supported discussions on Asia's peace and prosperity.

The 20th Century was the Atlantic Century. The 21st Century is often dubbed the Asian Century. When the US-centered global financial crisis of 2008 threatened the destruction of the world economy, Asians overcame the crisis through solidarity and cooperation. Asia has since been at the forefront, changing the dynamics of the world economy.

Nevertheless, Asia is facing grave challenges. Tensions persist in Korea and East Asia due to conflicts over views of history based on exclusive nationalism, marine and territorial disputes, and the threat posed by North Korea's third nuclear test and a number of missile launches. As we shared the pain of the tsunami in Southeast Asia, the big earthquake in the east of Japan, and the Sichuan earthquake, we must continue to cooperate in the spirit of solidarity. Asia must make history rather than repeat history, seek mutual prosperity rather than exclusive national profit, and take a path of peaceful unification rather than one of aggressive mutual destruction. I think that these objectives are reflected in the "Northeast Asia Peace and Cooperation Initiative" proposed by President Park Geun-hye.

Under the theme of the 8th Jeju Forum for Peace and Prosperity, "New Waves in Asia," we hope to highlight measures to increase cooperation and form a unified community in Asia. I am certain that the Special Session will present meaningful opportunities for all participants. Legendary investor Jim Rogers will highlight ways Jeju can seek growth after the global financial crisis utilizing Chinese capital, and Freda Miriklis, President of the International Federation of Business and Professional Women, will deliver an inspiring speech that will broaden the global mindset of women in Jeju.

I am honored to represent the Jeju Forum in welcoming all of our celebrated guests. I hope that all the efforts made by every participant at the Jeju Forum will produce valuable results that will serve as a stepping stone for a new direction in Asia, one founded on coexistence and mutual prosperity.



WELCOMING ADDRESS

Gong Ro-myung
Chair, East Asia Foundation

On behalf of the East Asia Foundation, a co-host of the Jeju Forum, it is my honor to welcome our distinguished guests to the 8th Jeju Forum for Peace and Prosperity. I would like to give special thanks to Prime Minister Chung Hong-won and former Prime Minister Han Seung-soo of Korea, former Prime Minister Mahathir Mohamad of Malaysia, and former Prime Minister Hatoyama Yukio of Japan for accepting without hesitation the invitation to participate in the Jeju Forum.

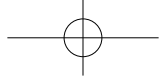
The East Asia Foundation is a non-profit public foundation, established with the support of Hyundai Motor Group in 2005, with the philosophy of “striving to promote peace and prosperity and enhance mutual understanding and trust through human and knowledge networking.” Following its founding principles, the East Asia Foundation has participated in the Jeju Peace Forum since its third year. The Foundation publishes a quarterly opinion magazine Global Asia, which deals with issues of international relations in Asia.

The year 2013 has been a year of major changes in political leadership in Asia-Pacific countries, including China, Japan, Korea, and the US. Today, Asia’s political, financial, and cultural status has been greatly enhanced. However, various political and economic challenges remain, such as North Korea’s recent nuclear tests and missile launches, territorial disputes, and the global financial crisis. Asian countries must make concerted efforts to seek common resolutions through close cooperation.

The Global Trends 2030, published by the US National Intelligence Council, projected that in the year 2030, Asia will surpass North America and Europe in all major indicators, including economic size, population, military spending, and technological expenditures. Globalization and the advancement of the IT industry is expected to bring unprecedented increases in cultural, human, and capital exchanges, blurring national borders. Thus, I believe now is the time for active discussions on building a unified Asian community.

The 8th Jeju Forum will serve as a comprehensive and constructive venue to create harmony through communication, meeting the demands of the time for peace and

| New Waves in Asia |



prosperity. I hope that the forum will present shared values and visions for the future of people in Asia, and will increase mutual understanding and friendship among Asian nations.

Finally, in place of a welcome remark, I would like to express my gratitude to all the leaders and intellectuals from various fields who make this event meaningful, all the participants of the forum, and especially the members of every hosting, supervising, and sponsoring organization who made great efforts for the successful launch of the Jeju Forum. Thank you.



WELCOMING ADDRESS

Hong Seok-Hyun

Chair, Joongang Ilbo and JTBC

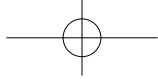
Greetings, distinguished guests from Korea and abroad, Prime Minister Chung Hong-won, former Prime Minister Hatoyama Yukio of Japan, and former Prime Minister Mahathir Mohamad of Malaysia. I am pleased to welcome you to the opening of the 8th Jeju Forum for Peace and Prosperity.

I am delighted and proud that since last year, the Joongang Ilbo has co-hosted the Jeju Forum, along with Jeju Special Self-Governing Province, the International Peace Foundation, and the East Asia Foundation.

Since its establishment 12 years ago, the Jeju Forum has rapidly grown into one of the foremost international forums in East Asia. The former Prime Minister of Australia John Howard, former Prime Minister Nakasone Yasuhiro of Japan, former President Fidel Ramos of the Philippines, the late Professor Robert Scalapino, and other prominent political leaders and scholars from around the world have gathered and shared their wisdom and insight here in this place. The rapid rise of the Jeju Forum's status is certainly the result of unrelenting support from Jeju Special Self-Governing Province and careful preparation by the forum's various committees.

The theme of this year's Jeju Forum is "New Waves in Asia," a timely theme for Asia considering the extensive changes occurring in the region. It is undeniable that the axis of modern civilization, which blossomed in the Western hemisphere, is shifting East, opening an "Asian Century." As predicted by Oswald Spengler, historian and author of *The Decline of the West*, Europe, once the cradle of modern civilization, has sunk into a swamp of stagnation. On the other hand, Asia, especially East Asia, is standing at the center of vibrant transitions.

US President Barack Obama initiated the "Pivot to Asia" strategy, and China's new leader, Premier Xi Jinping, advocated a return to Sino-centrism, a world order with China at the center. US and Chinese strategies for Asia have taken on the appearance of a hegemonic quarrel between two superpowers, which is affecting the entire Asia-Pacific region. Since 2012, the region has seen leadership changes in Korea, North Korea, Japan, and Russia. Last year, Kim Jong Un's North Korean Administration successfully tested its intercontinental



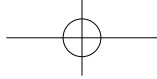
ballistic missiles. In March of 2013, North Korea carried out its third nuclear test, proving how close it is to becoming a nuclear power, and emerging as the region's eye of the storm.

Despite these challenges, East Asia has shown rapid economic growth, and the movement to promote regional cooperation and exchange is surging. Negotiations for the Korea-China-Japan Free Trade Agreement began in earnest in March of last year, with the grand ambition to bind the three countries into a free trade zone. Meanwhile, the US is leading a movement to form a strategic economic partnership agreement among trans-Pacific nations called the Trans-Pacific Partnership (TPP). Competition between the US and China over political and economic hegemony is projected to grow fiercer than ever.

Rapid change often comes with uncertainty. Asia faces many changes and the pains that come with them. I have high expectations that under the theme "New Waves in Asia," the issues facing Asia will be diagnosed and future constructive solutions will be presented.

It is my greatest wish that the participants of the Jeju Forum will collect insight and wisdom from constructive discussions, bringing peace and prosperity to Asia and the world.

Thank you.



CONGRATULATORY REMARKS

Chung Hong-won
Prime Minister, Republic of Korea

Warmest congratulations to the honorable former Prime Minister Mahathir Mohamad of Malaysia and former Prime Minister Hatoyama Yukio of Japan, and to the distinguished guests from Korea and abroad, on the opening of the Jeju Forum on the Island of World Peace, Jeju. I extend a warm welcome to our guests, many of whom have come a long way to participate in the forum.

Since its establishment in 2001, the Jeju Forum has grown into an important forum that seeks peace and mutual prosperity in Asia. I anticipate lively discussions on Asia's role in the rapidly changing world and measures for international cooperation, under the theme "New Waves in Asia."

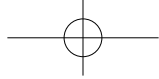
In the rapidly changing international order, Asia's role is more important now than ever in history. Some experts predict that Asia, which has led the growth of the world economy through the global financial crisis, will surpass North America and Europe by the year 2030.

Under these circumstances, the desire to form regional communities is growing by the day. Through these waves of change, Asian countries must combine forces and share wisdom to realize a peaceful and prospering Asian Century. Korea will continue to work toward peaceful, nuclear-free reunification of Korea, and to contribute to the prosperity of Asia.

The participants of this forum will examine the present and future of Asia through numerous discussions. I hope that these discussions will bring opportunities to diagnose and find solutions to the challenges facing Asia in today's turbulent world. Security cooperation and economic development, energy and gender equality issues, and finding a shared vision for the regional community are all major topics of interest to the people of Asia.

I believe that building trust among nations is essential to Asia's bright future. Cooperation on "soft issues," such as the environment, disaster relief, and nuclear safety, should be sought first to build mutual trust. Based on this trust, I believe that the scope of conversation and cooperation can expand into other fields.

| New Waves in Asia |



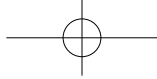
We must also concern ourselves with the issue of development gaps between the nations in the region. In order to contribute to the resolution of this issue, Korea will continue to increase its overseas development assistance, and share its development experience with other nations.

Increasing mutual understanding among nations through cultural exchanges is also important. The growing interest in other cultures among young Asians is a welcome development. Active cultural exchanges will help us overcome ethnic and language barriers and national borders.

I hope that cooperation among nations through cultural exchanges and other forms of public diplomacy will continue to expand.

Korea will continue to cooperate closely with other nations in Asia. I anticipate your full support of the Korean government's efforts to bring peace and prosperity to Asia.

I sincerely hope that this forum will bear fruitful results, and I wish good health and happiness to everyone. Thank you.



KEYNOTE SPEECH I

Mahathir Mohamad

Former Prime Minister, Malaysia

Thank you very much for the introduction. Firstly, I would like to say thank you to the host, to the joint hosts, for this invitation to participate in the Jeju Forum. I am particularly attracted to this session because we are going to discuss about the role of Asia and also the “New Waves in Asia.” Asia is going to be influential in many areas of human endeavor, but I would like to focus only on one area, and that is, war. About Asia’s attitude toward war.

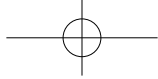
Currently, there are tensions in this part of the world, because of claims and counter-claims on some tiny pieces of land. There is a possibility of confrontation, and also a possibility of war, because no country would like to have even one square inch of his land occupied by people they consider their counter-claimers. And because of that, countries may go to war. But war is a terrible thing. War is about killing people. And to think that in our modern civilization, we still try to solve problems by killing people, to think about that makes me conclude that we are still rather primitive people.

In Malaysia today, we have launched a campaign worldwide to make war a crime. Now, many will say that this is impossible. From time immemorial, we have been fighting wars. How can we make war a crime? Even today, we see wars being fought: wars against territories, wars to achieve regime change, and a possibility of wars within the nations in East Asia. So we still believe that we should kill people in order to achieve our objective.

But today’s wars are different from the wars of the past. With bows and arrows, you can kill very few people, and normally you will kill the soldiers who are fighting on the other side. But today’s wars are total wars: the whole country would be involved. Not only will the soldiers be killed, but civilians will be killed. Noncombatants will be killed. Men, women, children, the old, the sick, the poor, the handicapped – all of them would be collaterals; they would all get killed.

We have made great advances in the weapons for killing people. We are now very efficient; we have come to the stage where we can direct unmanned aircraft in order to kill people. We also know that we have within us, all the nations of the world, more than 30,000 nuclear warheads. And if you launch the 30,000 nuclear warheads, the whole human race will be wiped out.

| New Waves in Asia |



Of course, we think that we will never do that. But you know, just as there was this madman who burned the gate in Seoul, maybe there will be a madman who presses the button and starts a nuclear war, and of course the countries which have been attacked will have to reply in kind, and we will have a nuclear war, and the whole of this human race would be wiped out.

War is really a very primitive way of settling disputes between nations. We should resort to other means. We should make war a crime.

Malaysia had disputes with all her neighbors. We had a dispute with Thailand, with Indonesia, with the Philippines, and also with other countries. We settled the counter-claims and claims and overlapping claims with Thailand by negotiating. We decided that the sea which was claimed by them and by us, the exploitation of the resources from the sea, should be shared 50/50 between our two countries. And that ends the confrontation between us.

With Indonesia, there were claims, overlapping claims, on two islands, beautiful islands, Ligitan and Sipadan. We tried to negotiate for years and years, and we failed, and finally both countries decided that we should go to the world court and ask the world court to decide, and we committed ourselves to accept whatever decision was made by the world court. And the world court decided that the two islands belong to Malaysia. Of course, Indonesia is not happy, but when you go to courts, sometimes you win, and sometimes you lose.

Then, there is a tiny rock in the seas between Singapore and Malaysia, just a tiny rock on which there is a lighthouse. Malaysia claims the tiny rock as ours, Singapore as theirs; again, we decided to negotiate, but again we failed, and we decided to go to the world court. And the world court decided that, wrongly of course, the rock belongs to Singapore. So we have to accept that.

So that ends the conflict within us. We didn't have to go to war, and no one died, but just imagine, just because there is an island somewhere in the sea, and both countries claim, you are prepared to go to war. And even if you don't go to war, the preparations for war, for defense, for attacks, would cost billions and billions and trillions of dollars. And what



happens? There will be tension.

Hopefully, there will not be any war, but the tension and the preparation for the war would already cost the countries concerned, huge sums of money. And this is not something that contributes to the well-being of people.

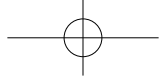
I think that we should rather spend that money on welfare, on looking after the poor, on better health services and educational services, for our own country and for other countries. That is the wise way to spend money. But to spend trillions of dollars preparing for war, developing new weapons, and all kinds of weapons of mass destruction that have been invented—it is a waste, a waste of human resources, which we in this century, in this year 2013, should not be doing. We should not be wasting resources that way; we should think instead of negotiation, or of arbitration, of going to the courts to settle disputes between nations.

And if we want to stop war, we will have to make war a crime—a crime against humanity. Of course, there would be people who would have to defend themselves. People who defend themselves are doing something legitimate. But people who resort to war in order to solve their problems with other nations should be regarded as having committed a crime. And the whole world should turn against that nation, and ensure that the leaders of such nations be brought to the courts of the world and be tried in the same way that other criminals are tried.

It is something that is regarded as impossible now. But please remember that at one time, slavery was accepted by the whole world. We all had slaves, and it was normal to have slaves. But today, nobody has slaves because it is illegal. It is immoral to have slaves. And so in all the countries of the world, slaves have been banned. It took a long time to stop slavery, to stop slave trade, but it was a success. And today we are free of slavery.

Perhaps, if we begin now at this Jeju conference, if we begin to work towards making war a crime, we may one day resolve all our conflicts through negotiation, through arbitration, or through resorting to the courts of law.

I hope that we all give some time to think about this, making war a crime, so that we will



not waste the lives of our young, so that we will not kill so many people, but instead, we should be very wealthy—because the money that today is being spent on weapons would be spent on the welfare of humanity.

I thank you.



KEYNOTE SPEECH II

THE NEED FOR FRESH THINKING IN EAST ASIA

Hatoyama Yukio

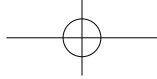
Director, East Asian Community Institute

Last year, I retired as a politician after a career of 26 years. In my retirement, I decided to take the opportunity to establish, in March this year, the East Asia Community Institute (EACI), which aims to establish an East Asian Community, something which I advocated but was unable to achieve during my tenure as Prime Minister, thereby contributing, through such a community, to the establishment of peace around the world based on the spirit of fraternity. I am committed to dedicating the rest of my life to achieving this goal.

Conservatives who oppose the creation of an East Asian Community say it will be difficult to achieve, citing various reasons including the diversity of religions, cultures and languages in Asia in contrast to Europe, differences in the degree of democratization, and significant differences in the structure of the economy and the state of economic development in Asian nations. They also claim that cultural engagement between different Asian countries and territories is difficult as they are separated by the sea, and that co-operation in East Asia is also hindered by the various disputes over territorial boundaries and the extent of exclusive economic zones. They also point out that, as soon as I stepped down from the post of Prime Minister, the Japanese government stopped making any reference at all to the East Asian Community as a result of American concerns.

However, my response to those who simply list reasons why we cannot achieve an East Asian Community is to urge them to accept the need to overcome our preconceived ideas and move away from traditional ways of thinking.

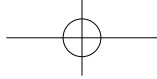
Firstly, we should not consider religious, cultural or linguistic diversity only as an obstacle. Rather, if we are able to develop a culture of accepting, respecting and learning from each other's differences in the spirit of fraternity, such diversity can in fact become a source of vitality and creativity. When we face contradiction, we should not immediately categorize such contradiction as an "inimical contradiction", but rather, to borrow the words of the late Mao Tse-tung, as an "internal contradiction" that exists between parties who are basically allies. As such, the contradiction can be harnessed as an opportunity to engage in lively,



constructive dialogue and elevate ourselves to the next phase. At the same time, there is no need for democracy to take a single form. Myanmar has begun the progressing along the road towards democratization, and the existence of various models of democracy in East Asia is not to their disadvantage.

Secondly, the wide variation in the path of economic development and the level of affluence among East Asian nations is a part of the region's diversity and this, from another perspective, is simply a reflection of unique qualities or characteristics of each country and territory. For example, in recent years, Japan's manufacturing industry has focused on producing equipment such as advanced, high-precision products and advanced industrial robots and machinery, as well as high-tech industrial materials such as carbon fibers. In summary, the Japanese economy has focused on high value-added capital goods which account for 70% of exports. Countries such as South Korea and certain ASEAN nations harness Japanese exports to manufacture goods including advanced intermediate components, and such components are assembled in various countries, particularly China, which take advantage of cheap labor costs to mass-produce consumer goods. In an interview with the Nikkei newspaper, Samsung Group Chair Lee Kun-Hee once stated that such a supply chain structure is "organic". As we can see, there is already in reality an "East Asia Industrial Community", which results from each nation leveraging their respective advantages to pool their strengths.

Thirdly, when looking out from land, the sea may appear to represent isolation, serving as both a barrier and a source of conflict, but the long history of East Asian civilization is the exception to this rule as for many thousand years, regional seas have served as a medium for cultural interaction and trade, with fishermen from neighboring countries and islands living and working together in the numerous rich fishing grounds. Only after entering the era of modern nation states did we become bound by concepts that arose in the West such as territory, territorial waters and exclusive economic zones, leading to the locking of horns

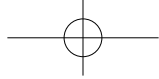


over maritime resources as a result of “state egoism”.

Last year, in August, former Taiwanese President Ma Ying-jeou proposed to resolve the issue of the Senkaku Islands through the East China Sea Peace Initiative, a framework for Taiwan, China and Japan to put their territorial disputes to one side and work together to manage marine product and mineral resources, jointly protect the environment, perform oceanography research, and engage in combined efforts to combat piracy and prevent terrorism. For sometime, I have also stated that the way to achieve peace in the East China Sea is to develop a framework for the joint international development of maritime resources, learning from the way in which the European Coal and Steel Community laid foundations for the birth of the European Union. Therefore, I think the time is now right for us to move forward with discussions to develop former President Ma’s proposal into a means not only of resolving the Senkaku Islands issue, but also as a fundamental framework for addressing all territorial issues in the Japan Sea, East China Sea and South China Sea.

Currently, Japan, China and Taiwan dispute the Senkaku Islands, Japan and South Korea dispute Takeshima, and Japan also has a longstanding territorial dispute with Russia over the Northern Territories. All of these disputes will be difficult to resolve, but if we are able to look at matters from a fresh perspective, we can see that the very existence of a dispute shows that conditions are in place for a peaceful and constructive resolution through dialogue and mutual understanding. In the same way as the French and German people worked together to build the momentum required to form the European Union, if Chinese and Japanese people can work together on the joint development of gas fields in the East China Sea, we may be able to rapidly develop the momentum required to build an East Asian Community. From this perspective, it is certainly undesirable for the nation in de facto control of a territory to provoke the other party by claiming that there “there is no territorial dispute”, as doing so obstructs the road to dialogue.

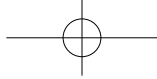
Fourthly, it is true that the United States expressed concern about being left out of any



East Asian Community. However, if we look at these matters from the opposite perspective, we can take these concerns as evidence of the very appeal of such as community. In reality, Japan cannot think about matters such as national security without considering the United States, and we simply need to be flexible in considering the extent of the community. It should be clear that preventing conflict in East Asia is also in the national interest of the United States.

As we take each step towards the formation of an East Asian Community, it goes without saying that co-operation between the three northeast Asian nations of Japan, China and South Korea is crucial. Previously, successful economic partnerships and dialogue on national security in East Asia hasve, for the most part, been achieved as a result of strong strategic initiatives led by ASEAN, but in order to achieve a broad basis for cooperation throughout Asia, Japan, China and South Korea first need to come together before involving Russia, which in recent years is showing a greater interest in the East Asian region, as well as Taiwan, which has its own growing regional influence, in order to buildt an alliance of northeast Asian nations and territories around the Japan Sea and the East China Sea. This is a prerequisite for creating an East Asian Community build around two core regions, one in Southeast Asia and one in Northeast Asia.

One reason behind the strained relationships between Japan and South Korea and Japan and China is the issue of how we perceive history. Especially since the start of Prime Minister Shinzo Abe's government, politicians from the ruling coalition have more frequently engaged in words and actions that will only provoke neighboring countries including worshipping en masse at Yasukuni Shrine and publicly stating their intention to revise the Murayama Statement on Japan's wars of invasion and the Kono Statement on the comfort women issue. Under these circumstances, unity in Northeast Asia only becomes ever more distant. Even United States has criticized the Abe government for historical revisionism, and is strongly concerned whether Japan intends to go to war in Asia. I recently



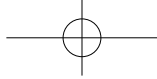
visited Nanking and I know that politicians must not close their eyes to history.

The joint government-private sector project between Japan, South Korea and China which aims to produce common textbooks has not yet produced adequate results, but it is one example of the unstinting, continual efforts required to produce an environment in which citizens on all sides can engage in frank discussions. I'm delighted that my "Campus Asia" proposal, under which universities in Asian countries recognize each other's academic credits, is already underway in Japan, South Korea and China, allowing young students to study at other universities unhindered by national borders. I hope that the next generation of young people, who will lead our countries through the rest of this century, will be able to find a path to overcome the issue of different perceptions of history by employing fresh, new ways of thinking, unencumbered by past developments.

Another even more critical matter is to create a project that intertwines the fate of all East Asian Nations through environmental protection and energy usage. For example, the Gobi Desert in Mongolia is said to have huge potential as a source of wind and solar power. East Asia's energy problems could be solved if Japan, South Korea and China work together to develop such natural energy sources and build a power transmission network to supply all of East Asia. If, depending on the circumstances, energy were also supplied to North Korea, such supplies could help provide North Korea with a basis for economic development. If East Asian countries are tied together by their dependence on common energy sources, it will be more difficult for regional conflict to develop.

In addition, although it is currently almost impossible for Japan to build new domestic power plants, countries such as China, Vietnam and India are reportedly forced to rely now on nuclear power. In order to preserve Japan's advanced nuclear technology while also improving nuclear power safety levels across the region, there is a pressing need to establish a joint body, including Japan, for managing nuclear power in Asia.

The development and testing of nuclear weapons and missiles by the new North Korean



regime is an imminent threat to the peace and security of the region. Attention often focuses exclusively on military technology as the only means of combating this threat, but it goes without saying that military capability is an extension of politics and diplomacy, and we must first prioritize problem-solving through dialogue and persuasion via diplomatic channels. As such, we cannot begin to address the North Korean issue while Japan, South Korea and China, as well as Russia (and also Taiwan) have fallen into mutual distrust and continue to engage in disputes. In fact, frosty relations between Japan, South Korea and China actually encourage North Korea to take a more provocative stance. We should reflect on this fact and realize that we must achieve cooperation in Northeast Asia, without delay, such that all of the surrounding countries and territories can work together to rein in North Korea.

The keyword in the development of human civilization is not conflict but collaboration. As a former Prime Minister, I am deeply concerned by the doubts over whether the current Japanese government has faithfully learned this most important lesson of history. Now is the time for Japan to adopt an appropriate diplomatic approach and begin working together with South Korea and China to achieve the grand vision of an East Asia Community. I intend to dedicate myself to that goal as I believe that East Asia is where a new form of fraternity-based capitalism can truly emerge.



DINNER SPEECH I

Yun Byung-se

Minister of Foreign Affairs, Republic of Korea

I would like to welcome former Prime Minister Mahathir Mohamad of Malaysia, former Prime Minister Hatoyama Yukio of Japan, former Prime Minister Han Seung-soo of Korea, Chairman Gong Ro-myung of East Asia Foundation, Chairman Hong Seok-Hyun of the Joongang Ilbo, President Moon Tae-young of the Jeju Peace Institute, and all other distinguished guests. Congratulations on the grand opening of the 8th Jeju Forum for Peace and Prosperity. I am very pleased to host this dinner, celebrating a meaningful event in Jeju.

Since its establishment in 2011, the Jeju Forum has emerged as a key forum where insights and ideas are exchanged on increasing economic integration as well as multilateral security cooperation and confidence-building measures in the region. I think that the Jeju Forum has chosen a rather relevant and timely theme, “New Waves in Asia,” which accurately depicts recent changes and developments in the region. I anticipate lively discussions and exchanges of opinions on this theme during the forum.

Honorable guests from home and abroad, we have been witnessing waves of change in democratization and leadership throughout Asia. New governments were installed in Korea, China, and Japan. Pakistan elected a new leader, and the long-desired “Myanmar Spring” brought hope for a future of liberty and prosperity to the nation’s 60 million citizens.

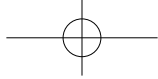
In light of these events, new visions of a new order in the region are being presented. Cases in point are President Obama’s “Rebalancing Asia” policy, Premier Xi Jinping’s “China Dream,” and President Putin’s “Asia Pacific-oriented national security strategy.”

In February of this year, President Park Geun-hye was sworn in as the first woman president in Korea and in Northeast Asia. In her inauguration speech, President Park presented her vision for happiness on the Korean peninsula, in Northeast Asia, and the entire global village.

However, we recognize the difficult challenges we are facing amidst present waves of change. Distrust is mounting among nations across Asia due to historical disputes, and marine and territorial disputes. Some extreme cases threaten physical confrontation. Despite growing mutual economic dependence, political and security cooperation has not been able to solve this problem, giving rise to the so-called “Asia Paradox.”

A historian of Asian descent once said, “History is to the nation as the soul is to the body.”

| New Waves in Asia |



As suggested by these words, historical issues are bound to the soul of a people. Therefore, distorted views of history are causing grave problems. One Western scholar recently observed that whereas terrestrial borders were the source of conflicts in 20th-Century Europe, maritime borders could be a potential source of conflicts in 21st-Century Asia.

For genuine peace and prosperity to take root in Asia in this era, old waves of conflict must give way to new waves of cooperation. To this end, it is essential that we make a concerted effort to harmonize competing visions and policies, and work toward the common goal of building a community of trust and cooperation.

Throughout Asia, numerous attempts have been made to promote multilateral cooperation, the APEC, ASEAN, ARF, and SAARC, to name a few. Focusing on Northeast Asia, however, it becomes clear that this is the only region in the world that lacks a multilateral mechanism to address various common issues and resolve conflicts among regional members. Certainly there have been a number of initiatives and visions of such a mechanism, but none has ever taken root. Northeast Asia suffers from a deficit of multilateral spirit.

As of late, the only viable attempt is perhaps the trilateral dialogue among Korea, China, and Japan. In 1999, the leaders of Korea, China, and Japan began meeting at the annual ASEAN Summits. In 2008, the China-Japan-Korea Trilateral Summit was established as an annual event independent from the ASEAN summits. In 2011, a permanent secretariat was established in Seoul for trilateral cooperation, laying the foundation for institutionalized cooperation. Last year, the three nations concluded a trilateral investment promotion and protection agreement, and initiated negotiations for a free trade agreement.

The Northeast Asia Peace and Cooperation Initiative, which President Park Geun-hye proposed in her recent speech in the US Congress, is a measure to strengthen the weak links and fill in the gaps in the multi-level networks of interdependence in Northeast Asia. By combining efforts for small but meaningful cooperation on “soft issues” such as the environment, disaster relief, nuclear safety, and counter-terrorism, nations can create customs of cooperation and build trust, ushering in an era in which Northeast Asia is peaceful, cooperative, and reliable.

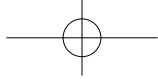


I believe that the time is ripe for Northeast Asia to realize such a vision. As the visionary, Korea seeks to pool the wisdom of all stakeholders in the region to initiate a common endeavor. In light of the failures of similar attempts in the past, the approach will necessarily be tailored to the circumstances of Northeast Asia, and move at a speed with which all involved countries feel comfortable. Korea will adhere to the principle of opening participation to all stakeholders, including the US, China, and Japan. The Northeast Asia Peace and Cooperation Initiative will not draw Korea's attention away from North Korea's nuclear program. Denuclearization of North Korea will be treated as the utmost policy concern in another relevant council.

Distinguished guests from Korea and abroad, the winds of change are blowing across the world, but there is one place that remains untouched. Ignoring this torrent of change, North Korea continues to provoke and threaten the world through its development of nuclear weapons and missiles. The Park Geun-hye Administration is seeking changes in North Korea through trust-building processes so as to sustain peace and ultimately to lay the foundation for the peaceful reunification of Korea.

Many people question how a trust-building process can begin with a partner such as North Korea. We are certainly aware of such concerns. Please allow me to elaborate. For trust to materialize, each side must maintain consistency, adhering to promises and agreed principles. When a promise is broken, appropriate consequences must follow. There are two major aspects of the "trust-building process on the Korean peninsula": safeguarding peace and creating peace. To safeguard peace, Korea will not tolerate North Korea's nuclear armament, and will ensure that North Korea pays a price for its provocations. These measures will be backed by the powerful combined deterrence capacity of Korea and the US. To create peace, Korea will leave the door open for dialogue and cooperation, and cooperate with friendly nations and partners to convince North Korea to make the right decisions. For each right decision, Korea will work with the international community to assist North Korea.

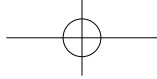
Given the reality of the situation, though, North Korea does not yet appear ready to enjoy the benefits of a trust-building process. As you well know, a special envoy from North Korea



visited China last week. At a press conference two days ago, I spoke of our government's assessment and outlook of the event. First, Korea is appreciative of the fact that China has emphasized the denuclearization of North Korea. Second, Korea's position on North Korea's reported willingness to resume dialogue is that North Korea must show sincerity through its actions rather than seek dialogue for the sake of dialogue. Third, Korea will continue to cooperate closely with the members of the Six Party Talks and the international community to see that North Korea abides by its international obligations and promises regarding denuclearization.

To conclude, peace and cooperation in Northeast Asia will help peace take hold on the Korean Peninsula, as peace and stability on the Korean Peninsula will bring peace and cooperation to Northeast Asia. We have seen that conflict between the two Germanys was interlinked with peace in all of Europe. Similarly, the Israeli-Palestinian conflict affects peace throughout the Middle East.

As I mentioned earlier, new waves of freedom and prosperity are flowing across Asia. Many view these movements to be irreversible historical developments. We should not be afraid of change. Rather, we must allow change to proceed. I look forward to the presentation of visions and insights on the ways we can direct these waves of change to respond to the challenges that will find us, with an eye toward opening a new, true Asian era. Thank you.



DINNER SPEECH II

Ju Chul-Ki

Senior Secretary to the President for Foreign Affairs
and National Security, Republic of Korea

I would like to welcome all of our honorable guests, former Prime Minister Mahathir Mohamad of Malaysia, former Prime Minister Hatoyama Yukio of Japan, and Governor Woo Keun-min of Jeju Special Self-Governing Province, who labors incessantly to improve the Jeju Forum. I am truly delighted for the opening of the 8th Jeju Forum for Peace and Prosperity in Jeju, a beautiful island of World Natural Heritage. I am grateful for the opportunity to speak to you about the Korean government's plan for unification and foreign relations policy.

Asia, from the Periphery to the Center

In a period of transitions in world order, with Asia's increasing role and status, the opening of this forum under the theme "New Waves in Asia" seems very timely.

Constant economic growth is thrusting Asian countries into the center of the world economy. Northeast Asia, home to the second and third largest economic powers in the world, accounts for about 20 percent of the world economy. The region's global influence is growing by the day. Economies of nearby ASEAN countries are also prospering, and their share in the world economy is growing.

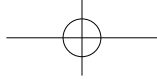
Therefore, special emphasis must be placed on mutual understanding and cooperation among East Asian nations. In the 21st Century, the world is requiring East Asian nations to make contributions befitting their expanding influence on the process of establishing a new international order.

However, in order to open a true "New Asian Century," we must overcome three security challenges:

The first challenge comes from North Korea's nuclear ambitions, which threaten not only peace on the Korean peninsula but in the entire world. The second challenge is overcoming mounting tensions among nations due to differences in historical perceptions and territorial disputes. The third challenge is balancing the US policy of "Rebalancing Asia" with China's concept of "A New Type of Relationship among Major Powers."

When Asian countries can cooperate and manage these security challenges, we will be

| New Waves in Asia |



able maneuver through these waters and mature together in the process of establishing a new international political and economic order.

The Trust-building Process on the Korean Peninsula

North Korea continues its military threats and provocations, conducting nuclear tests and missile launches. The Gaeseong Industrial Complex, which has served as a symbol of North-South economic cooperation, has even been shut down for 57 days as of today. Korean people and the government have pressed for solutions through dialogue, but North Korea has responded by tearing down the cooperative relationship the two Koreas have built over the last decade.

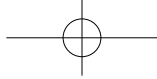
North Korea is pursuing the infeasible goal of attaining nuclear capability and economic growth simultaneously.

Unless North Korea relinquishes its nuclear program, no country in the international community will promise cooperation or support. North Korea will not only isolate itself further, it will aggravate the suffering of the North Korean people.

Kazakhstan gave up its nuclear program, and in turn gained large-scale economic support and security assurances. The nation achieved the fastest economic growth in Central Asia and became a responsible member of the international community. The Ukraine is another nation that gave up nuclear weapons for economic compensation. North Korea should also pay heed to Myanmar, which recently underwent a regime change and the opening of its borders. If North Korea chooses the path of change, as did the above-mentioned countries, and relinquishes its nuclear program and ceases futile provocations, Korea and the international community will make every effort to cooperate and provide economic support to North Korea.

Honorable guests, the Park Geun-hye Administration is addressing the current issues in North-South relations through a process of consistent trust-building, responding in a dignified and composed manner. We consider the current crisis to be not the end, but rather the beginning, of North-South relations, an opportunity to turn over a new leaf.

Korea will build a new framework for the relationship, one based on trust and strict principles, and decisively end the vicious cycle of North Korea's provocations – and thus sanctions – rather than negotiations and support. The Korean government will work with the international community to respond to North Korea's threats and provocations firmly, while leaving a window open for dialogue. Korea will carry on cooperating with North Korea on small things to lead to bigger exchanges and cooperation, and make continuous efforts to increase the quality of life of North Korean citizens through humanitarian assistance.



The “trust-building process on the Korean peninsula” will be carried out unwaveringly during the entire five-year term of the current government, regardless of temporary situations that arise between the two Koreas. Through this process, the Park Geun-hye Administration will resolve the issue of North Korea’s nuclear program, and pave the way for the reunification of Korea, bringing increased quality of life and happiness to both North Koreans and Koreans. It will contribute to Northeast Asia’s security and to world peace.

Northeast Asia Peace and Cooperation Initiative

As you well know, the denuclearization and peaceful reunification of the Korean peninsula is closely related to the stability of Northeast Asia. Nations in this region can achieve greater power through close cooperation and mutual assistance.

The so-called “Asia Paradox” is becoming more and more conspicuous. While mutual dependence among Asian nations is growing with their increasing economic capacities, political and security cooperation is diminishing due to conflicts arising from differing historical perceptions and other reasons.

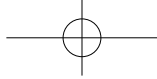
To overcome this paradox which hinders the coexistence and development of Asian nations, and open a new chapter of cooperation, nations in the region must begin close communication and cooperation based on trust and accurate views of history.

To this end, the Park Geun-hye Administration intends to first promote conversations among nations on “soft issues,” such as nuclear security, climate change, cyber terrorism, and disease control. The “Northeast Asia Peace and Cooperation Initiative” proposes that the international community gradually expand the scope of conversations around security cooperation.

For example, countries in this region must respond jointly to natural disasters such as earthquakes and tsunamis. Nuclear security is another issue that concerns the entire region. Korea alone has 23 nuclear plants. Japan and China are projected to construct 50 and 60 additional nuclear plants, respectively. If another disaster such as the Fukushima incident occurred under those conditions, the damage incurred in the region would be unimaginable. Our region urgently needs a response system in order to minimize the risk of nuclear accidents.

As we respond together to solve one common issue after another, Northeast Asia will be able to reach its goals of achieving peace and forming a regional community. This will serve as a catalyst for green growth, green development, and development assistance, and facilitate progress toward the UN’s Sustainable Development Goals (SDG).

Currently, the region lacks a mutual response mechanism for both soft and hard security issues. The Park Geun-hye Administration believes not only that it is possible to build such



a mechanism, but also that one will be essential in the future. President Park is initiating the “Seoul Process,” which is aimed at building trust within the region, beginning with the US, China, Japan, Russia, and the two Koreas. This initiative will be carried out side by side with a trilateral model for top-level cooperation among Korea, China, and Japan, which is currently in development. In the long term, Northeast Asia’s cooperation system could possibly be broadened through connections with ASEAN countries. Harmony and balance between the US and China is critical for the success of the “Northeast Asia Peace and Cooperation Initiative” and the sustainable development of Asia.

I believe that the US policy of “Rebalancing Asia” and China’s proposal for a “New Form of Relationship Among Major Powers” are not contradictory, but share many aspects that can be satisfied through constructive cooperation.

I believe that the “New Asian Century” can begin when cooperation based on trust is established among the nations that play key roles in maintaining international order in the 21st Century, namely the US, China, and other East Asian countries.

Following its people-centered administrative philosophy, the Korean government will first achieve greater social integration, based on which it will carry out “trust diplomacy” with North Korea and the international community, and contribute to bringing a healthy peace to Northeast Asia and the world and constructing a happy global village.

President Park Geun-hye garnered support for the “trust-building process on the Korean peninsula” and the “Northeast Asia Peace and Cooperation Initiative” at the Korea-US Summit. At the end of June, President Park will visit China and reiterate the administration’s firm determination to cooperate with China in denuclearizing the Korean peninsula.

In addition to continuing summit meetings with Russia, Japan, and other major countries, Korea will continue to expand cooperation with ASEAN countries, as well as hold summit meetings with Russia, Japan, and other major countries. It is my earnest desire that all key figures participating in the Jeju Forum gain a deep understanding and show active support for the “trust-building process on the Korean peninsula” and the “Northeast Asia Peace and Cooperation Initiative” proposed by the Korean government. I hope that this conference in Jeju, the island of World Peace, will give rise to more such necessary conferences in the future. I wish the Jeju Forum success and substantive results.

I express my deep appreciation to the organizers of the Jeju Forum, who have given me this valuable opportunity to speak today. Thank you.



WORLD LEADERS' SESSION

NEW WAVES IN ASIA

Jeju Peace Institute

A panel discussion was held on the theme “New Waves in Asia,” based on the opinions of world leaders presented in the keynote speeches at the opening ceremony. Former prime ministers of Korea and other countries participated in this session and exchanged opinions on the new international paradigm anticipated for the “Asia-Pacific Era” and future policy tasks to promote peace and prosperity in the region.

MODERATOR

Park Jin Executive President, Asia Future Institute; Former Chairman, Foreign Affairs, Trade and Unification Committee

DISCUSSANTS

Han Seung-soo Former Prime Minister of Korea

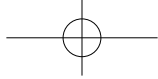
Mahathir Mohamad Former Prime Minister of Malaysia

Hatoyama Yukio Former Prime Minister of Japan; Director, East Asian Community Institute

Question 1: What can be learned from the European experience? What efforts must Asia make for peace and prosperity?

Mahathir Mohamad (Former Prime Minister of Malaysia): European countries have chosen to form an alliance rather than wage wars against one another. In other parts of the world, however, war is ongoing. War is not the answer, even if it is under the flag of democratization. Hostile nations in Europe resolved conflicts through peaceful means and formed alliances. Asia can also turn every relationship into one of mutual understanding and reciprocity. Dwelling in the past hinders progress.

Hatoyama Yukio (Former Prime Minister of Japan; Director, East Asian Community Institute): There are several causes of war: 1) military intervention from the outside after prolonged domestic strife, as seen recently in Africa; 2) territorial disputes; and 3) outbreaks of war as a result of US-led democratization efforts. It is important to identify and eliminate the causes of war. Learning from the European experience, hostile nations in Asia must cooperate in achieving common goals.



Han Seung-soo (Former Prime Minister of Korea): European integration was achieved in two phases. The first phase was preventing war and strife among European states through the formation of the European Coal and Steel Community (ECSC). The second phase was forming a peaceful European community under the Treaty of Rome. Ideas, ideals, and ideologies make integration possible. The East Asia Summits and the Korea-China-Japan FTA can contribute to forming an East Asian community.

Building an East Asian community based on the experience of Europe will require FTA negotiations between Korea, China, and Japan.

Question 2: Two large economic partnership frameworks exist in this region: The Regional Comprehensive Economic Partnership (10 ASEAN States and Korea, China, Japan, India, Australia, and New Zealand) and the Trans-Pacific Partnership (The US, ASEAN, Japan, Central and South American nations). Do the two partnership models have a competitive and counterbalancing relationship or a mutually accommodating relationship?

Han Seung-soo: The RCEP or the TPP cannot be said the basis of the kind of economic community found in Europe. However, in the absence of successful multilateral trade negotiations, we have tried to create a much freer trading environment than in other parts of the world. In this respect, I think that the RCEP and the TPP offer many opportunities. In the case of the RCEP, the centrality of ASEAN member states is a major problem, but I have hope that the RCEP will succeed.

Hatoyama Yukio: It is important to not impose fixes on the participating states, for this can cause conflict. Friction between member and non-member states must be minimized, and each country must determine whether its disadvantages can be minimized through a free trade agreement. The Abe Administration of Japan has decided on its accession to the TPP, but it must not forget that there are also disadvantages to



joining the partnership. ASEAN +3 and +6 economic cooperation should be strengthened.

There is a special emphasis on economic cooperation, but this must develop into a framework of security assurances. We need a framework that allows cooperation among as many nations as possible.

Mahathir Mohamad: You can be free when you are equal. There are gaps between developing countries and advanced countries, and opening up trade may result in disadvantages for developing countries. We should consider the relative competitiveness of each country before talking about free trade. For example, the conditions of the TPP must be laid out after taking into consideration the weakness of developing countries.

Han Seung-soo: In the negotiation process of the TPP, it is clear that each country has its own stance on which areas they hope to protect.

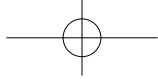
Mahathir Mohamad: Perfect fairness and equality do not exist in negotiation. Powerful countries enter negotiations with numerous experts and lawyers who are very conversant in international trade laws. While weak countries can put up a case for some protection, it is very difficult for developing countries to enter advanced European countries due to conditions that are impossible to meet.

Question 3: In the G2 era, what do you make of the US's "Pivot to Asia" strategy? What do you think of the view that American strategy is a challenge to China's national interest? What can we do to facilitate cooperation and peaceful coexistence of the two superpowers?

Mahathir Mohamad: Diplomatic efforts to bring Asian nations together but exclude China send the message that we are against China.

Hatoyama Yukio: The idea that it is in the national interest to antagonize China or the US and lean toward one of the

When framing an economic community, the position and circumstances of each country must all be taken into account, and the position of developing countries must be reflected as well.



superpowers is an outdated idea. President Obama's Administration has no choice but to reduce military spending significantly. I am certain that President Obama will maintain a good relationship with Premier Xi Jinping. China's growing defense budget is heightening tensions in the international community, but some people stress that the budget increase is not high at all compared to China's GDP. The problem arises from the lack of transparency in China's defense budget. China must make public its spending to reduce worries throughout the world. The US and China must maintain a close relationship to reduce conflicts around the world.

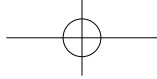
Han Seung-soo: A return to the Cold War era is no longer possible, and China knows how to manage international relations very well. President Obama invited Premier Xi Jinping to come to California. It was the first time a Chinese leader was invited to an informal meeting by the President of the United States. This is the beginning of a qualitative change in the US-China relationship.

In the long term, with the "decline of Western civilization and the rise of Asia," China's relationship with the US is bound to improve.

Question 4: Please assess the current situation on the Korean peninsula and give a few words of advice to President Park Geun-hye.

Hatoyama Yukio: The path of Kim Jong Un's North Korean Administration is unknown to the world, and security risks are intensifying on the Korean peninsula. Continuing provocation by North Korea will harden China's position, which could result in strict sanctions against North Korea. It is necessary to stress that such a turn of events would be disadvantageous to North Korea's development. It is possible for North Korea to arrive at positive decisions such as resuming Six Party Talks. Moreover, we must make North Korea understand that surrounding nations can cooperate to facilitate reform and the opening up

It is important for China to play a meaningful role in reducing security risks on the Korean peninsula and helping North Korea to reform and open up. A system needs to be established that can make North Korea part of the East Asian community.



of North Korea. The vision of the East Asian community must include a system that embraces North Korea.

Mahathir Mohamad: I think that we should tone down the coverage a little bit in terms of reporting on what is happening in other countries. Political leaders should also be very careful about what they say. Saying things that are irritating to their counterparts does not help efforts to create an atmosphere of peace. Additionally, we should rely more on China to curb the aggressive tendencies of the new young leader of North Korea so that he does not make rash decisions.

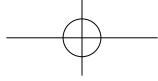
Han Seung-soo: The “trust-building process on the Korean peninsula” is key to the Park Geun-hye Administration’s foreign policy regarding resolution of North Korea issues. Trust-building is critical in resolving North Korea issues, thus initiatives to promote community-wide confidence building systems such as the Asia Regional Conservation Forum are necessary. The Helsinki Process is well-known for its momentous role in alleviating international conflicts. We must build on this precedent to achieve an even more effective community-wide trust-building process.

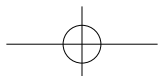
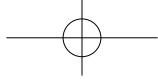
Policy Implications

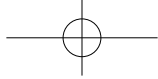
- There is a growing need to form a community based on trust among East Asian nations.
- We should not rely solely on China for North Korea policies, but create an atmosphere in which North Korea can participate as a member of the community.
- It is necessary to make more practical and realistic policies that consider the circumstances of each country.

RAPPORTEUR

Kim Min Jung Program Officer, The Asan Institute for Policy Studies

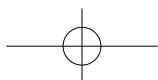






Part II

In Search of Cooperative Leadership





MANAGING SECURITY CRISES: NATIONAL STRATEGIES AND INTERNATIONAL COOPERATION FOR CRISIS MANAGEMENT

Jeju Peace Institute

With North Korea’s increasing cyber and nuclear capabilities, it is now important for South Korea and its allies to prepare for new types of security crises, as opposed to the “conventional” security crises for which they have traditionally been prepared. This session has brought together security experts from South Korea and its allies to discuss national plans and international cooperation with regard to cyber and/or nuclear attacks. From the Korean side, for instance, practitioners of “conventional” security crisis management (former members of the Presidential Office who were in charge of security crisis management) were joined by experts on “emerging” security risks, particularly cyber and nuclear attacks. Through the exchange of their experience and knowledge, it is hoped that practitioners and analysts from Korea and its allies have produced useful guidelines for managing unprecedented security crises.

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MODERATOR

Kim Bong-hyun Ambassador to Australia

SPEAKERS

Koo JaRyong Assistant Editor, Foreign Desk, The Dong-A Ilbo (Donga Daily News)

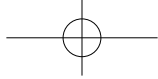
Kim Duyeon Senior Nonproliferation and East Asia Fellow, Center for Arms Control and Non-Proliferation

Boo Hyeong-wook Research Fellow, Korea Institute for Defense Analyses

Boo Hyeong-wook (Research Fellow, Korea Institute for Defense Analyses): Many scholars, including Solomon, warn that it is inappropriate to apply nuclear crisis management strategy to cybersecurity. Libicki, one of the leading scholars in cyber deterrence, says that there are four intrinsic differences between cyber and nuclear crises:

First, an issue of attribution; unlike the case of nuclear warfare, tracing the source of cyberattacks is not easy. Second, the outcome of attacks and damages cannot be guaranteed in cyber war. Third, cyberattacks tend to be repeated and potential damages can be influenced by the defending side’s ability to deter repeated attacks. Finally, it is possible to retaliate against cyberattacks at a minimal cost.

| New Waves in Asia |



Considering all these differences, waging cyberwarfare or responding to a cyber-crisis may result in complicated problems. For example, it is not an easy choice for a state suffering from cyberattacks to launch a physical counterattack retaliation. Also, it is still debated whether cyberwar should be seen as “the fifth domain,” joining the theaters of land, sea, air, and space. Cyberwarfare has been made possible due to technological advancements, which makes it qualitatively different as other wars conducted on the physical battlefield evolved along with the development of instruments as well as technology. This implies that a radically different approach needs to be taken to address cyberwars.

The core of cyberdefense or cybercrisis response is whether we can make networks resilient to cyberattacks. In the real world, it takes substantial time to recover from the damages of an attack. A sufficient stock of weapons and resources are critical to winning a war. In contrast, cyberspace is not totally destroyed even if some part is attacked and damaged. Such resistance itself can nullify the effectiveness of cyberattacks.

Chang Nohsoon (Professor, Cheju Halla University): Cyber threats are roughly divided into three types: cyberespionage, cyberterror, and cyberwar. South Korea’s recent experience with cyberterror on March 20, which is widely believed to have been committed by North Korea, can be seen as the second type, causing data destruction and system failure. While the essence of nuclear attack lies in its destructive power, cyberattacks are a different kind of security crisis as they are conducted simultaneously and it is often difficult to identify the offender.

Related to cybercrises, the U.S. government has been exerting diplomatic pressure on China with strong warnings against cyberattacks. This is significant in two ways:

First, in 2010, the United States mounted the first cyberattack on the nuclear facilities in Iran to deter its nuclear activities, a tactic that has been considered cost-effective with few side effects. The other case is that the director of the National

Suh Choo Suk Senior Research Fellow, Korea Institute for Defense Analyses

Chang Nohsoon Professor, Cheju Halla University

Han Intaek Director of Research Department, Jeju Peace Institute

The core of cyberwarfare response is whether we can make networks resilient to cyberattacks.



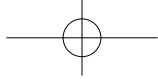
Security Agency acknowledged that he was creating offensive cyberunits. This means that it is possible for the U.S. defense department to counter cyberattacks with cyber weapons. Amid the Chinese criticism about the “cyber-imperialism” of the United States, it seems that a new international order is starting to take shape in the cyber battlefield as in the domain of nuclear weapons and missiles. In many respects, it is possible for Korea to be forced to follow the position of the United States — not wanting to risk harming the relationship with one of its closest allies. It is necessary to have a consensus and come up with a national strategy to deal with this situation.

Suh Choo Suk (Senior Research Fellow, Korea Institute for Defense Analyses): Despite the topsy-turvy relationship over the past six decades, the South Korean government has learned how to systematically respond to “conventional” crises with North Korea, which can occur relatively easily, incurring instant damage and casualties. However, there seem to be no effective alternatives established to cope with newly emerging threats to nuclear- and cyber-security.

Recently, cybersecurity has been growing increasingly important and the possibility of a cyberattack is always present. The unpredictability and volatility of cyberattacks makes it difficult to deal with them. That makes it all the more necessary to establish a network to respond to cyberthreats. There has been lively discussion over the Korean government’s responses previous cyberterror. That led to the establishment of 1) a consultative body headed by the Presidential Office and Prime Minister’s Office and 2) a Cyber Terror Response Center, led by the National Intelligence Service (NIS), under its supervision. The system still needs to be reorganized to make it more efficient in responding to abrupt and volatile cyber terror attacks, but it doesn’t seem to be easy as there is controversy over the role of the NIS within domestic political circles.

Associated with the potential nuclear crisis, North Korea’s launch of long-range missiles in July 2006 and the signs of conducting nuclear tests detected afterwards ignited a

The unpredictability and volatility of cyberattacks makes it difficult to deal with them and all the more necessary to establish a network to respond to cyberthreats.



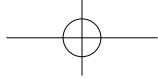
discussion over how to manage the “nuclearization” of North Korea. Despite North Korea’s latest attempt to force dialogue on its own terms by holding nuclear tests, talks with the United States failed to materialize.

Recently, amid the growing speculation about nuclearization and use of force by means of nuclear weapons, the possibility of a preemptive strike by South Korea was raised. Key issues discussed by South Korea and the United States included the direct use of nuclear weapons and the safety of nuclear weapons in the case of instability in the North. The United States focused on the transfer of nuclear weapons by the North to overseas buyers.

Nuclear weapons are unlikely to be used at the early stage of a war on the Korean peninsula. Therefore, it probably isn’t feasible to conduct 1) a comprehensive search of North Korea for short-range nuclear missiles and 2) mount a preemptive strike on them.

Han Intaek (Director of Research Department, Jeju Peace Institute): North Korean nuclear threats have exposed South Korea to a potential nuclear crisis, which might be precipitated by mutiny in North Korea or its collapse. How should South Korea respond to such a crisis? Answers can be found in the lessons learned from the Cuban crisis in 1962: Military intervention cannot be an option. Communication and negotiation is the only solution to settle a crisis. In addition, South Korea has a remarkably low capability to deal with nuclear crises and its perception is inadequate. A nuclear crisis faced by South Korea would be completely different from a conventional crisis. It would be meaningless to adopt defense and offense as a basic security framework. However, the ROK government still relies on conventional security strategies, which are not only inefficient but also could have adverse effects. Take the following strategy, for example: when there are signs of North Korea’s launching a nuclear attack on the South, South Korea is supposed to attack North Korea preemptively. For this strategy to be realized, Seoul would have to be able to

Military intervention cannot be an option. Communication and negotiation is the only solution to settle a crisis.



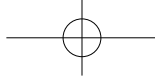
detect and destroy nuclear weapons in North Korea. A preemptive strike could be justified if we were certain that North Korea was launching a nuclear attack. In fact, a successful preemptive strike could save lives that would be lost by the use of nuclear weapons. However, a successful preemptive strike must be based on precise intelligence; and even if a nation has the capacity to gather accurate information, it is still not easy to identify the locations of all of the weapons. Moreover, if North Korea has actually developed small-sized nuclear weapons, it would be all the more difficult.

In this sense, mounting a preemptive strike to respond to potential nuclear attacks by North Korea is not a feasible idea, and even if South Korea succeeded in a preemptive strike, it could expose itself to a security threat instead. Also, the more effective and certain a preemptive strike is, the keener the sense of crisis of the North Korean leader would become, which might provoke a full-blown nuclear attack.

Kim Duyeon (Senior Nonproliferation and East Asia Fellow, Center for Arms Control and Non-Proliferation): First of all, Korea needs to analyze the threats and capacity of North Korea accurately to understand whether North Korea: 1) is really able to launch nuclear attacks; 2) has the technology to mount a weapon on a missile; 3) is able to precisely launch such nuclear attacks on South Korea or Japan; and 4) can be traced and identified by South Korea as the source of a nuclear attack. Other than that, we also need to learn whether North Korea's nuclear program is for deterrence, offense, or for insurance. Under the assumption that North Korea will launch a nuclear attack, for a preemptive strike to be effective, it should have such precise and destructive power that North Korea could not possibly conceive of retaliation as an option. Hence, a preemptive strike would not be an easy choice.

Therefore, it is recommended that we should consider an embargo and denuclearization of North Korea, focusing on “prevention” and “deterrence” while the United States is sending a clear message that “if North Korea uses nuclear weapons, the North’s regime could fall.”

Koo JaRyong (Assistant Editor, Foreign Desk, The Dong-A Ilbo (Donga Daily News)): There are roughly nine factors with which one can estimate the possibility of change in policies towards North Korea by China under Xi Jinping. In the past, the relationship between China and North Korea used to be based on a “blood alliance,” but now it is turning into a regular relationship between the two nations. On the other hand, although China traditionally held the attitude of “resisting the United States and aiding (North) Korea,” its relationship with the United States is now changing into one of cooperation amid competition. The strategic value of North Korea as a bulwark against the West is



gradually decreasing and China's way of looking at North Korea is changing with constant human rights issues being highlighted in North Korea. In the past, China used to see North Korea as a friendly ally, a brotherly nation, but now it is being seen more as an obstacle to national growth.

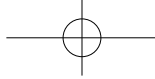
At the same time, North Korean perceptions of China are also changing. To North Korea, China is no more an ally based on absolute trust, but a nation which can abandon North Korea if it feels necessary. Also, the relationship with China and the two Koreas is turning trilateral since it established diplomatic ties with South Korea 21 years ago; it used to be a bilateral one between China and North Korea. There have also been military exchanges between high-ranking officials. The international community's perception of China has changed, too; in the past, China was just one of the socialist nations, but now it is considered as a superpower, comparable with the United States. The political scene in China has been dominated by the Communist Party ruling in disregard of public opinion, but the Chinese government is now keenly interested in the trends of the public sentiment, especially on the Internet. As for the nuclear armament of North Korea, China has started to think differently; it was not considered as a threat to China in the past, but now it is thought to be against the core interests of China, which implies that there are possibilities for changes in the existing policy towards North Korea.

Question 1) North Korea's nuclear weapons are a threat to both Russia and China. It would seem that the Park Gun-hye administration should be more assertive in making diplomatic appeals to both countries. Right?

Answer 1) Han Intaek There are few potential targets of attacks in Russia. Is North Korea equipped with a system of missiles to carry nuclear warheads? Or missiles that can reach Russia near Western Europe and inland China? With the current capabilities of the North Korean military, it is difficult to make a nuclear warhead smaller and mount it on mid- and long-range missiles. That is why Moscow is not worried about North Korean missiles, which are crude. However, it is possible to mount heavier warheads for targets at a closer distance, so South Korea needs to take a look at technological aspects of the North's nuclear capacity. With its current capabilities, North Korea is unlikely to be able to launch a nuclear attack on Russia.

Question 2) Kang Du-hyeon If North Korea strengthens its nuclear checks and capabilities under the extended deterrence of the United States, can we trust the extended deterrence?

Answer 2) Kim Duyeon The extended deterrence of the United States is under harsh criticism but will



skepticism help? Without the nuclear umbrella of the United States, are there any other alternatives? There are controversies over whether South Korea should create a self-defense system, and whether or not the United States should allow South Korea to make what technological responses they it can. But there are a number of international treaties governing nuclear issues. Currently, it is difficult for South Korea to develop a nuclear capability of its own. To be sure, it would send a symbolic message to North Korea but many U.S. military control experts say that it would not be effective in the technological aspects. South Korea is able to find creative ways to address the issue and has conditions to find creative methods. This can be an opportunity for South Korea, but it is currently caught in a dilemma because of the indifference of the United States.

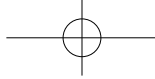
Policy Implications

- The “deterrence theory” can be applied to non-conventional threats and crises as well as conventional ones of North Korea.
- Non-conventional threats, “nuclear” and “cyber” threats are clearly different in their nature and characteristics, so they should be addressed with different strategies.
- Without precise information, “preemptive” strikes as a response to North Korea’s nuclear attacks can cause heavier damages and losses, and are difficult to carry out.
- Changes in the attitude and strategy of China under Xi Jinping can bring positive effects for solving the North Korean nuclear crisis.

RAPPOREUR

Yun Yelim Program
Officer, The Asan Institute
for Policy Studies

| New Waves in Asia |



MAKING IDEAS WORK: CHALLENGES AND OPPORTUNITIES FOR THINK TANKS IN ASIA

Jeju Peace Institute

The Think Tanks and Civil Society Program (TTCSP) at the University of Pennsylvania announced the inclusion of two Japanese institutions and three Chinese institutions in the world's 50 best think tanks list, while none from Korean are listed. This has provided an opportunity to discuss how to strengthen the competitiveness of Korean think tanks. Specialists in Korean academia point out major factors for think tank capability: autonomy from big businesses; financial independence; consistent research topics and direction; voluntary participation of civil society; and massive injection of resources by the government. This session served as an open space to discuss the mission and challenges of Korean think tanks to strengthen their competitiveness.

MODERATOR

Lee Chung Hee Professor,
Hankuk University of Foreign
Study

PRESENTER

Yi Seong-Woo Research
Fellow, Jeju Peace Institute

DISCUSSANTS

Kang Kyung-Tae Professor,
Silla University

Kawaguchi Shuji Researcher,
Mitsubishi Research Institute

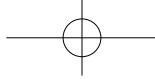
Yao Wang General Director,
Boao Forum

Michael Yeoh Manager,
Asia Strategy & Leadership
Research Center

The Roles and Limitations of Think Tank

Kang Kyung-Tae (Professor, Silla University): There are various think tanks sponsored by the government in Korea. The leading think tank in Korea, the Samsung Economic Research Institute (SERI), however, is sponsored by Samsung, Korea's largest conglomerate. SERI displays both the criteria for success and the problems with think tanks in Korea. Being privately sponsored, however, limits it because SERI is obviously set up for the Samsung's purposes, not for the public or country.

Kawaguchi Shuji (Researcher, Mitsubishi Research Institute): An example of a successful think tank in Japan is the Mitsubishi Research Institute (MRI). The institute is making efforts to satisfy three criteria: creation of knowledge; maintenance of social trust



It is critical to secure funding for a think tank for it to function efficiently. It is also important to be clear in the values it pursues and to know that the values are socially accepted.

in corporations; and self-realization of employees. In general, the most influential ones of all the Japanese think tanks are those sponsored by the government, while the most well-known ones are those run by private companies. In contrast, personal or independent research institutes are the least influential. This reflects both financial and cultural aspects.

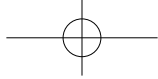
Yao Wang (General Director, Boao Forum): The Boao Forum is a successful non-profit organization that hosts high-level forums focused on economic matters in China. This forum is not operated with government support, but by the sponsorship of private enterprises in China and overseas, including Korea's Samsung and SK.

Michael Yeoh (Manager, Asia Strategy & Leadership Research Center): I'd like to discuss three points about think tanks: requirements for an efficient think tank; meaning of efficiency; and, new areas. First, it is critical to secure funding for a think tank for it to function efficiently. It is also important for it to be clear with the values it pursues and that the values are socially accepted. Other requirements include communication with the media and long-term planning. Lastly, a successful think tank should renovate itself constantly through feedback.

The efficiency of a think tank can be assessed by the results of its interaction with universities, the media, and government. The power of influence on government policies should be countered, too. Interests of an efficient think tank should cover regional integration, environmental issues, and non-conventional security as well as public policies.

Key to Success of a Think Tank

Yi Seong-Woo (Research Fellow, Jeju Peace Institute): The most important of all is the creation or production of knowledge. A think tank should be equipped with theories



or explanatory systems of their own brands. Pursuing customer satisfaction only does not lead to creative development of the organization.

Kang Kyung-Tae: The Korea Development Institute (KDI) is one of the most successful think tanks in Korea. However, the institute is sponsored by the government, which makes it difficult to propose policies that run counter to government priorities. Moreover, policies tend to fluctuate every five years with a change of administration.

The tradition of independent and autonomous think tanks is weak in Korea. It is not easy to secure autonomy from the government or large corporate groups. It has been encouraging, however, to see some institutes such as The Asan Institute for Policy Studies and East Asia Institute (EAI) recently present new models.

Yao Wang: Think tanks should make the right choices for current times, characterized by complexity and mobility. This is particularly so for those in developing countries.

Michael Yeoh: Exchanges and cooperation are required among various think tanks in Asia. It is also important for think tanks and civic groups to participate in exchanges. A think tank should also be interested in larger, global issues.

Question 1) Lee Chung-ja, Activist I'd like to know if think tanks have principles. I believe a think tank needs to work for universal values of humankind, not only for the government or their sponsors.

Answer 1) Yi Seong-Woo Clearly, influential power is an important factor. But it cannot be obtained just by the number of researchers. Ultimately, to brand itself, a think tank should have unique principles, knowledge, and research methods

Ultimately, a think tank should have principles, knowledge, and research methods to brand itself.



Question 2) Audience, from Washington, D.C. In the United States, think tanks are typically evaluated by their influence on public policy. Creation or production of knowledge does not seem to be important. I think this gap comes from cultural differences. They are also different in the way that they secure funding. In the States, it is common for public donations to contribute to the operation of think tanks.

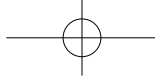
Answer 2) Kang Kyung-Tae There ARE cultural differences between Korea and the United States. I don't think it is appropriate to apply America's experience to Korea or other Asian countries.

Policy Implications

- Think tanks should be balanced in pursuing goals; being influential in public policy; and creating knowledge. They can survive and thrive amid fierce competition only when they can brand themselves.
- Collaboration between think tanks is crucial. Cooperation with similar think tanks dealing with the same issues should be conducted on the regional, national, and global level. A think tank can help them all by extending its number of research fields.
- There are a lot of think tanks out there focusing on the economy and political policies. Now we need think tanks addressing new issues such as global and non-conventional threats to security. Support from and cooperation with advanced nations is necessary to encourage participation of less-developed nations.

RAPPORTEUR
Park Sang-Hyun
 Associate Research
 Fellow, Korea Institute for
 Defense Analyses

| New Waves in Asia |



A NEW WAY OF THINKING ON KOREA-CHINA INTER-CITY DIPLOMACY

China Magazine

Inter-city diplomacy has quickly emerged as an important cooperation model between Korea and China. With the new leadership inaugurated in both countries respectively, their cooperation has turned another important page in the history of their bilateral relations. It is significant that experts from the two countries are exploring brand-new ways of conducting inter-city diplomacy, including establishing institutional rules and standards as they identify best practices from the past and propose new innovations in their inter-city diplomacy. The session has been co-organized by the Charhar Institute and the Korea-China Regional Economy Association to provide a venue where the participants share best practices, discuss a new inter-city diplomacy paradigm and set new directions for the future through publication of their research, focusing on a combination of theories and practices.

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MODERATOR

Lee Sanggi President,
Korea-China Regional Economy
Association

INTRODUCTION

Ke Yinbin Secretary-General,
Charhar Institute

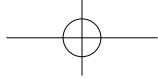
Lil Ligu Secretary-General,
China International Friendship
Cities Association

PRESENTERS

Koo JaRyong Assistant Editor
of Foreign Desk, The Donga-
ilbo (Donga Daily News)

Li Ligu (Secretary-General, China International Friendship Cities Association): To establish a new inter-city diplomacy between Korea and China, development and working-level cooperation between friendship cities of the two nations were discussed, including “building a new socialist countryside” and pursuing an “integrated urban-rural development.” As many as 133 cities in the two neighboring countries have knotted “friendship city” ties and have been conducting economic, cultural, educational, scientific, and environmental exchanges. The urbanization rate of China has reached 51.27 per cent, a trend that has driven the economic growth of the nation and brought substantial changes in employment, residential and living environments. As rural villages of China have urbanized, it is becoming more important to

Jeju Forum for Peace & Prosperity 2013



Yu Wanli Associate Professor,
Peking University/ Senior Fellow
of Charhar Institute

Zhao Kejin Associate Professor,
Tsinghua University; Senior
Fellow of Charhar Institute

Kim Kyung-Yong Secretary-
General, Chungcheongbuk-do
Provincial Council

DISCUSSANTS

Kim SeungSu Vice Governor,
Political affairs of Jeollabuk-do
Province

Piao Zhe Chairman, Beijing
Super Investment Group

Lee Tai Hwan Director of the
Center for China Studies, Sejong
Institute

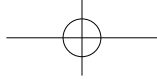
learn from the experience of other nations in the world. On at least five occasions, China has dispatched delegations to learn from Korea's New Village Movement of the 1970s, also known as Saemaul Undong. It is considered to be one of the most successful modernization campaigns in East Asian countries. China established the Saemaul School and invited experts from Korea. To date, more than 160 executives have attended lectures there. With much in common with Korea in the development process, China expects to lay the groundwork for future growth in rural areas with Korea as a model.

China's "Building a New Socialist Countryside" aims to achieve sustainable growth of local cities based on the lessons learned from Korea's Saemaul Undong. Urban development and building of a new socialist countryside are the essence and difficulties of constructing a Shaw Kang or welfare society. The two countries share many similar development ideologies including the emphasis on economic growth; enhancement of the public livelihood; and improvement of the economic coordination system.

Ke Yinbin (Secretary-General, Charhar Institute): The Charhar Institute, an independent Chinese think tank, is devoted to the discussion and study of public diplomacy. In 2013, the institute began to focus on the study of inter-city diplomacy and published the first issue of a quarterly journal titled Public Diplomacy. International friendship cities are important channels for public diplomacy. The following three elements are needed to conduct inter-city diplomacy effectively:

- 1) Traditional exchanges between friendship cities. Based on personal exchanges, delegations from various fields of each country need to visit each other to raise mutual understanding and promote friendly relations. This implies that inter-city diplomacy has to grow, like exchanges between relatives.
- 2) Practical learning and cooperation between friendship cities. Mutual benchmarking and collaboration in a wide range of areas such as history and industry are necessary to achieve all-

Globalization of cities and the emergence of global cities have made inter-city diplomacy a separate type of diplomacy, with more diverse activities, flexible goals, varied meanings, and complex rules.



round sustained development. Urban governance is a good example.

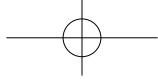
3) Contribution to national projects. The image of a nation often depends on that of its major cities. Cities are thus an important element constituting a country's image and successful inter-city diplomacy can contribute to the enhancement of the national image.

Koo JaRyong (Assistant Editor of Foreign Desk, The Donga-ilbo (Donga Daily News)): Korea and China have created a tangled web of relationships on the local government level based on their long history of bilateral contacts and ties. These exchanges between local governments have played a key role in inducing mutual investment, attracting tourists, increasing overseas student exchanges, and enabling more personal interchanges, including among housewives and the elderly. Currently, a number of large-scale projects—Jeju Healthcare Town, Busan Sinhang Industrial Complex, Saemangeum Reclamation Project in Jeollabuk-do Province, and Young-am, Haenam Tour & Leisure Company Town in Jeollanam-do Province—are all under way with substantial investments from China. However, there are some problems to solve: past exchanges on the local level were mainly conducted between government officials; Korea was not active enough in its efforts to send officials to China; and Chinese perceptions about Korea were thus underestimated.

Yu Wanli (Professor, Peking University/ Senior Fellow of Charhar Institute): The Charhar Institute is conducting extensive research on the international relations and relationships between and among regional cities. Also, it is focused on the local government-led diplomacy in China. We conducted a tour of inspection of Chenzhou and Wenzhou, two Chinese cities, and drew up two inter-city diplomacy models of China.

Chenzhou is an underdeveloped city located in the western area, representing an example of the government-led inter-city diplomacy. The city hopes to attract investment from Korea and Japan. As part of the Beibu Bay Economic Zone, its role in Asia as well as in China is significant. Based on such geographical advantages, the city focused its diplomatic efforts on overseas economic development. This is a case of local government exchanges led by the central government. Chenzhou adopts diplomatic strategies and national policies on its own initiative, while taking advantage of its geographical position to pursue local economic growth.

On the other hand, Wenzhou is a relatively developed city in the east of China, which adopted a model of public diplomacy. The main players of the exchanges are overseas Chinese and the type of diplomacy can be classified as social involvement diplomacy with assistance from the central government. Wenzhou does not have well-developed areas or port facilities. Over 500,000 Chinese people from the city reside all over the world. Some of them have established a powerful Chinese community in France, playing a key role in



local politics and the economy. They are actively involved in national diplomatic policies, for example, by resisting the visit of Dalai Lama for the sake of the country. As seen in the case of Wenzhou, overseas Chinese are playing active roles overseas. In brief, this public diplomacy can be characterized as “passive-voluntary” exchanges that rely on extensive resources of the overseas Chinese to support public diplomacy and other international affairs of the country. On major diplomatic issues, it is not rare that overseas Chinese from Wenzhou participate with patriotic enthusiasm. In this case, the municipal government and the Chinese embassy take the lead.

In addition, Shanghai and Hong Kong are also studied. Although focused research has not been conducted yet, it is estimated that those two cities are playing unique roles of their own.

Zhao Kejin (Associate Professor, Tsinghua University/ Senior Fellow of Charhar Institute):

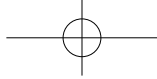
Globalization has changed the political and economic map of the world. The roles of the city in diplomacy are growing increasingly important with complex and cross-border responsibilities and public participation. Globalization of cities and the emergence of global cities have made inter-city diplomacy a separate type of diplomacy. Compared to state-level diplomacy, inter-city diplomacy is a new kind of diplomacy with more diverse activities, flexible goals, varied meanings, and complex rules. Inter-city diplomacy is not only complementing the weaknesses of state-level diplomacy, but also competing with and challenging it.

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Recently, three theories have emerged on the strategic significance of inter-city diplomacy in the development of cities—liberalism, traditionalism, and eclecticism – explaining city diplomacy in general. Amid the trends of urbanization and globalization, state governments have almost always adopted policies generous to cities’ involvement in diplomacy and supported globalization strategies of the cities. At the same time, states take steps such as institutional innovation, improvement of the diplomatic system, and regulatory reforms while continuing to strengthen the diplomatic competence of the cities to put inter-city diplomacy on the track of national diplomacy.

International exchanges of China have become active as each region developed even without substantial coordination of central government policies. Different cities have different ways of pursuing globalization and development models. For example, Guangzhou does not voice anti-American sentiments. Zhejiang Province has entered the European market with small-scale handcraft. Shanghai is aggressively attracting large foreign enterprises. The northern area of China has a close relationship with Korea and Japan.

Problems such as terrorist attacks and environmental pollution are rampant in cities, but not in rural areas around the world. Manufacturing cities are declining while the financial industry is growing in some cities. It is not easy for the central government to have policies



to fit individual cities with distinctive features. As a result, cities are engaged in diplomatic activities to accommodate their own unique needs.

There are several aspects of inter-city diplomacy that require attention for it to be effective: First, inter-city diplomacy should not deviate from state-level diplomacy. It should be limited to non-sovereign issues. Second, it needs to utilize local advantages. Third, inter-city diplomacy should tap the resources of the city. Modern communication technologies such as smartphones should be taken utilized. Korea, China, and Japan need to work together to create a new model of inter-city diplomacy.

Kim Kyung Yong (Secretary-General, Chungcheongbuk-do Provincial Council): Both individuals and governments need active exchanges. Korea and China have maintained a strategic cooperative partnership since 2008. Between the two countries, as many as 218 local governments and 512 cities (including 185 sister cities and 327 friendly cities) are currently engaging in exchanges. Chungcheongbuk-do formed ties with 12 nations and 22 provinces and cities including two sister cities, three friendly cities, and another two have agreed on a letter of intent for exchanges. Also, Chungcheongbuk-do is hosting events, such as a festival for Chinese students studying in Korea.

There are ways to enrich relationships between local governments of both neighbors: First, we need to see a rise in private exchanges. Currently, exchanges mostly comprise mutual visits by government delegations and dispatches of government officials, in such areas as culture and art, tourism, and sports. Economic and trade exchanges (investor relations, trade fairs) are also common. From now on, we need to diversify the channels of exchange to expand private participation and areas of exchange, so that the latest technological information can be shared. Third, trade between nations should be promoted based on mutual understanding of the bigger picture, with the goals of thriving together and increasing mutual benefits in mind.

Kim SeungSu (Vice Governor, Political affairs of Jeollabuk-do Province):

It is a worldwide phenomenon that city diplomacy is growing increasingly important in international relations. Korea is currently focusing on outcomes in pursuing exchanges with local Chinese governments, which Koreans should reconsider. Korea needs to stipulate non-governmental diplomacy in an act and put in place a committee of private governance as a standing organization.

Piao Zhe (Chairman, Beijing Super Investment Group): This year marked the 20th anniversary of the establishment of sisterhood relations between Beijing and Seoul. Seoul mayor Park Won-soon visited Beijing this April and agreed on opening a representative



office there to boost friendly exchanges between the two cities. The two neighbors need a new channel for inter-city diplomacy beyond the formal visit to go global with active exchanges in cultural and economic areas. To realize this goal, I suggest the establishment of an exchange center in each city as an indicator for city-level diplomacy; the Seoul Center in Beijing and the Beijing Center in Seoul. They will help the two parties conduct cultural exchanges in the truest meaning and serve as a diplomatic indicator as well as a platform representing the images of the two countries and their capitals.

People-to-people exchanges will connect all the dots, city-to-city lines, and nation-to-nation areas, to complete the peaceful landscape of the Northeast Asian region.

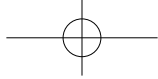
Lee Tai Hwan (Director of the Center for China Studies, Sejong Institute): Compared to lively exchanges between people of the cities of China and Korea, information sharing between the two neighbors has been limited. We need to establish a system based on which the two countries collaborate and develop contents together. For example, many Chinese tourists complain that there is not much to see nor many places to go in Korea. We thus need to develop more contents to satisfy their growing needs. We need to establish a cooperative R&D center for collaborative development of contents.

Policy Implications

- Inter-city exchange is a new trend in international relations.
- Urbanization of China is unavoidable and can be a good opportunity for its sister cities. Well aware of this, each city needs to make efforts to take advantage of this opportunity.
- To match the increasing importance of city-level diplomacy between China and Korea, there needs to be both policy and academic support of related issues.
- New ways need to be explored to pursue all-round cooperation, including in the areas of tourism, education, and culture, and not only on the economic level.

RAPPORTEUR
Chae HaYeon Teresa
 Professor, Daejin
 University Graduate
 School

New Waves in Asia



COPING WITH THE NORTH KOREAN NUCLEAR QUAGMIRE: WHAT OPTIONS ARE AVAILABLE?

East Asia Foundation

North Korea launched a long-range rocket last December and conducted its third nuclear test last February, which incurred additional sanctions by the United Nations. In response, North Korea has heightened the level of tensions on the Korean Peninsula by raising belligerent rhetoric and military activities, and shutting down the Kaesong Industrial Complex—the last remaining symbol of inter-Korean cooperation. Meanwhile, the year 2012 had witnessed leadership changes in both Koreas and the surrounding four major powers. Despite these leadership changes with hopes for peace and stability in Northeast Asia, the goal of denuclearizing the Korean peninsula seems to be remote, while North Korea has been making progress in its nuclear buildup.

- Do we have realistic ways of getting out of the North Korean nuclear quagmire?
- If so, what options do we have, including the Six-Party Talks, bilateral talks, and other measures, and how can they be implemented?
- If not, what scenarios should we consider for peace and security in Northeast Asia?

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MODERATOR

Stein Tønnesson Former
Research Professor, Peace
Research Institute Oslo

DISCUSSANTS

Peter Hayes Director, The
Nautilus Institute for Security
& Sustainability

Pan Zhenqiang Major General,
retired, National Defense
University, PLA

Cheon Seong-Whun Director,
Center for North Korean
Studies, KINU

Evaluation of the Effects of the UN Sanctions against North Korea

The isolation of North Korea has deepened since it went ahead with its nuclear experiments defying warnings by the international community. This session opened with a discussion on the effectiveness of the United Nations Security Council Resolutions 2087 and 2094, which were adopted as a response to the launch of a long-range rocket and the third nuclear testing by the Democratic People's Republic of Korea.

First, Lee Ha-Won acknowledged that UN sanctions were effective as there were virtually no other alternatives. Although it

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Kang Tae-Ho Senior Staff
Reporter, The Hankyoreh

Lee Ha-Won Senior
Reporter

Kim Hyun-Kyung Director,
Center for Unification
Studies, MBC

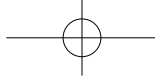
failed to stop North Korea from developing nuclear weapons, the effect of the UN resolution should not be underestimated as it delayed the nuclear development process at least and helped consensus to be reached in the international community on banning the further development of North Korean nuclear weapons. Kim Hyun-Kyung also said that while admitting the limited effectiveness of the UN sanctions, we have to reflect whether they are effective in achieving our ultimate goal of denuclearization of North Korea. She pointed out that economic sanctions can pose a threat to economic development of North Korea but its effectiveness is limited because sanctions themselves cannot play a decisive role in the collapse of the regime.

Kang Tae-Ho agreed, noting that Choe Ryong-hae, a special envoy of North Korean leader Kim Jong-un, changed the North's position on rejoining the Six-Party Talks during his recent Beijing visit. But he also argued that we need to admit its limitations and to use sanctions as a bargaining chip in the negotiation process to solve the North Korean nuclear issue.

On the other hand, Peter Hayes was skeptical about the usefulness of sanctions. He warned that sanctions were not an effective solution and instead might boost the underground economy, and even accelerate the North's nuclear development.

Pan Zhenqiang also mentioned the limitations of UN sanctions. Recently, China has been active in supporting UN sanctions and stopping North Korea's provocations. However, he emphasized, sanctions alone cannot resolve the North Korean nuclear stalemate and international solidarity is needed to prevent further provocations by North Korea. Sanctions cannot be a perfect solution, he said, as it presupposes conflict. He analyzed the nuclear crisis of the Korean peninsula as an outcome of the confrontation and imbalance of power remaining even after the end of the Cold War. He went on to explain that it is closely related to the structure of tensions and mutual distrust rooted in Northeast Asia. In brief, he stated that relaxing tensions on the Korean Peninsula and nuclear issues should be addressed simultaneously to be effective.

While admitting the limited effectiveness of the UN sanctions, we have to reflect on whether they are effective in achieving the denuclearization of North Korea.



Evaluation of the Effects of the Engagement Policy through Dialogue

Hayes expressed regret at the current policies on North Korea being so heavily dependent on sanctions. He pointed out that financial sanctions and the arms embargo could delay the nuclear development progress substantially but they are only stopgap measures and it is impossible to completely halt the trade. He emphasized North Korea will continue trading to survive, and all the difficulties and vulnerable groups—women, children, and the elderly—will be the hardest hit by such policies. He argued that relying only on sanctions is not only ill-balanced but also counterproductive, thus both carrot and stick should be used.

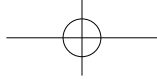
Professor Pan expressed optimism about President Park Geun-hye's trust building process with North Korea. With the prospect that the process will not include as many sanction measures as it does now, he emphasized the importance of constant talks among the countries concerned. He stressed that the Six-Party Talks have made some progress despite many complications and spoke highly of the establishment of the roadmap and action plan for denuclearization through the joint statement made on September 19, 2005. He was also optimistic about the possibility of North Korea's abandoning its nuclear weapon ambitions.

He said North Korea will abandon its nuclear program only when they are certain of being able to solve security concerns without nuclear weapons. He opined that the North would abandon its nuclear ambitions with less military pressure against the nation, normalization of the U.S.-North Korea relationship, and continued economic and energy support. He contested the skepticism about the negotiation approach to the North's nuclear issue, saying North Korea is not irrational. It tries to take full advantage of its nuclear program with smart strategy and calculation.

Prospects for Resumption of the Six-Party Talks

There are heated arguments for and against the outcome of the Six-Party Talks. As the nuclear crisis happened after North Korea walked out of the Nuclear Non-proliferation Treaty (NPT) and past negotiations reached a stalemate without any visible results, some argued the talks were futile and should be abrogated. On the other hand, the proponents of the talks insist there is no other alternative.

The panel of this session agreed with the necessity of resuming Six-Party Talks. However, their opinions were divided on the cause of its failure. Kang Tae-Ho and Professor Pan Zhenqiang pointed out the inconsistent attitudes of the concerned countries while Lee Ha-Won attributed the breakdown of the talks exclusively to North Korea's breach of promise.

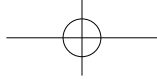


Professor Pan said the Lee Myung-bak administration had been an obstacle for the past five years in the process toward a peaceful resolution of the North's nuclear crisis. The Lee administration, suffering from the polarization of public opinion caused by the friction between those favoring the sunshine and hardline policies, respectively, ruined the atmosphere for a peaceful resolution of the North nuclear crisis. Pan added that it seems unavoidable for the Park Geun-hye administration to readjust the North Korean policy. He said that hardliners have not bought into President Park's trust-building process. He expressed the view that the policy prospects of South Korea remain uncertain. Also, he said the United States needs to have a more consistent stance. He insisted that the United States has been going back and forth between the goal of non-proliferation and geo-political strategies of Northeast Asia without showing a consistent position between national interests and international/ domestic constraints. He pointed out that the North Korean issue was never at the top of the agenda for the United States and questioned its capability to come up with solutions.

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The panel moved on from analysis of causes for failure to discuss the strategies in case Six-Party Talks resumed. First, Lee Ha-Won quoted Wi Sung-lac, a Korean ambassador to Russia, as saying North Korea takes advantage of Six-Party Talks as just one of its bargaining chips, while South Korea is solely dependent on it. He pointed out that we need to come to the negotiation table well aware of this. Cheon Seong-Whun argued that we need to learn from the lessons of the past about how to read the negotiation stance and strategies of North Korean leadership and what they really have in mind. It means, he said, we need a more sophisticated strategy to understand and lead the North Korean counterparts in the talks. He added the Korean public also needs to support the government delegation as it is a tough negotiation and only in such an atmosphere can Korea expand its role in international affairs and expect changes in North Korea.

President Park Geun-hye suggested a trust-building process, but hardliners have not bought into the idea yet.



Discussion on Radical Solutions for the North Korean Nuclear Quagmire

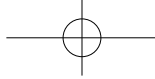
This was followed by a discussion on radical solutions for resolving the North Korean nuclear problem, which threatens peace and security in the Northeast Asian region as well as the Korean Peninsula.

Hayes mentioned we need to understand the situation of the North and pay attention to what they are saying. If the Six-Party Talks resume, the related nations should be united to create an environment where North Korea can make a decision. To be sure, it assumes North Korea would be actively engaged in talks. He pointed out the following seven conditions for North Korea to abandon its nuclear program: 1) Termination of the state of war on the Korean Peninsula; 2) Mutual declarations of non-hostility; 3) Cessation of sanctions; 4) A legally binding guarantee of non-attack by nuclear weapons states, in particular, the United States; 5) A multilateral framework for managing 1-4 involving the regional powers, most likely in the form of a Northeast Asian Treaty of Amity and Cooperation; 6) External support for economic reconstruction of the DPRK's collapsed economy, most critically in energy security; 7) Nuclear equality, meaning a nuclear fuel cycle, including light water reactors.

In response, Professor Pan said that each item is good enough but it is difficult to integrate them as one package and predicted it would take a long time to realize denuclearization of the Peninsula. He argued that the legacy of the Korean War should be settled, including the replacement of the armistice with a peace treaty before establishing a new peace system, in order to solve the North Korean nuclear crisis.

To this end, he presented the following:

Normalization of relations between North Korea and the United States; stabilization of North Korea's economy; North Korea becoming a member of the international community; eventual peaceful unification of the two Koreas. He made it clear that the goal of China is denuclearization of the Korean Peninsula, peace and stability of the Northeast Asian region, and resolution of the nuclear crisis through dialogue and negotiations accentuating the role of China as an honest mediator. But he made an issue concerning the U.S.



nuclear umbrella or Extended Nuclear Deterrence (END), pointing out that it is contradictory to denuclearize the Korean Peninsula, while allowing the United States to resort to nuclear weapons when deemed necessary, even if North Korea does not utilize nuclear weapons.

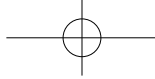
Cheon Seong-Whun pointed out that there was a difference between the two Koreas over the definition of “denuclearization.” North Korea defines it as the two Koreas “not forming military alliances or conducting joint-military drills with nuclear powers as well as not developing nuclear weapons;” while South Korea sees it as just “not developing nuclear weapons” by the two Koreas. What is also important is that China, chair of the Six-Party Talks, is adopting the North Korean definition of denuclearization, so, he stressed that it is a prerequisite for the five parties to reach an agreement over the concept of denuclearization before starting talks. He also raised a question as to whether the United States is really threatening North Korea in response to Hayes’ package of seven requirements.

Lee Ha-Won also pointed out that the items mentioned in the Hayes package are already included in the September 15 joint statement and the February 13 “Initial Actions” agreement, and that the problem is North Korea’s failure to keep its promise. On the other hand, Director Kim Hyun-Kyung asked for a more inclusive and strategic solution pointing out that in the past, North Korea used to pursue its nuclear program as part of “ruling the country at the behest of the late leader”; however recently there have been more diverse factors involved due to the more complex environment. In other words, he said, we should talk North Korea into dismantling its nuclear program by guaranteeing that there would be no more nuclear threats and presenting the advantages of giving up nuclear weapons.

Finally, Kang Tae-Ho stressed that unconditional criticism against North Korea without understanding its circumstances created by the external environment cannot be a solution. He went on to say that blaming North Korea for the crisis on the Korean Peninsula is a distortion of reality. He insisted we need to look back upon the past to figure out what we have missed in the process and why, so that we can start more productive dialogues based on the lessons learned.

RAPPORTEUR

Shin Yoon Hee Program
Officer, East Asia
Foundation



ASIA-PACIFIC DEVELOPMENT AND THE FUTURE OF KOREAN ODA

Korea International Cooperation Agency (KOICA)/ Jeju University

As the Asia-Pacific Region includes countries diverse in history, culture and economic development, ODA can play an important role for mutual development among Asia-Pacific countries. This session discussed overall the Asia-Pacific development and effective cooperation in achieving that goal, with experts from UNDP, Timor-Leste, Korea, and Jeju. The session began with a keynote speech and a presentation on international development cooperation by both Timor-Leste and Korean government representatives. A panel discussion followed with divergent perspectives and suggestions from the standpoints of aid organizations, international bodies, civil society, and local governments.

MODERATOR

Hong Sungmog Vice President,
KOICA

CONGRATULATORY REMARKS

Seo Kyoung-suk Former
Ambassador, Korean Embassy
in Timor-Leste

KEYNOTE SPEAKER

José Luís Guterres Foreign
Affairs Minister, Timor-Leste

PRESENTER

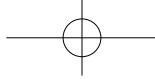
Park Enna Former Director-
General for Development
Cooperation, Ministry of
Foreign Affairs

DISCUSSANTS

Park Kyu-Hee Deputy
Director, ODA Research Team,
KOICA /Former Resident

In his keynote speech, José Luís Guterres, the Timor-Leste Foreign Affairs Minister, thanked Korea on behalf of the people of Timor-Leste for sharing her experience of development and lending varied support for his country. Guterres explained that many countries in the Asia-Pacific region, including Timor-Leste, are still suffering from development inequality and poverty; Timor-Leste established the Timor-Leste Strategic Plan (SDP) for national economic and social development.

Guterres said KOICA is providing assistance truly needed in his country through projects to reduce infant mortality, supply drinking water, and provide textbooks. He also expressed gratitude to Jeju Island for supporting the provision of medical equipment to the national hospital of the country and added that Korea had helped raised the level of development of Timor-Leste. He noted that other countries in the region have similar development challenges as Timor-Leste, needing help from donor countries.



Representative, KOICA
Timor-Leste Office

Artemy Izmetiev Policy
Specialist, UNDP Seoul Policy
Center

Cho Hyunju Secretary
General, Global Civic Sharing

Kwon Sangcheol Professor,
Jeju National University

Ko Bonggu Assistant Director,
Jeju Special Self-Governing
Province

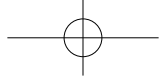
He stressed that it is critical for the country to develop human resources and build up capabilities to successfully carry out the strategic plan. Timor-Leste is an active member of the international community working to achieve the goal of becoming a semi-developed nation by 2030 and joining ASEAN afterwards.

Asia-Pacific Development and the Future of Korean ODA

Kang Young-shin (ODA Team, Ministry of Foreign Affairs) stated that about 60% of bilateral grant and credit assistance is ODA, and that he intended to share Korea's experience of successfully graduating from ODA recipient to donor nation and to help partners realize sustainable development. Kang said Korea is expanding its ODA toward Timor-Leste, one of Korea's most important aid targets, to help reduce poverty and achieve sustainable development of the nation. Kang said that over 55 percent of assistance was concentrated on healthcare and education between 2007 and 2011. Kang Young-Shin added that Korea is preparing a Country Partnership Strategy (CPS), based on which Korea's development experience would be shared. Its comparative advantages, directions, and framework would be established within the context of the SDP of Timor-Leste. In addition, Kang gave details about priority areas of assistance such as education (enhancing technological training), healthcare (tightening disease control and improving the health of mothers and children), social infrastructure (supplying drinking water and establishing road infrastructure). Kang emphasized Korea's efforts to contribute to sustainable development and decreasing poverty, as well as to the successful implementation of the Timor-Leste SDP by creating the CPS.

Artemy Izmetiev (Policy Specialist, UNDP Seoul Policy Center): explained that the UNDP is conducting development collaboration activities on various levels including at the state-level, regional-level, sub-state level, and establishing a

Korea is preparing a Country Partnership Strategy (CPS), to establish directions and framework within the context of the SDP of Timor-Leste as well as sharing Korea's development experience.



trust fund to raise development effectiveness. For example, the Capacity Development for Development Effectiveness Facility for Asia Pacific (CDDE) shared successful experiences and best practices of the state-level entities in improving development effectiveness through the cases of Vietnam, India, China, and Cambodia.

Izmestiev added that the Articulation of Territorial and Thematic Networks of Cooperation for Human Development (ART), a sub-state level development assistance program, is helping various entities of international cooperation—including local communities and UN umbrella organizations—work harmoniously by decentralizing the ODA partnership. Citing the example of the ODA toward Timor-Leste, he explained that the Korea-UNDP Millennium Development Goals (MDGs) Trust Fund supports sustainable MDG achievement and gives comprehensive economic development assistance. Finally, he announced that the UNDP will host a conference on development effectiveness in Seoul later this year and encouraged interests and participation of the attendants.

Cho Hyunju (Secretary General, Global Civic Sharing): stressed that rural development, which was highlighted in the SDP of Timor-Leste, is the first priority and that it would be instrumental in food security, job creation, and poverty reduction, given the fact that about 70 percent of the population lives in rural areas.

Global Civic Sharing, a non-profit organization based in Los Palos, Timor-Leste, is conducting a comprehensive local development project to increase agricultural and livestock income, support basic education, and improve the environment, while establishing a development model through which local residents can stand on their own feet. Cho insisted that local rural development issues need to be put first in pursuing ODA in Timor-Leste and agricultural productivity and sustainability should be raised, as most residents depend on agriculture for their livelihood. Emphasizing the importance of establishing partnerships with civil society for cooperation and development, he said that help from governmental agencies including KOICA in exchanges and cooperation with the government, private sector, international organizations, and NGOs in Timor-Leste in essential.

Park Kyu-Hee (Deputy Director, ODA Research Team, KOICA /Former Resident Representative, KOICA Timor-Leste Office): argued that the operation of the local offices of the aid agencies and the development of human resources should be connected. Park explained that it is important for aid-agency offices to employ and train local residents in conducting ODA projects in the region. Citing the example of Timor-Leste, she pointed out that the wage levels of local aid agencies are higher than the average of the local labor market, which keeps experienced personnel - with accumulated competence working in

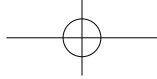


aid-agencies - from flowing into the government or private sector. Park insisted the focus of personnel management should be shifted from attracting high-quality human resources with better wages to nurturing them while operating local offices.

Kwon Sangcheol (Professor, Jeju National University): discussed the unique development challenges of an island from the perspective of a geographer, emphasizing the importance of local knowledge in ODA. He argued that it is necessary to accumulate knowledge about local society, culture, and tradition of the region for greater development effectiveness and sustainable use; management of limited resources should be considered given the limited and vulnerable environment of an island, a condition shared by Jeju and Timor-Leste. Jeju, for example, he continued, has a tradition of sustainable use and management of resources and cooperation through collective fisheries and ranches. He went on to say that Timor-Leste, which is also characterized by an island community, needs to develop its own ways of using and managing resources and applying them to the ODA process. He insisted that the ODA projects can be implemented on diverse levels, such as in villages as well as in central or local governments, so it is required to maintain, establish, and re-evaluate villages as a cooperative unit.

It is necessary to accumulate local knowledge about society, culture, and tradition of the region for greater development aid effectiveness.

Ko Bong gu (Assistant Director, Jeju Special Self-Governing Province): wrapped up the discussion as the last discussant of the panel mentioning a few points about Jeju's ODA effort toward Timor-Leste. Jeju-do Island itself received roughly US\$3.22 million worth of corn as development aid from the US for five years from 1963 to 1967. Fifty years later, it began to conduct ODA on a regular basis to some of the lower economically developed countries. In 2012, Jeju Special Self-Governing Province supplied drinking water to Cambodia, and The Kim Man-deok Foundation, a non-profit organization in Jeju, gave educational support, such as the establishment of a school in Vietnam. He stressed that Jeju Island selected Timor-Leste as a partner for the ODA projects because both parties share painful history – the Jeju April 3rd massacre and the civil war in Timor-Leste – and tried to sublimate such pain into reconciliation and cooperation to practice “peace,” a universal value of humankind. He continued to explain Jeju's plan to support medical supplies worth KRW60 million to Dili national hospital in Timor-Leste in July 2013, after a series of preparations based on the ODA collaboration system with related agencies. He finished by



announcing that Jeju will continue to conduct long-term ODA projects in connection with the CPS of the government, after the feasibility analysis of the projects' potential recipients' needs.

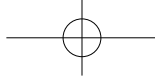
In the Q&A session, **Kim Tae Seong (Executive director, Jeju YMCA)** asked **Kang Young Shin**, the presenter of this session, regarding the direction of social development of the partners in the ODA. Kang answered that it is important to build competence of the partnerships and that the ODA is supporting social development with a focus on education and healthcare, key elements of basic human rights. Kang added that an NGO support team has been created in KOICA to support local grass-root social development activities by NGOs in partner nations.

Meanwhile, a citizen pointed out that it is important to develop smart grid items in pursuing ODA activities. For example, it was suggested that one of the affiliated islands of Timor-Leste be declared as "carbon-free," like Gapa Island, an affiliated island of Jeju, and be made a place where people can visit to rest close to nature. He also suggested further technological exchanges between the two parties, in areas such as electric cars or bicycles.

Policy Implications

- For stronger development effectiveness, it is necessary to decentralize and diversify ODA partnerships, including cooperation at the state-level, regional level, sub-state level, and with international organizations.
- It is important to establish partnerships for development and collaboration of civil society through exchanges and cooperation among governments, private sectors, international organizations, and NGOs in both countries; in addition, the government should be at the center of the effort.
- Local offices of aid agencies need to make efforts to strengthen the skills and competence of local staff as well as to operate ODA projects successfully.
- For effective development assistance, it is necessary to accumulate local knowledge about society, culture, and tradition. ODA needs to be applied on varying scales; villages as cooperative units should be maintained, established, and re-evaluated.

RAPPORTEUR
Koh Eun-Kyoung Leader,
 KOICA Jeju Community



EAST ASIAN REGIONAL INTEGRATION WITH ASEAN AS THE DRIVING FORCE

ASEAN-Korea Centre

East Asia is marching at a faster pace than ever toward stronger regional cooperation and deeper integration. Amidst such fervid discussion on East Asian integration, ASEAN remains the center of attention. Based on the accumulated experiences since its inception in 1967, ASEAN members have not only strengthened regional solidarity and connectivity amongst themselves, but have also actively served as the driving force for ASEAN+3 and East Asian Summit (EAS), which are two main pillars of East Asian integration efforts. Moreover, ASEAN has continued to take an attentive and responsive stance regarding major regional issues, such as the conclusion of the Regional Comprehensive Economic Partnership (RCEP) negotiations, playing a prominent and leading role in promoting integration and mutual prosperity in East Asia. This session examined the necessity and significance of regional integration in East Asia; a wide range of issues discussed by regional and sub-regional consultative bodies, such as ASEAN, ASEAN+3, The East Asia Summit (EAS), China-Japan-Korea (C-J-K) Summit; as well as exchanging views on trends and future prospects of East Asian integration.

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MODERATOR

Chung Hae Moon Secretary-General, ASEAN-Korea Centre

MAIN SPEAKER

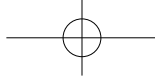
Lee Chang Jae Visiting Research Fellow, Korea Institute for International Economic Policy

DISCUSSANTS

Peter Tan Hai Chuan Ambassador, Embassy of Singapore

Lee Chang Jae (Visiting Research Fellow, Korea Institute for International Economic Policy): The Regional Comprehensive Economic Partnership (RCEP), adopted at the ASEAN summit held on November 2011, turned a page to a new chapter in the history of economic integration in the Asia-Pacific region. The RCEP will allow its members to open markets to its FTA partners and to take advantage of the Agreement, including economic and technological cooperation. In addition, as a comprehensive and reciprocal economic partnership with preferential treatment for developing countries in ASEAN, narrowing gaps between the developed nations

| New Waves in Asia |



and their less developed neighbors has far more improved than the previous ASEAN + 1 Free Trade Agreements. However, some of the members will find it difficult to join if the partnership aims at a high-level FTA, which is expected to be impossible to achieve if all of the 16 members participate. Moreover, the FTAs of ASEAN + 1 are not enough to proceed with the RCEP. Its future development will depend on the progress of other FTAs, such as those between the Trans-Pacific Strategic Economic Partnership and ASEAN +6, as well as Korea-China-Japan FTAs.

Peter Tan Hai Chuan (Ambassador, Embassy of Singapore): The RCEP officially launched negotiations in Phnom Penh last November. When concluded, the partnership agreement will become the biggest FTA in the world, accounting for 45 percent of the global population, responsible for one-third of the gross production of the world, and playing a key role in realizing the Asia-Pacific free trade zone along with the TPP. However, the RCEP will have to guarantee greater benefits which corporations could not enjoy under the ASEAN + 1 FTAs; partners other than developing countries should be aware of the difficulty to liberalize all areas given the developmental gaps among the members. Therefore, it is crucial for ASEAN and other partners to avoid protectionism, keeping in mind regional integration as a clear goal. In this context, continuous support in the integration of East Asia and the agreement of the RCEP, in particular, is expected from Korea as one of the more developed countries in East Asia.

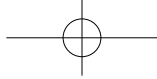
Vishnu Prakash (Ambassador, Embassy of India): India has been in close contact with countries in Northeast Asia and Southeast Asia for over 2,000 years, on the basis of cultural and religious similarities and geographical closeness. With recent strategic partnerships established with ASEAN and Korea, China, Japan, Australia, and Malaysia, trade with ASEAN reached US\$8 billion last year. Indian investment in ASEAN totaled US\$2.6 billion in the past seven years. India has signed

Vishnu Prakash Ambassador,
Embassy of India

John A. Praestio Ambassador,
Embassy of Republic of
Indonesia

Michael Yeoh CEO, Asian
Strategy & Leadership Institute

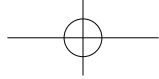
It is crucial for ASEAN and other partners to avoid protectionism, keeping in mind regional integration as a clear goal.



six bilateral FTAs with ASEAN, Malaysia, Korea, Singapore, and Thailand. India, as a nation in the Asia-Pacific region, was able to contribute to the regional integration of East Asia thanks to its economy of US\$2 trillion, purchasing power of US\$4.75 trillion, solid middle class accounting for a large proportion of the Indian society, vital retail markets, and a young population with an expected average age of 29 by 2020. These strengths will make India a valuable addition to RCEP. Along with the economic growth and flexibility of Korea and ASEAN, we need to pay attention to the development of India and neighboring countries.

John A. Praestio (Ambassador, Embassy of Republic of Indonesia): Major economic blocs worldwide have provided leadership in the economic integration process. In East Asia, ASEAN, strong in soft power but weak in hard power, has been at the core of economic integration. Asia moved from cold war to cold peace, then subsequently to collaborative peace: former ideological enemies learned to build trust, make friends and become business partners. Economic collaboration, China's opening up and more recently, India's looking east have contributed to Asia's economic success. Asia today is more interconnected and interdependent than ever; more than a billion people have embraced modernization. Various mechanisms have been developed to support regionalism, and the RCEP is an agreement which considers development gaps, not just market liberalization. The problem is whether we will be able to conclude the RCEP agreement by 2015. Is RCEP a building block for TPP? Or should RCEP and TPP be pursued complementarily? Different countries in East Asia have different strategic interests as well as different approaches.

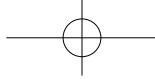
Michael Yeoh (CEO, Asian Strategy & Leadership Institute): As the presenter and discussants have repeatedly pointed out, the RCEP will become the world's largest FTA when concluded and a strong will for integration by the 16 members is necessary to achieve this. Against this backdrop, it is important to implement



the Master Plan on ASEAN Connectivity (MPAC) to expand and promote physical, institutional, and personal connectivity among ASEAN members. The plan is expected to bridge development gaps and strengthen connectivity, thus realizing more deep-rooted integration and making ASEAN even more desirable for investment, and ultimately to contribute to regional integration driven by ASEAN. To accelerate East Asian regional integration and inclusive growth as well as concerted regulatory reform, job creation, and shared prosperity, we should establish an East Asia Competitiveness Institute. It is expected to raise the global role of ASEAN and its partners and empower the ASEAN Secretariat. It is critical to push forward with a more competent task force to achieve integration at the level of the RCEP, which accounts for one-third of the global market.

RAPPORTEUR

Kim SeYoung External Relations
Officer, ASEAN-Korea Centre



KOREAN PENINSULA UNDER THE NEW GLOBAL LEADERSHIP

Korea National Diplomatic Academy

Recently we have seen leadership changes in Northeast Asia. The current focus is on how these changes in leadership will affect the security situation in Northeast Asia. Furthermore, North Korean strategy aimed at solidifying the Kim Jong-un administration is an additional critical variable that influences the overall regional security context. In this session, keeping the aforementioned circumstances in mind, we have analyzed the security situation on and around the Korean Peninsula following the implementation of Korea's new government, and discussed diplomatic challenges to Korea in the years ahead. This session has 1) presented internal/ external perspectives on the Korean Peninsula, where tensions have been escalating recently 2) searched for solutions to maintain peace on the Korean Peninsula by deliberating on cooperation with the United States, solution to the North Korea nuclear problem and prospects for future inter-Korean relations.

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MODERATOR

Hong Ji-In President, Institute of Foreign Affairs & National Security, Korea National Diplomatic Academy

SPEAKERS & DISCUSSANTS

Kim Hyun-Wook Professor, Institute of Foreign Affairs & National Security, Korea National Diplomatic Academy

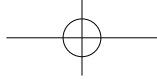
Kim Jin-Ha Research Fellow, Korea Institute for National Unification

Gideon Rachman Senior Columnist, The Financial Times

Yeo Seungbae Deputy Director-

Kim, Hyun-Wook (Professor, Institute of Foreign Affairs & National Security, Korea National Diplomatic Academy): The ROK-U.S. summit meeting was successfully held on May 7, 2013 with the following outcomes: First, Joint Declaration in Commemoration of the 60th Anniversary of the Alliance between the Republic of Korea and the United States of America announcing agreement on common values; the will for peaceful unification of the Korean Peninsula; and the necessity of developing an inclusive alliance. Second, President Park Geun-hye presented the three visions and goals of the 21st century comprehensive strategic alliance in her speech to the U.S. Congress. (1) The ROK and the U.S. will lay the cornerstones for peace and reunification of the Korean Peninsula through trust-

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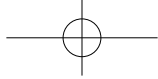


General, North Korean Nuclear
Affairs Bureau, Ministry of Foreign
Affairs

building processes. (2) The ROK and the United States will build an initiative for peace and cooperation in Northeast Asia. (3) The ROK and the United States will contribute to the peace and prosperity of all humankind. Third, the two countries were able to narrow down the perception gap by agreeing on the direction of North Korean policies.

However, there were other issues that the two nations had to address after the summit: The takeover of the wartime operational control (OPCON) of its forces, slated for 2015; revision of the U.S.-ROK Peaceful Nuclear Cooperation Agreement for the “peaceful use of nuclear energy”; negotiation over Seoul’s burden-sharing cost for the upkeep of the U.S. troops. It is expected that the two allies will work together to address the aforementioned issues by expanding the ROK-U.S. Security Consultative Meeting (SCM), scheduled to be held on October 1, 2013 to a “2+2” meeting (Foreign and Defense Ministerial Consultation) to deepen the alliance between the two countries.

North Korea’s foreign policies seem unstable because of its insecure power structure within the nation. First of all, Kim Jong-un, is still in the process of power succession and trying to stabilize his regime by creating tensions on the Korean Peninsula. There have been several stages for stable succession of power since Kim Jong-il’s health started to deteriorate. The first was the establishment of a guardian group, consisting of the “royal family,” including Chang Sung Taek, “descendants of the revolutionaries” represented by Choi Ryong Hae, and “new militaries.” Currently, North Korea is going through the second stage—reorganization of power in the guardian group created by Kim Jong-il. Power in the DPRK is being reorganized around the royal family and descendants of the revolutionaries; Kim Jong-un is raising political and military tension on the Korean Peninsula to get rid of discontent from the military circle down the road. In the third stage we would see Kim Jong-un’s establishment of his sole leadership, gaining independence from his guardians. The DPRK would also show instability in international relations because it is pursuing



“economic development and a nuclear program,” two incompatible goals at the same time.

The differences in North Korean policies between the ROK, the United States, and China stem from differences in the strategic interests of the three countries. The goal of the United States is to get rid of nuclear threats from the DPRK, while China is focused on maintaining the status quo of the Korean Peninsula. On the other hand, the ROK has two goals in its DPRK policies: 1) namely, securing deterrence to North Korean threats, and 2) ultimate reunification of the two Koreas. To realize these goals, the Park Geun-hye administration came up with its “trust-building process on the Korean Peninsula.”

Currently, the Obama administration is maintaining its “strategic patience,” the President’s long-standing policy toward the DPRK, and it is not expected to change any time soon. However, there has been a range of criticism against the effectiveness of the U.S. “strategic patience” approach.

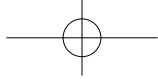
First, many argue that it is difficult to resolve the North Korean nuclear issue without dialogue. The United States, however, insists that past talks have not produced any significant results and maintaining a dialogue is no longer an effective tool to address the issue.

Second, some analysts warn that the Obama administration’s refusal to talk will cause the nuclear renegade state to escalate tensions even higher and resort to military provocation. The ROK-U.S. alliance, however, has strong deterrence forces against North Korean provocation.

Third, some argue that North Korea did not stop proceeding with its nuclear program even when the talks were discontinued; if the DPRK develops nuclear weapons capable of threatening the United States, then there will be no way to bring North Korea to the negotiating table. However, the ROK, the United States, and China are preparing joint sanctions against the DPRK and such strong and consistent sanctions are expected to deter North Korea from developing its nuclear program.

The Korean Peninsula is susceptible to changes in the relationship between the United States and China. When the two countries were divided over the response to the sinking of the ROKS Cheonan and the shelling of Yeonpyeong-do Island by the DPRK in 2012, Koreans witnessed the Peninsula reduced to a ring where two big powers were competing. China considered the “Pivot to Asia” policy of the United States as targeting China and restraining the country, and believed the U.S. pressure against the DPRK is ultimately aimed at China. Against this backdrop, China’s North Korean policies are showing signs of changes. As China’s status on the world stage rises, strategic interests gained from the alliance with North Korea are gradually decreasing, to a degree that China has now started to see North Korea as a liability.

To successfully implement the “Seoul Process,” the framework for peace and

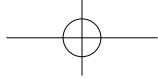


cooperation in Northeast Asia devised by the Park Geun-hye administration, what should come first is a “ROK-U.S.-China strategic meeting.” When the Seoul Process is linked with the “trust-building process on the Korean Peninsula,” it will be able to create synergy effects.

Kim Jin-Ha (Research Fellow, Korea Institute for National Unification): Currently, North Korea’s political system is organized around Kim Jong-un, the military clique, and the Kim family—in a complex structure of competition and cooperation among the three groups. This is a result of the groundwork that his father, Kim Jong-il, laid for the young and untested son to succeed leadership without a hitch, a structure where the main players hold each other in check. As the military intends to maintain the monopoly of the political and economic authority as it did under Kim Il-sung’s rule the type of redistribution of power that occurred in Myanmar is unlikely to occur in North Korea. The goal of the Kim family is to continue the status quo through the ruling of the country by the Kim family, and they have thus tried to shift the center of power from the military to the party.

In summary, the young Kim regime is expected to make the following moves in the future: First, North Korea will continue the nuclear development program. The military as well as Kim Jong-un will proceed with the nuclear program with the emphasis on security to consolidate their leadership and justify vested interests. Second, the young Kim regime will try talks with China as well as Korea for economic assistance, while continuing nuclear development and military provocation. In reality, response measures that can be taken by the international community and Korea to the North’s nuclear weapons and military provocations are very limited. Under these circumstances, imposing “sanctions against North Korea” would be the most effective measure, thus my suggestion is “Smart Sanctions.” That is, a strategy to impose sanctions aimed at a specific target group. This approach is expected to raise the effectiveness of sanctions by minimizing

To successfully implement the “Seoul Process,” what should come first is a “ROK-US-China strategic meeting,” linked with the “trust-building process on the Korean Peninsula to create synergy effects.



the damage to the people of North Korea and maximizing the impact on the target group.

Gideon Rachman (Senior Columnist, The Financial Times):

With the leadership changes in Korea and the four big powers, it became possible to take on a new approach to the issues of the Northeast Asian region. However, it is crucial not to overestimate the strategic interests of the United States on the Korean Peninsula. Due to the urgency of the domestic issues and strategic importance of the Middle East, the Korean Peninsula is not usually at the top of Washington's agenda. This can be explained by the following three assumptions:

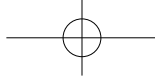
First, the DPRK will not use nuclear weapons. Second, there will be no changes through internal reform in the DPRK. The North Korean leadership will not allow any kind of reform or opening in the belief that the Chinese-style opening might lead to the collapse of the regime. Third, resolution of the North's nuclear crisis depends on China.

China recently shifted its focus from maintaining the status quo on the Korean Peninsula to its denuclearization. Such a change in the Chinese policy toward North Korea put pressure on the Kim Jong-un regime. However, China does not have such strong leverage as to bring about radical changes in North Korea. In addition, even if China is willing to put pressure on North Korea, it needs to be carefully considered what leverage would be effective, how the pressure should be applied, and how the level should be adjusted.

After Korea, Japan is probably the country most at risk of North Korea's nuclear weapons. Moreover, with unsolved issues such as the kidnapping of Japanese citizens by North Korea, the two countries are in a complicated bilateral relationship.

The United States has a motive to solidify the alliance with South Korea and Japan in order to keep China in check in the region, but is also concerned about the possibility of strained relations between South Korea and Japan in accordance with the "swing to the right" by the Japanese. Also, the United States is welcoming Japan to play an increasingly important role in

With the leadership changes in Korea and the four big powers, it became possible to take on a new approach to the issues of the Northeast Asian region.



the regional security architecture for its growing economic and diplomatic influence, but at the same time is on its guard against the emergence of nationalism in Japan since Prime Minister Shinzo Abe took office.

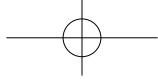
Russia is opposed to the United States over a variety of international issues and has its unique voice in negotiations, trying to confirm its status as a global power. North East Asia is faced with challenges and opportunities under the new global leadership. While an inexperienced leader like Kim Jong-un emerged as an unstable factor to regional security, this has also created opportunities for new approaches, to talks and understanding. Recent change of the Chinese attitude toward North Korea is a case in point.

Yeo Seungbae (Deputy Director-General, North Korean Nuclear): North Korea seems to have made a relatively soft landing for the third-generation Kim leadership after the death of Kim Jong-il, but the junior Kim is still in the process of solidifying his leadership base by reorganizing the power structure of the regime. This can explain Kim Jong-un's more belligerent and unpredictable approach compared to his late father. First, Kim Jong-un went ahead with the rocket launch testing in breach of the February 29 DPRK-U.S. agreement. North Korea also conducted a third nuclear test, dropped Kaesong Industrial Complex activities completely, thereby creating tensions inside and outside the nation through hard-line rhetoric and aggressive actions.

The Obama administration keeps open the window of dialogue with North Korea but sticks to the principle that dialogue is possible only when the North sincerely complies with previous agreements and other international regulations. President Obama declared his support for the Park Geun-hye administration's "trust-building process on the Korean Peninsula" in the ROK-US joint press conference in May 2013. This raised the possibility of cooperation between the two neighbors in resolving the North Korean nuclear crisis.

After the third nuclear test by North Korea, Chinese policy toward North Korea has been changing. China has stuck to the following three principles related to the Korean Peninsula: 1) denuclearization of the Peninsula, 2) peace and stability of the Peninsula, and 3) resolving conflicts through dialogue and cooperation. Under the new leadership of President Xi Jinping, however, China places the highest priority on the "denuclearization of the Korean Peninsula" out of these three principles.

Repeatedly emphasizing the importance of denuclearization during the visit of the North Korean special envoy, Choe Ryong Hae, China has indicated that it has no intention to approve North Korea as a nuclear state whether or not North Korea possess nuclear weapons. Although Chinese policies toward North Korea have not radically changed, it shows signs of changes, as China does not see North Korea as a "strategic asset," but rather as a "strategic liability."



The ROK intends to induce meaningful changes in North Korea by gradually building trust between the two Koreas through a “trust-building process on the Korean Peninsula.” The ROK pursues security and unification at the same time through strategies with which North Korea is made to pay the price for its nuclear program or military provocation, while being rewarded for significant changes in its attitude on the principle of denuclearizing North Korea.

However, the nuclear crisis of North Korea cannot be resolved by the ROK alone and requires close work with the international community. Only through dialogue and cooperation among the members of the Six-Party Talks, including China, can the North Korean nuclear crisis be resolved.

Question 1) Stein Tønnesson (Former Director, Peace Research Institute Oslo) What kind of influence will the economic exchanges of the Koreas with China have on the unification of the Korean Peninsula in the long-term? Will it promote or obstruct the unification of the two Koreas?

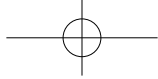
Answer 1-1) Hong Ji-In Since the establishment of diplomatic ties 21 years ago, economic exchanges between the ROK and China have increased enormously. If the past two decades was a time of expanding economic exchange between the two nations, the next two decades will be a period of a maturing economic relationship. The ROK is an increasingly important trade partner to China, while the China-North Korea “blood alliance” is turning into a “normal relationship between states.” Over the long-term, I look forward to seeing the Chinese relationship with the two Koreas adjust to help in the reunification of the Korean Peninsula.

Answer 1-2) Yeo Seung-bae For the past 20 years, ROK-China economic exchanges have continued to grow and the ROK has become China’s biggest trading partner. Trade between the two neighboring countries has been able to increase because of the mutual benefits it has brought. From this perspective, I believe China will think more positively about the unification of the two Koreas.

Question 2) Christoph Prantner (Head Foreign Desk, Der Standard) What level has North Korea reached in terms of its military power and nuclear program? Do you think North Korea has succeeded in the miniaturization of nuclear warheads?

Answer 2-1) Yeo Seung-bae Many agree North Korea has made progress in its nuclear development program, but due to the lack of evidence, it is still too early to say it has miniaturized nuclear warheads.

Answer 2-2) Kim Jin-Ha The fact that the power of a nuclear explosion has greatly increased seems more important than deciding whether North Korea used plutonium or highly-enriched uranium in its



third nuclear test. This poses a serious threat to the security of Korea.

Question 3) Hong Ji-In I'd like you to make any suggestions you have to the leaders in the region for the U.S.-China summit meeting and for shared prosperity of Northeast Asia.

Answer 3) Gideon Rachman It is safe to say that the United States and China are basically in competition but share strategic interests, such as resolving the North Korea's nuclear crisis. Therefore, the two countries will be able to solve pending issues by advancing mutual cooperation. China is stressing denuclearization of the Korean Peninsula, veering away from its status quo policy, which is regarded positively by the United States. As seen in this example, it is possible for the two nations to find shared interests and enhance mutual cooperation.

Policy Implications

- Expand the ROK-U.S. Security Consultative Meeting (SCM), slated to be held on October 1, 2013 to a "2+2" meeting (Foreign and Defense Ministerial Consultation) to deepen the alliance between the two countries and establish the visions and goals of the 21st century comprehensive strategic alliance.
- Deter the North's nuclear development program by pursuing joint ROK-U.S.-China sanctions against North Korea consistently.
- To successfully implement the "Seoul Process," the framework for peace and cooperation in Northeast Asia by the Park Geun-hye administration, hold an "ROK-U.S.-China strategic meeting" and link the Seoul Process with the "trust-building" process on the Korean Peninsula for synergy effect.
- Impose sanctions focused on a specific target group through "Smart Sanctions," in order to raise the effectiveness of the sanctions while minimizing damage to the North Korean people.
- As China sees North Korea as a "strategic liability" rather than as a "strategic asset," and regards the relationship between the two nations as an ordinary one, not a "blood alliance," it is necessary to watch the gradual changes in Chinese policy toward the DPRK and pursue collaboration with China to resolve the North Korean nuclear crisis.

RAPPORTEUR

Paik Yung Yun Researcher,
Institute of Foreign Affairs
& National Security,
Korea National Diplomatic
Academy



HISTORICAL RECONCILIATIONS AND IMPLICATIONS FOR THE FUTURE OF EAST ASIA

Northeast Asian History Foundation

Historical and territorial issues in East Asia have recently drawn as much attention from the international community as the economic emergence of this region. These historical and territorial issues undermine the possibilities of economic prosperity and cooperation in this region. Furthermore, historical disagreements in East Asia continue to raise problems instead of being resolved. We must work to find ways to achieve historical reconciliation so that such issues do not hinder mutual cooperation among countries in the East Asian region. Thus, in this session, we attempted to find useful directions that may assist us in overcoming the historical conflicts in East Asia through historical reconciliation.

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OPENING REMARKS

Kim Hakjoon President, NAHF

MODERATOR

Kenneth Robinson Visiting Fellow, NAHF

PRESENTERS

Bernhard Seliger Director, Hanns Seidel Foundation Korea Office

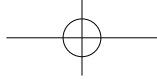
Choi Woondo Research Fellow, NAHF

Kenneth Robinson Visiting Fellow, NAHF

Kim Hakjoon (President, NAHF): Britain has apologized for its inhumane acts in Kenya. Australia made a formal apology and gave compensation for past wrongs inflicted on the Aboriginal community. The United States also apologized and offered compensation to American citizens of Japanese descent and Japanese people who were sent to concentration camps during World War II. Also, Germany is a brave nation seeking to overcome the burden of continuity; its repentance is so deep that it has passed a bill to punish those who deny the Holocaust. Even Korea had taken this difficult step in its truth and reconciliation commission for post-Korean War crimes, in order to be reborn as a mature country, liquidating the past.

Japan seems to be the only exception, still trying to justify its war crimes by insisting that the Pacific War and other aggressions were a war of liberation of Asia. Such denial would have been dealt with

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under the anti-holocaust law in Germany.

Efforts toward Peace in East Asia

Bernhard Seliger (Director, Hanns Seidel Foundation Korea Office): France and Germany started talks with shared historical experiences (e.g., the Roman Empire and Christianity). Franco-German reconciliation needs to start with the creation of networks among the youth. Exchanges with practical purposes (e.g., language education, vocational training) should be made beyond mere academic connections.

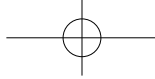
Economic partnership and personal friendship of leaders (Chancellor Kohl and President Mitterrand, Chancellor Merkel and President Berlusconi) enhanced the relationship between the past arch-enemies, which recently has developed into military cooperation by creating a joint-military. For the first time since World War II, German troops entered France.

Germany and Poland had a long history of conflict. However, Poland did not oppose the re-unification of Germany and agreed that the Oder-Neisse borders are final, thereby giving up part of traditional German territory. Conflicts on the state-level should not hinder personal friendship.

Looking back on the Franco-German and Polish-German reconciliation experiences, meetings are not rewarded for good behavior. On the contrary, meetings should begin first for mutual understanding, and ultimately, historical reconciliation. It is crucial to create symbols delivering an image of mutual cooperation to the people of both nations. One cannot move forward after resolving all the past wrongs and problems. Start meetings, and the future will open its door.

Kenneth Robinson (Visiting Fellow, NAHF): The youth of Japan and Korea visit each other's countries as travelers, professionals, or students. If they study about other nation, they will be able to perceive the history between the two nations in an open-minded way. To do so, children should read the counterpart's history textbooks first when studying history at school. It will nurture grown-ups with understanding and consideration about each other. Also, starting with easy issues, common interests such as Baekje and Goryeo Buddhism, and expanding to cover difficult issues, will help promote more open-minded attitudes toward each other without rousing unnecessary ill feeling.

Choi Woondo (Research Fellow, NAHF): In an article in Foreign Affairs, published in 1959, Gooch, an American scholar, called the Franco-German reconciliation a "strange bedfellow." This indicated the bilateral cooperation forced by the threat of the Soviet Union.



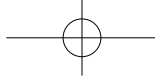
Without it, would it have been possible for the leaders of the two countries to start the reconciliation process? How was it possible to start talks and youth exchanges between each other? Currently, Campus Asia is underway but the program does not seem to help the youth have a better understanding about each other yet.

Exposed to the threat of North Korea, ROK-U.S.-Japan cooperation is crucial to Korea. However, the Japanese colonization of Korea is still a vivid memory to many Koreans. Against this backdrop, it shows that Japan was still unaware of the damage and seriousness of its invasion of neighboring Asian countries during the Second World War, when Prime Minister Shinzo Abe claimed that “invasion” had no definition; this is believed to have aroused a sense of crisis among Koreans. North Korean threats are not the only threats. Japan, as well, is posing a threat in this case and cooperation seems difficult. Most seriously, it is Japan that is igniting conflicts here.

Question 1) Kim Young-hie, editor-at-large, JoongAng Ilbo How can it be possible for Japan and the ROK to reconcile without a shared culture and history? Can an invitation of the Japanese Emperor make a symbolic move, as in the case of Willy Brandt? Would it be possible for the Japanese Emperor to come to Korea?

Answer 1) Dr. Bernhard Seliger Korea and Japan have a lot in common in terms of moral standards and history. In Germany, there were a lot of opponents of the Ostpolitik, or “eastern policy.” At the time, many believed it was over-stretching. Come to think of it, however, that was the critical moment of reconciliation. Symbolic gestures of politicians dwell in the mind of the people. Brandt did not plan to kneel down and apologize when he visited Poland. It could only happen because he visited there in the first place.

Question 2) Gareth Evans (Former Australian politician) Japanese students do not seem to be familiar with history and the Japanese invasion in the past. Is it possible to see reconciliation happening in



Japan in the future?

Answer 2) Kenneth Robinson Japan shares a lot with Korea in cultural aspects—the popularity of “Winter Sonata,” a Korean soap opera, co-hosting of the World Cup Games, and even the tendencies of making roundabout statements. It is true that modern Japanese society lacks proper understanding about Korea. Unlike in the United States and Korea, students in Japan are taught that it is better not to intervene in politics. Still, in brief, I am optimistic, rather than pessimistic.

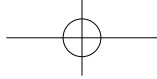
Question 3) Hyun Dae-song, Research Professor, Kookmin University
Wouldn't it be possible to move forward after the history is corrected?

Answer 3) Dr. Bernhard Seliger Certainly not. It is difficult, if not impossible, to move into the future after correcting all the past wrongs. There are still misunderstandings between Germany and Poland. However, the misunderstandings cannot dominate the cooperation between them.

Policy Implications

- Exchanges between politicians should be continued even if the bilateral relationship turns sour.
- Meeting and conducting exchanges is more important than anything else.
- It is a way forward into the future to activate student exchanges.
- Generosity is needed; it is impossible to correct all the past wrongdoings and then bring about reconciliation.

RAPPORTEUR
Choi Woondo Research
Fellow, NAHF



TASKS FACING THE PARK GEUN-HYE ADMINISTRATION: VIEWS OF THE FOREIGN PRESS

JoongAng Ilbo/ The Korea Foundation

This session forecast economic and political tasks facing President Park Geun-hye's newly launched administration and provide solutions via the views of foreign correspondents in Korea. Foreign correspondents in Korea are important due to their ability to observe, analyze and predict social issues in Korea with diverse, objective, and outside perspectives, in ways which the Korean domestic correspondents cannot. Additionally, news articles from participants offer important insights that can provide the most realistic and first-hand data which can help the administration devise more informed diplomatic policies. Hence, the session's discussion contents can be a reliable source, helping to forecast foreign responses in advance about possible emerging issues or problems that could emerge in the Park administration.

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MODERATOR

Nam Jeongho Director, Global Affairs Team, JoongAng Ilbo

SPEAKERS

Steven L. Herman Northeast Asia Bureau Chief/ Seoul Correspondent, Voice of America

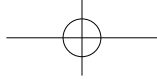
Chen Chenchen Director of Op-Ed Department, The Global Times

DISCUSSANTS

Gideon Rachman Senior Columnist, The Financial Times

Steven L. Herman (Northeast Asia Bureau Chief/ Seoul Correspondent, Voice of America): The first speaker described an anecdote about President Park Geun-hye while he was working as the president of the Seoul Foreign Correspondents' Club (SFCC). President Park is often described as Korea's "Iron Lady," but, he said, looking at her more closely, she is rather a passive leader. He cited Korea's relations with Japan, where the Abe administration is turning conservative, ROK-U.S. relations, and the U.S. troops in Korea as challenges facing the Park Geun-hye administration. Also, he pointed out that although the Park administration is getting attention from outside Korea, due to the combination of the crisis on the Korean Peninsula and the fact that she is the ROK's first female president, there is a high barrier for foreign correspondents. He added that the Park administration is not very

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interested in the foreign press or exchanges with them and, so foreign correspondents have to depend on domestic reports. If this continues, he warned, the administration will not be able to avoid criticism from overseas.

Chen Chenchen (Director of Op-Ed Department, *The Global Times*) stated that there are mixed opinions over North Korean issues in China, citing the editorial series published in the English version of the *Global Times*. He added that President Park seems to be tough on North Korea and there is controversy over whether her position was a continuation of the previous administration's policy or whether it would be a turning point. Chen said North Korea could be a double-edged sword in ROK-China relations, which could be both an obstacle and a boon to Sino-ROK relations. Like Korea, China does not want the North Korean regime to collapse, which leaves much room for cooperation between the two nations. He indicated that there were moves to enhance the ROK-China relationship in China. He also mentioned that U.S. intervention is inevitable but said it could cause friction with China if it goes too far.

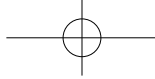
As a person who has lived for 14 years in Korea, **Andrew Salmon** (Seoul Correspondent, *The Washington Times*) said many Koreans are living unhappy and stressful lives despite the nation's astounding economic growth. He pointed out excess competitiveness starting from childhood and the Korean social culture of pushing for uniformity as the main reasons. He suggested promoting diversity as a radical solution to such issues; he added that what is needed in the increasingly multi-cultural Korean society is tolerance to embrace other ethnic groups as Koreans, and respect for diversity as a way of life and talent. As for the issues regarding SMEs, he argued that the government should help them gain more opportunities in the business world. Finally, he stressed the importance of respecting individuality in Korea.

Gideon Rachman (Senior Columnist, *The Financial Times*) said making some areas or events off-limits to the foreign press is common in other countries. He cited the example of

Uchiyama Kiyoyuki Seoul
Bureau Chief The Nihon Keizai
Shimbun (Nikkei)

Andrew Salmon Seoul
Correspondent, The
Washington Times

President Park seems to be tough on North Korea and there is controversy over whether her position is a continuation of the previous administration's policy.



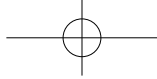
The strategy that the ROK will not come to the negotiation table unless North Korea abandons its nuclear program is unlikely to yield real results. The key is whether the Park administration can remain firm against North Korea and if China can deal with the North Korean issue.

Italy, adding that a nation's excessive interest in the foreign press can also cause problems. As for the editorial series of the Global Times, he mentioned that he was impressed with its depth and extensive coverage especially given that Western coverage of North Korean issues are scrappy and superficial in many cases. He commented on Mr. Salmon's presentation that he was surprised as he had only a positive image of Korea. He mentioned Korea's images to foreigners are mostly positive albeit fragmentary, as seen in the cases of Samsung and Psy. Also, he said he was surprised to hear about the reality of education in Korea as it is often cited as an example of educational success.

Uchiyama Kiyoyuki (Seoul Bureau Chief, *The Nihon Keizai Shimbun* (Nikkei)) named the following three as main tasks of the current administration of Korea: First, regarding North Korea, he pointed out the "trust-building process" — or the strategy that the ROK will not come to the negotiation table unless North Korea abandons its nuclear program — advocated by the Park Geun-hye administration is unlikely to yield real results. He said the key is whether the Park administration can maintain its hardline policy toward North Korea and if China can deal with the North Korean issue. Second, on the economy, he named polarization, establishment of the right growth model, and creative economy as main tasks. Third, concerning leadership, citing the example of the government restructuring plan and the chaos it created after the launch of the Park administration, he said it will be interesting to see how President Park manages to overcome difficulties with leadership when the ruling and opposition parties have deep conflicts.

Future of the Korean Economy

Andrew Salmon said Korean corporate giants such as Samsung and Hyundai contribute greatly to raising the international reputation of Korea, but have been criticized for shabby corporate governance and their dominance of the economy. He added that the Chaebol represent a double-edged sword,



both serving as a driving engine of economic growth and spawning social problems. Uchiyama Kiyoyuki suggested a solution to slowed economic growth could be nurturing Korea's domestic economy and turning companies for domestic markets into exporters. He stressed cooperation with Japan is crucial as Japan is facing with similar problems. Gideon Rachman said Korea's current problems are familiar to those in the West, and proposed nurturing brands and focusing on education could be an option.

Possibility for Changes in China's Diplomatic Policies toward North Korea

In response to a question about diplomatic changes in China, Chen Chenchen predicted that there will be a fine-tuning of policies but no drastic changes. Andrew Salmon added that the strategic interests of China have not changed since the Korean War, and that it will continue trying to influence North Korea for geographical reasons. Steve Herman pointed out it is noteworthy for China to change its position toward North Korea. The Q&A session continued with a question about social mobility in the Korean society.

Andrew Salmon answered that one seldom hears of rags-to-riches stories in Korea, as the traditional rank system which disappeared with Japanese colonial rule, was replaced with the Chaebol dominance structure. Gideon Rachman additionally mentioned the aging of the society. The following question was about whether the conflict between the progressives and conservatives still exists in Korean society, and if President Park could resolve it. Steve Herman predicted that the gap between the ruling and opposition parties will be narrowed with the emergence of small parties, mentioning that the differences between conservatives and progressives will always be there.

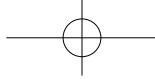
In addition, Uchiyama Kiyoyuki stated that there are other key challenges facing the Park administration, including concerns about inequality and income gaps between the low-and high-income as well as large enterprises vs. SMEs

Policy Implications

- Put more effort into active communication and exchanges between the Blue House and foreign press.
- Establish government policies promoting diversity; raise awareness among the public.
- Address emerging economic issues — the polarization and dominance of Chaebol – while pursuing pro-SME policies.

RAPPORTEUR

Park Gyo-yeon Reporter,
JoongAng Ilbo International
News Desk



NORTHEAST ASIA AND THE HELSINKI PROCESS: CAN IT BE REPLICATED?

The East Asia Foundation

The “Helsinki Process” refers to the multilateral dialogue process, in which 35 states of Europe as well as the United States and Soviet Union, participated. There have been heated debates over whether the Helsinki Process can be applied to the Northeast Asian region. Meanwhile, President Park Geun-hye recently proposed the “Seoul Process,” which attracted much attention as many call it the Northeast Asian version of the “Helsinki Process.” This session has covered a range of issues in lively discussions: 1) the implications of the Helsinki Process and security in Europe; 2) roles and contribution to the Northeast Asian region; 3) influence of the Organization for Security and Co-operation in Europe (OSCE); 4) roles of the United States and China in the multilateral process in Northeast Asia; and 5) the Park Geun-hye administration and its trust-building process in the region.

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MODERATOR

Gareth Evans Chancellor,
Australian National University/
Former Foreign Minister of
Australia

PARTICIPANTS

Stein Tønnesson Former
Director, Peace Research Institute
Oslo

Vasyl Marmazov Ambassador of
Ukraine to the Republic of Korea

G. John Ikenberry Albert G.
Milbank Professor of Political
Science, Princeton University

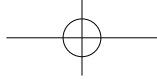
Yu Hyun Seok Professor, Kyung
Hee University

The Helsinki Process and European Security: Implications

Stein Tønnesson (Former Director, Peace Research Institute Oslo), presented some advice for applying the lessons of the Helsinki Process, the process of change in the Eastern European system, to Asia.

First, he warned, short-term and long-term effects of the Helsinki Process are different; the latter is difficult to predict. Second, the Helsinki Process took into consideration the interests of smaller countries as important members. He mentioned that even the minor nations were given special roles, which gave them leadership in the region. When applied to Asia, he suggested smaller nations like Cambodia, for example, can lead the process, as Korea is too big to be considered as a minor nation. Third, he

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Wu Xinbo Professor of
International Relations, Fudan
University

stressed that territorial conflicts and historical issues in East Asia be separated. Europe accepted new borders after World War II although it was not easy, and that enabled for talks over security issues. By contrast, he pointed out that territorial conflicts and historical issues are closely intertwined in the East Asian region and mentioned Korea should deal with the issues concerning Dokdo and Japanese colonial rule separately.

Finally, he remarked that East Asia needs flexibility in adjusting the existing system or creating a new framework to fit the regional conditions, as the Helsinki Process is not a completed negotiation but has been evolving continuously.

OSCE, its Roles and Contribution in East Asia

Vasyl Marmazov (Ambassador of Ukraine to the Republic of Korea) evaluated the Organization for Security and Co-operation in Europe (OSCE) as being successful as a mechanism to build trust, security, and multilateral talks in the Europe-Pacific region. He stressed that it helped cooperation and peace take root in the region as a window of talks between Eastern and Western Europe, amid the rising tensions during the Cold War. He insisted it is difficult to apply the OSCE to Northeast Asia as it is, but there are things to be learned to create a predictable and stable future for the Northeast Asian region. He commented that human rights issues were important in the Helsinki Process in personal exchanges between Eastern and Western Europe, which played a key role in inducing changes in Eastern Europe as well as in the USSR. Applied to the Korean Peninsula, the European experiences in the 1970s and 80s will be a good guide to inter-Korean exchanges, he advised.

Finally, as the chair of the OSCE in 2013, Ambassador Marmazov announced a plan on behalf of Ukraine to pursue mutually benefitting cooperation with Northeast Asia in the future. He mentioned that Ukraine would make a commitment in creating a variety of dialogue channels, such as the Asian Cooperation Conference, and to apply the lessons of Europe to Northeast Asia more comprehensively.

The North Korean nuclear crisis is a security threat to the whole world; as the maintenance of peace based on deterrence is limited, a trust-building process is necessary.

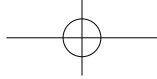


The Park Geun-hye Administration and its Trust-building Process

Yu Hyun-seok (President, Korea Foundation) argued the Helsinki Process cannot be a model for Northeast Asia in establishing peace and stability in the region. As a key figure in the diplomatic policy team participating in formulating the election pledges of President Park Geun-hye, he said the current administration prefers not to use the term, “Helsinki Process,” to describe its trust-building process in Northeast Asia. Although it is a valuable lesson in that the process created a mechanism for communication and dialog in the harsh atmosphere of the Cold War, he noted we must remember that there are big gaps between Europe during the Cold War era and inter-Korean relationships today. In particular, he pointed out the lack of multilateral spirit in Northeast Asia, emphasizing a “Tailored Approach,” different from that of Europe.

He went on to explain that the trust-building process, the key foreign policy of the current administration, is primarily focused on establishing trust on the Korean Peninsula and regional projects to promote peace and cooperation in Northeast Asia, all at the same time. He added that the North Korean nuclear crisis is a security threat not only to Korea or Northeast Asia but to the whole world; as the maintenance of peace based on deterrence is limited, a trust-building process is necessary. He stated that the ultimate goal of the trust-building process on the Korean Peninsula is to make peace with North Korea; if regional peace is to be restored by the Northeast Asian Peace and Cooperation Initiative, it will be able to enhance peace on the Korean Peninsula. Therefore, the two initiatives are mutually reinforcing.

However, he added that although such a multilateral alliance can relax tensions and promote regional peace, it is not a suitable approach in resolving territorial issues such as the Dokdo disputes. He continued to say although the previous Lee Myung-bak administration and the current administration shared the goal of denuclearization, the latter is different as



it keeps the window of talks open in resolving the nuclear stalemate. He stated that the current administration will bring North Korea to the negotiation table through humanitarian support and expand economic and social exchanges if the North shows a willingness to abandon its nuclear weapons.

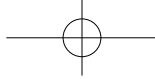
The Northeast Asia Multilateral Process and China

Wu Xinbo (Professor of International Relations, Fudan University) argued that as security basically comes from a multilateral relationship, only a strong multilateral process can address security issues of Northeast Asia and promote exchanges in the region. The United States has not been welcoming the multilateral security alliance in Northeast Asia, worrying that it might weaken the alliance led by the United States. However, it needs to establish modern and more effective security solutions going beyond the vestiges of the Cold War.

Professor Wu also spoke highly of the Six-Party talks, as: firstly, it is multilateral; secondly, it successfully brought past enemies to the table. Although it is still too early to expect any visible results, for the long-term, he forecasts that it would be able to become a model to develop a multilateral process in Northeast Asia. However, he insisted territorial disputes can be dealt with more effectively, using bilateral approaches rather than with multilateral ones. He cited the example of China, which successfully resolved territorial issues with 12 out of its 14 neighbors through bilateral talks. In addition, he suggested the recent territorial disputes in the South China Sea with a few South Asian nations including Vietnam and the Philippines, be addressed through bilateral talks. However, a multilateral framework needs to be considered at the same time.

Professor Wu agreed on the inclusion of human rights factors in the attempt to replicate the Helsinki Process in the Northeast Asian region. He evaluated that China had more than 400 million of its population escape from poverty, and the sovereign rights of the people have improved. Therefore, he said he expected to see livelier discussions over human rights

The effectiveness of talks is limited in a security dilemma, so the agenda of military control needs to be dealt with in bilateral negotiations.



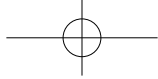
issues to enhance the political, social, and economic rights of the Chinese public. He also insisted that it should not be limited to human rights issues, but that it should be expanded to issues on good governance to protect the rights of people through clean and efficient governance.

Finally, Professor Wu, as Director of the Center for American Studies, Fudan University, reasoned that the Sino-U.S. relationship is evolving into a more multilateral one. Already, the leaders of both nations spend time discussing global issues, beyond bilateral ones, and he expected that such multilateral cooperation will have a positive influence on the bilateral relationship. He advised that the issues that cannot be addressed in the bilateral relationship, such as military curtailment and cybersecurity, can be discussed more effectively in the multilateral talks.

Multilateral Processes

G. John Ikenberry (Albert G. Milbank Professor of Political Science, Princeton University) commented on U.S. diplomatic policies, saying that they were more supportive of multilateral processes than the international community might want to admit. He argued that until a decade ago, concerns over the weakening regional alliance of the Asia-Pacific due to multilateralism dominated U.S. domestic sentiment. Now, it has been recently changing toward a more complementary approach. He added that although the United States would not sacrifice its partnership for multilateral security, Washington agrees on the necessity of a multilateral framework, such as of the Northeast Asian countries; the U.S. has also contributed to setting the direction of the G-20 through active cooperation with ASEAN.

In particular, he stressed that the Helsinki Process, which played a key role in bringing about changes in Eastern Europe and the USSR, should be applied to the Northeast Asian process related to human rights. He went on to say such issues could be uncomfortable for China, but that the



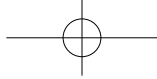
nation has been making constant efforts not to repeat the mistakes of the former Soviet Union. As for the security of East Asia, he emphasized the concept of “cooperative security,” which includes respect for universal values such as legalism and human rights, as well as military hardware and can be applied before and after any event. He believed this lesson can be learned from history and applied to the next step of the multilateral security process. He added that the uniqueness of the domestic system or policies of individual countries has great significance on international alliances. Therefore, he insisted, this should be considered in pursuing international cooperation and the experience of the OSCE can be referred to down the road.

He said that multilateralism does help to address the problem of rising military competition and arms control, but cannot replace bilateral talks. He explained that the effectiveness of talks is limited in a security dilemma, where each side acts “defensively,” but the other side sees the moves as “offensive” and responds with its own “defensive” counter-measures, followed by spirals of arms races and insecurity. The agenda of military control needs to be dealt with in bilateral negotiations. In addition, he argued the United States and USSR, the two axes of the Cold War era, were able to end the Cold War as they shared concerns over nuclear weapons and were aware of their vulnerability. However, he continued, the United States and China are not in a bipolar world order, which aggravates the difficulty of negotiations. He wrapped up the discussion by emphasizing that more creative approaches were needed to realize nuclear disarmament.

RAPPORTEUR

Shin Yoon Hee Program Officer,
East Asia Foundation

Jeju Forum for Peace & Prosperity 2013



[DIPLOMATS' ROUNDTABLE]

NEW WAVES AND THE FUTURE OF EAST ASIA

Jeju Peace Institute

In 2012 and 2013, there have been leadership changes in major countries in the Northeast Asian and Asia-Pacific regions. This means a seismic change in the landscape of international politics, economy and security, and indicates a new roadmap of cooperation for peace and prosperity in the region. In this session, to cast the spotlight on the new wave of changes and the future for East Asia, ambassadors to Korea from various countries were invited to discuss and share their views and opinions on newly emerging paradigms in East Asia, as well as on the roles of each nation for lasting peace and prosperity in East Asia.

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MODERATOR

Kim Yong-kyoo Chairman,
Korean Council on Foreign
Relations

DISCUSSANTS

Konstantin Vnukov
Ambassador, Embassy of
Russia

Rolf Mafael Ambassador,
Embassy of Germany

Vishnu Prakash Ambassador,
Embassy of India

John A. Prasetyo Ambassador,
Embassy of the Republic of
Indonesia

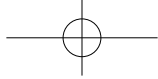
Cho Chang-Beom Former
Ambassador to Austria / Vice
President, World Federation of
United Nations Associations

Past, Present, and Future of East Asia from the European Perspective

Rolf Mafael (Ambassador, Embassy of Germany) said looking back on the start of the process of collaboration between Northeast and Southeast Asian countries, East Asia has a lot in common with Europe in terms of growth and development. He explained how Germany was able to overcome the financial crisis relatively easily partly due to trade with East Asian countries. He added this also implies bad news from East Asia, including maritime conflict, can have an impact on Europe. In this context, Germany, as the chair of the European Union in 2007, has been championing regional cooperation constantly. He emphasized that “cooperation” is not limited to those with individual nations in Asia, but includes establishing ties with the Asian region as a whole.

Ambassador Mafael commented on the recent leadership changes in major East Asian nations as well as the United States and Russia, saying that the significance of such changes should

| New Waves in Asia |



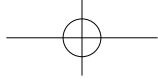
be found in the continuity of policies. These would last for the tenure of the new leaders influenced by the changes, rather than in the change of administrations itself. As for Korea's President Park Geun-hye, he mentioned the trust-building process and the Northeast Asia peace process are desirable responses, given the seriousness of the situation on the Korean Peninsula with North Korea pursuing its nuclear program. In addition, citing the example of German reunification, he added that if the ROK government leads unification efforts, from a long-term perspective, it will bear fruit.

Economic Revival of Asia and India's Policies toward Asia

Vishnu Prakash (Ambassador, Embassy of India) explained that the East Asia region means ASEAN+6 in a broader sense, which can be described as the "India-Pacific" region. Ambassador Prakash pointed out that 50 percent of the global population lives in East Asia or the India-Pacific region. In addition, India's average age of the working population, unlike most Western nations with an aging population, is expected to reach 29 as of 2020, thus becoming the supply of labor for the world. This means the axis of the world economy will be shifted to Asia along with the axis of politics. In 2030, the Asia-Pacific nations will account for two-thirds of the world's economic powers and the GDP of the region is expected to be more than that of the United States and Europe combined.

Ambassador Prakash also mentioned difficulties caused by the historical issues and regional conflicts faced by East Asia. Still, he predicted, India, which has advocated a "Look East" policy since 1991, will continuously reinforce ties with ASEAN members, as well as with Korea, Japan, and Australia by, for example, signing trade agreements. There are both potential factors for cooperation and competition existing in the countries of the Asia-Pacific region. He added that they can continue political and security partnerships through the East Asia Summit, while pursuing close economic cooperation through the Regional Comprehensive Economic Partnership, led by ASEAN.

President Park Geun-hye's trust-building process and the Northeast Asia peace process are desirable responses, given the seriousness of the situation on the Korean Peninsula.



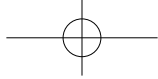
However, pointing out the East Asia Paradox, which refers to a rise in economy but a clash in politics, he argued that while regional countries should continue to work together for development and peace in the region, their common goal should not be dependent upon Western nations like the United States and Russia.

Role of Russia in East Asia and the Issue of the Korean Peninsula

Russian Ambassador Konstantin Vnukov (Ambassador, Embassy of Russia) said he expects Russia's close ties with the Asia-Pacific region, as well as with Korea will continue, citing economic policies announced by President Putin last February. The trade volume between China and Russia exceeded US\$87.5 billion, and trade with Korea and relations with ASEAN members including India are being continued. In brief, Russia is more interested in regional integration than ever. Accentuating the importance of security in regional integration, he said it started from the respect for equal rights among countries and observing international laws. Ambassador Vnukov said the East Asia Summit can be a way to promote regional security alliances and talks among Korea, China, and Japan, the "troika of East Asia."

Regarding the Korean Peninsula and the North Korean crisis, Ambassador Vnukov confirmed Russian support for the UN Security Council Resolutions Nos. 2087 and 2094. He added that the Russian government is continuing to ask North Korea to abandon its nuclear program to comply with the UN resolutions, and to accept nuclear inspection by the International Atomic Energy Agency. This illustrates the principle of the Russian government that it will not allow an arms race in the region to be ignited by North Korea's nuclear development. The ambassador added that resumption of the Six-Party Talks could be an option to overcome the current North Korean nuclear quagmire, and that the framework will be maintained despite the changes in individual agenda items. In response to a question about the effectiveness of the Six-Party Talks, given North Korea's determination to nuclearize, he answered that wasting time

The Six-Party Talks could be an option to overcome the current North Korean nuclear quagmire, and the framework will be maintained despite the changes in individual agenda items.



Currently, the U.S. clout is relatively decreasing with the emergence of China in the region and there is an ongoing debate over whether the United States should continue its commitment to Asia.

without any alternatives would be worse and thus there is an urgent need to create an environment where the Six-Party Talks can be resumed.

Meanwhile, he said future reconciliation and improvement of relations between the two Koreas would have a significant influence on Russian infrastructure projects, citing the example of an economic project agreed to by Russia, South Korea and North Korea together in the early 1990s, which was later suspended.

Political Changes in East Asia: its Implications and Tasks

The main concern over the changes in East Asia is about a shift of balance in structural power. Ambassador Cho Chang-Beom (Former Ambassador to Austria / Vice President, World Federation of United Nations Associations) predicted that the emergence of China and India, and China's full-fledged efforts to pursue core interests will influence the status and roles of the United States, which has played a key role in Asia until now.

The United States has strengthened its intervention in the Asia-Pacific region since the mid-20th century but its clout is relatively decreasing with the emergence of China in the region. Ambassador Cho added that there is currently an ongoing debate over whether the United States should continue its commitment to Asia. Clearly, the weakening status of the United States in Asia brings about the decentralization of power, and the emergence of China is the main reason for that.

The future of East Asia can be disrupted by a number of uncertainties: the risk of regional conflict due to the spread of nationalism, an arms race based on security dilemmas, and North Korea becoming a virtual nuclear state. Ambassador Cho summarized the solutions to overcome the situation as follows: First, we need to be flexible in taking advantage of the current changes in balance of power. The clash between the two giants, the United States and China, comes from mutual strategic distrust. So, a summit between the two nations should be the stepping stone for their future relations. In addition, citing the example of the OSCE, he stressed the importance of



an institutional multilateral approach such as security talks, and expressed the hope that the neighbors in the region could possibly create a high-level common interest through mutual cooperation and dialogues.

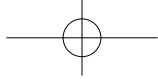
Asia Paradox and its Solution

Indonesian Ambassador John A. Prasetio (Ambassador, Embassy of the Republic of Indonesia) summarized the “Asia Paradox” as follows: It can best be described with two different phrases—one is co-prosperity through mutual co-dependence, and the other, a deepening security crisis and territorial conflicts. Amid these obstacles, it is key which part will win — either the historical problem, marked by distrust among countries, and nationalism; or, economic cooperation and integration and co-prosperity. He predicts the Sino-U.S. relationship will make a vital difference. The United States in the Asia-Pacific region and China, as the new emerging power in Asia, is trying to enhance its regional status through military reorganization. The direction of the bilateral relationship will have an impact on other smaller neighbors, and rising tensions between the two big powers could divide Asia into two.

Ambassador Prasetio added that China needs to be contained using the clout of the United States in Asia. He stated that China is not a semi-developed country anymore, even though it is insisting that it is so. Instead of a taking a backseat, China participates in the organization of the new order as a leader. However, despite its economic power, it is also true that China is fraught with domestic issues, such as its low appeal as a nation, an aging society, low birthrate, rampant corruption, the possibility of a hard landing of the economy, inequality, and the gap between the rich and poor. Ambassador Prasetio argued that under the circumstances, the United States has to continue its role in Asia, while the United States and China work together to dissolve mutual distrust. He added all the other stakeholders in the region, as well as the two big powers, have to work together to pursue co-prosperity in the Asia-Pacific region by continuing with the EAS.

RAPPORTEUR

Kang Chan Koo Program
Officer, East Asia Foundation



ENERGY SECURITY COOPERATION IN NORTHEAST ASIA FOR SUSTAINABLE GROWTH

The Ministry of Foreign Affairs, Republic of Korea

Northeast Asia is the world's largest energy-consuming region due to its rapid economic and population growth. The region is expected to see a huge increase in energy demand in the future. Northeast Asia includes high energy-consuming countries such as Korea, China, and Japan, as well as a major energy producer and importer, Russia. Therefore, energy cooperation among these countries is crucial for the enhancement of energy security in the region. In this session, we looked at the changes in the global energy security environment brought about by the recent shale gas revolution and energy policies of the major countries in the region. We also held in-depth discussions on the measures for enhancing regional cooperation to improve energy security.

MODERATOR

Kim Sung-han Professor,
Korea University/Former
Second Vice Minister, MOFA

KEYNOTE SPEAKER

Yun Kang-hyeon Director-
General, International
Economic Issue Bureau, MOFA

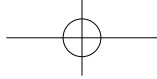
PRESENTERS & DISCUSSANTS

Mikkal Herberg Director,
Energy Security Programme,
National Bureau of Asian
Research (NBR)

Ken Koyama Chief Economist
and Managing Director,
Institute of Energy Economics
of Japan (IEEJ)

Mikkal Herberg (Director, Energy Security Programme, National Bureau of Asian Research (NBR)): Thanks to the recent development of fracking and horizontal drilling technologies, the U.S. petroleum gas industry has become able to utilize huge amounts of energy resources. Technological advances enabled the area already finished with drilling to be dug again, accelerating the production of natural gas. The U.S. has been importing 12 million barrels a day as the largest importer of oil in the world for the past four decades, and there was, thus, an urgent need to come up with policies to realize energy independence. However, energy production in the United States has increased sharply recently due to the shale revolution, which is comparable to the crude production in Kuwait, which is unprecedented.

On the other hand, U.S. consumer demand remains sluggish due to the economic recession, which has decreased U.S.



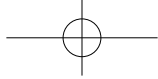
Paik Keun-wook Senior
Researcher, Energy Institute,
Oxford University

Xu Yihe Analyst, Upstream

energy dependence on imports by 40 percent, a trend that is continuing with further falls in energy imports. In addition, it will be possible for other countries to import shale gas from North America from 2020. The United States is entering an era of energy abundance, leaving the past of energy exhaustion behind. The production of gas, currently 2.5 billions of cubic feet (bcf) a day, is expected to grow at an amazing pace of ten times as fast as now, while production volume has increased by 30 to 40 percent from four to five years ago. The United States is transforming itself from an energy importer to exporter. In particular, exports to Asia are expected to grow with the two Liquefied Natural Gas (LNG) projects in the pipeline. It is forecast that massive gas exports will come from the United States and Canada in a reversal of the situation. It is time to carefully consider the influence on Asian nations — particularly Korea, Japan, and China—of such changes in the energy environment.

First of all, it would benefit Northeast Asia as the region could then import energy from North America, which means ample supply and diversification of suppliers. Also, with the continuing surpluses, the pressure of energy price will be eased. Therefore, it is expected that price stabilization and energy balance will be realized. Such changes in the mechanism would help Northeast Asian countries, which used to totally depend on imports for their LNG needs, to come up with more flexible and competitive price policies.

On the other hand, there are disadvantages as well. The United States has strengthened its security policy to hold onto oil reserves of major oil exporting nations, including the Gulf region. However, as the United States enters an era of abundant energy supply, it will be worth noting whether the United States will stick to past policies. Security in Middle East nations such as Iran is still crucial, but it remains to be seen whether the United States will continue bolstering protection in the region. Against this backdrop, we need to consider the influence on the energy security of Northeast Asia that the strategic changes of the United States might have.



Question 1) Kim Sung-han It requires massive water resources to use fracking technology. This is expected to pose a new challenge to water security, ultimately influencing sustainable supply of shale gas. What is the solution for this?

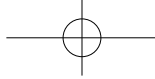
Answer 1) Mikkal Herberg Fracking is a technique which involves the injection of millions of tons of water into wells at high pressure, which makes water availability the most important issue. It is impossible to apply this technique in shale gas production in every country, especially to ones suffering from water shortages.

Question 2) Hiroi The Middle East region is still politically unstable. Do you think the U.S. shale gas production will change its interests in the region and if so, how?

Answer 2) Mikkal Herberg Political unrest in the Middle East is a chronic problem. The region produces 17 million tons of crude oil per day, playing a key role in maintaining the world's energy security. The United States has been active in enhancing regional security so that energy supply will not be disturbed. In order to maintain energy security, price is also an important factor to be considered, along with reliability. With substantial amounts of energy supply from the Middle East, the U.S. interest in the region will not fade away anytime soon.

Ken Koyama (Chief Economist and Managing Director, Institute of Energy Economics of Japan (IEEJ)): Japan has shut down all of its nuclear power plants since the Fukushima Daiichi nuclear disaster two years ago, so the biggest concern regarding its energy security is the electric power crisis. Up until now, Japan has been able to avoid serious power accidents as it increased the consumption of natural gas as an alternative to nuclear power. However, this has placed added pressure on the government budget with the rise of LNG imports. After the Fukushima disaster, the energy independence of Japan dramatically decreased, with increasing dependence on imports for its LNG needs. This year, Japan is expected to emit over 1.2 billion tons of greenhouse gases from using fossil fuel, which is more than a 10 percent increase. In short, Japan is in a position where it urgently needs to establish a comprehensive

It would benefit Northeast Asia as the region could then import energy from North America, which means ample supply and diversification of suppliers.



and long-term energy strategy.

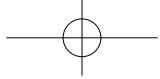
The Abe administration places priority on the survival of the Japanese economy; it is at the top of the agenda whether it will eventually reactivate its nuclear power plants with enhanced safety, to resolve the economic problems caused by shutting them down. Japan is currently setting up improved nuclear regulatory institutions, raising the safety of the nuclear power plants, and gathering opinions from local governments. In addition to nuclear power plants, Japan is striving to create an optimal energy mix by securing energy resources by paying high-level visits to energy-rich countries.

The global LNG imports by Asian nations including Japan is expected to rise from 2.2 million tons in 2010 to 4.67 million tons by 2035. The import prices of gas have been on an ongoing upward trend. The countries paying the “Asian premium,” including China, Korea, and Japan, need to show interest on the regional level; the key issue is diversification of importers. Albeit competing with each other in the global arena, Northeast Asian countries have a lot of areas where they can work together: security of energy supply and demand, acting as a regional player along with Russia, energy conservation, development of alternative energy sources, and enhancement of the “3S” (Safety, Security, and Safeguards for nonproliferation) related to nuclear power.

Question 1) Kim Sung-han I'd like a detailed explanation about the influence of shale gas on Japan. With the increasing dependence of Japan on overseas energy, what is your prediction for its impact on the Japanese energy mix?

Answer 1) Ken Koyama Japan greatly increased LNG imports from Qatar since the Fukushima disaster. Qatar used to export its LNG mostly to the United States, but it is now directed toward Japan with the energy production increasing in its past importer. This is an example of the benefits that shale gas production brings. Although the Japanese government is trying to reactivate its nuclear power plants and expand the supply of renewable energy sources, stable supply of LNG is still a key issue in its energy policy. Shale gas is thus expected to bring certain

It is high time for the new administration to decide what position Korea will take in its geopolitical situation while exploring new opportunities.



benefits in terms of the energy price system. The introduction of the U.S. Henry Hub price system will change the pricing mechanism, cutting down on the gas price premium.

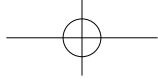
Xu Yihe (Analyst, Upstream): China has maintained consistent energy policies over the past 40 years. Despite the increase in coal consumption, it is making efforts to cut CO² emissions and the environment into consideration, with the emphasis on natural gas.

Coal accounts for 70 percent of the Chinese energy mix, which is expected to fall to roughly 52.6 percent by 2020, but will remain the most important energy source. At the same time, consumption of other energy sources is forecast to grow. Gas consumption, 4.5 percent of the energy mix in 2010, is expected to increase to 10 percent in 2020. To utilize natural gas more, China is actively engaging in LNG terminal construction and import contracts. The Chinese government set an ambitious goal—even though it might seem slightly unrealistic—to secure non-traditional energy. The gas consumed in China is increasing 20 billion m³ every year while imports are increasing by 10 billion m³ for the same period. As China depends on 50 percent of its gas needs from imports, price innovation of gas is the most important issue.

Question 1) Kim Sung-han Coal consumption is increasing in China and is expected to account for more than 50 percent of total energy consumption by 2020, while the government plans to raise the proportion of non-traditional energy consumption at the same time. It seems that the Chinese government policies on securing energy sources are divided. What is the position of the Chinese government on this?

Answer 1) Xu Yihe It is impossible to think about energy in China without coal, but the focus is on the diversification of energy supply. To this end, the government is: First, encouraging state-run corporations to secure assets and enter the overseas upstream businesses; Second, seeking changes in the long-term supply contracts. Currently, China is conducting projects for constructing gas pipelines in the East and West of Russia, and connecting pipelines in Myanmar. In addition, it is establishing 15 LNG terminals in the coastal regions. This is expected to enable the nation to import gas from Australia, Qatar, and the Middle East for the long term, which will decrease the import of coal. Also, well-aware of the necessity to reduce coal consumption due to climate changes and international environmental challenges, the Chinese government is working to replace coal consumption with LNG.

Paik Keun-wook (Senior Researcher, Energy Institute, Oxford University): Currently, Sino-Russian petroleum gas cooperation is active, including the Eastern Siberia–Pacific Ocean oil pipeline (ESPO) project. The partnership will benefit its neighbors as gas from Eastern Siberia can be supplied to Korea and Japan. It is expected that 38 billions of m³ of



Eastern Siberian gas will be exported to China through the recent gas agreement between China and Russia, with the price negotiation to be concluded by the end of the year. Interestingly, Russia has recently been hurrying to finalize the gas agreement, which can be explained by the influence of the fast-paced changes in the international situation over the past two years. Russia thinks the increase in the U.S. shale gas production and rising competition for massive gas inflows into Asia might derail its plan to provide gas to the region based in Vladivostok. This can be a new opportunity for the Korean government. As Korea's state-run energy company, Korea Gas Corporation, has discovered a large natural gas well off the coast of Mozambique, the Korean government is reviewing the option of competing in the gas export market. It is high time for the new administration to decide what position Korea will take in its geopolitical situation. This requires special attention from the government.

Question 1) Kim Sung-han The construction projects of the South Korean-North Korean-Russian gas pipelines and Russian-Chinese-South Korean pipelines have currently reached a stalemate. It seems unlikely that the Korean government is positively disposed toward the projects, due to North American shale gas and political instability in Northeast Asia. What is your opinion on this?

Answer 1) Paik Keun-wook There are no big challenges in terms of cost and technology in connecting the pipelines, but political cooperation between China and Korea remains to be improved. China is actively developing gas infrastructure in Russia to revitalize its economy and Korea and Japan are working together on gas imports. However, there is much to be desired in terms of cooperation with China. China is trying to maximize its importation of gas through the pipeline. It has concluded a gas import contract by making an advance payment and offering financial incentives to Russia. Korea and Japan are committed to diversifying the channels of importing LNG and so is China. In brief, the position of the Korean government is that the Sino-Russian gas partnership could benefit Korea and Japan as well, by positively influencing gas prices as well as gas supply.

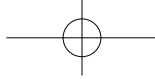
Answer 2) Yun Kang-hyeon Korea is considering importing Piped Natural Gas (PNG), along with LNG from Russia. The question of whether gas pipelines from Russia to Korea should pass through North Korea or China requires further study. The direction for the project has not yet been clearly set, but it ought to be pursued.

RAPPORTEUR

Kim Yuri

Researcher, Global Energy Cooperation Center, MOFA

| New Waves in Asia |



THE PARK GEUN-HYE ADMINISTRATION, THE TRUST-BUILDING PROCESS AND PEACE ON THE KOREAN PENINSULA

East Asia Foundation

President Park Geun-hye has proposed a “Trust-building Process” as her key policy in the inter-Korean relationship, meaning that her administration will stand firm against any North Korean provocations while keeping the door open for the North’s return to dialogue. Essentially, it is a two-track approach of pressurizing and inducing dialogue. So far, the North has responded negatively to it, and the Kaesong Industrial Complex is almost closing down , with no immediate reversal of the situation in sight.

After hearing from one of the key designers of this policy, the session discussed the administration’s vision and ways of implementing its strategy.

- What is President Park’s policy of a “Trust-building Process”?
- How different is it from the North Korea policies of previous administrations?
- How can the policy induce positive responses from North Korea?
- How would the four major powers surrounding the Korean peninsula respond?

MODERATOR

Kim Young Hie Senior Reporter,
JoongAng Ilbo

PRESENTER

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Choi Jin-Wook Director of
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John Delury Assistant
Professor, GSIS, Yonsei
University

Trust-building on the Korean Peninsula: Significance and Challenges

Hong Yong-Pyo (Secretary to the President for Unification) opened his presentation by mentioning it was his first official speech on the “trust-building process.” He said the most fundamental question to ask was why we need trust in inter-Korean relations. For the past decades we have witnessed a vicious cycle of “crisis—rewards—another crisis” being repeated. Furthermore, North Korea’s policies in dealing with the ROK government continue to change along with successive regimes. Therefore, he recommended, Seoul needs to create sustainable North Korea policies to complement weaknesses previous



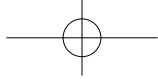
Park Cheol-Hee Professor,
GSIS, Seoul National
University

policies. He stressed the goal of the trust-building process lies in achieving “lasting peace” on the Korean Peninsula. He went on to explain that the process is both within the overall framework of diplomatic policies and the vision of the Park Geun-hye administration. The key is whether the trust-building process could bring sustainable peace to the Korean Peninsula.

Hong Yong-Pyo emphasized that the first step of the peace process between the two Koreas should be the establishment of “mutual trust.” He pointed out that past administrations discussed the large paradigm of reunification, but failed to establish mutual trust, where the current administration distances itself from its predecessors.

The trust-building process aims at helping North Korea become a responsible member of the international community. Hong insisted that only then would North Korea be able to make sustainable growth in the international community of nations. He explained that Korea can grow together with North Korea while criticizing its misbehavior and encouraging good points. He added that “trust” here includes trust between the government and the people, and in terms of international relations. He predicted that the public would trust and support the ROK’s policies on North Korea through transparency and neutrality.

Also, he added that the peace it pursues is a “robust” peace. Hong Yong-Pyo mentioned that it is important to pursue robust peace continuously based on strong security and to build trust with neighboring countries for reunification of the two Koreas. He explained that the Park administration is saying that it would conduct predictable policies toward North Korea, which he believed would be the only way to gain support from the people. He emphasized that North Korea can be changed only through ever-evolving and predictable North Korea policies, which would lay the groundwork for bringing North Korea out of its isolation to become a responsible member of the international community.



How to Build Trust between the Two Koreas?

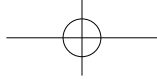
Hong Yong-Pyo said first, South and North Korea should abide by previous agreements reached between them. North Korea should keep promises made with Korea; mutual trust can only be developed when both parties implement necessary steps, while cherishing important values such as peace and mutual respect. Second, it is important to build trust gradually by taking small steps benefiting each other. He forecast that trust would be established through institutionalizing a process between the two Koreas. Third, he explained, balanced relations are important between South and North Korea. He stressed that both parties need to accumulate trust based on balance and to have a balanced approach to security and exchange. Only then, he said, could they lead the inter-Korean relationship with flexibility depending on changing situations.

Hong went on to explain that the trust-building process of the current administration is based on strong security, and the government would thus pursue security, and exchange and cooperation. He explained the Alignment Policy is about coordinating multiple conditions and not just about focusing on one aspect. As both international alliances and North-South dialogue are required, he said we need to choose one or the other according to different situations. He emphasized the need for penalizing North Korea for its provocations as part of “building trust.” It is also a part of the process to let North Korea know that there is always a cost attached to its provocations, he explained. In this sense, credible deterrence is a kind of trust-building process; so is the process of having conversations. Finally, he said the whole process of denuclearization talks is part of the trust-building process, whether it succeeds in denuclearization or not.

How is the trust-building process different from the North Korea policy of the Lee Myung-bak administration?

Kim Keun-sik (Professor of Political Science, Kyungnam

Although the trust-building process embraces the lessons learned from the Lee administration, the new administration does not seem so different from its predecessor in responding to the current crisis.

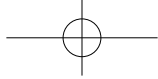


University) opened by saying that the trust-building process, described by Hong Yong-Pyo, is logical enough, but questions arise about its practicability. He continued by saying that although the trust-building process sufficiently embraces the lessons learned from the Lee administration, the response measures at the early stage of the new administration amidst instability on the Korean Peninsula do not seem so different from those of the previous administration.

Kim Keun-sik stressed that despite its balanced perspective, the trust-building process contains many policies with strings attached to “if-then” assumptions. He added that security, exchange and cooperation should be pursued at the same time; it is not a matter of choice between the two, where the current administration leaves much to be desired. He said it is more important to make security and dialogue coexist, rather than ensuring that North Korea pays a price for its provocations, and raised questions about the position of the government on this. In addition, he suspected that North Korea policies of the current administration turned into “stubbornness,” not “principles,” which in turn may lead to the “interruption” of the inter-Korean relationship. He commented on the recent declaration of the Korean government to withdraw staff from the Kaesong Industrial Complex; an “ultimatum” made on April 25th, included a condition stipulated at the end of the April 25th offer, saying that the South would take an “important step” on the industrial complex if North Korea refused talks. That is seen as stubbornness from the North Korean view.

In response, Hong Yong-Pyo explained that the trust-building process is a policy direction coexisting with the Northeast Asia Peace and Cooperation Initiative and made it clear that denuclearization is not a precondition for talks. He went on to say that the “if-then” does exist as we have a counter-party, North Korea. But, he stressed that the Korean government would make devoted efforts to improve the unstable inter-Korean relationship. He explained that endeavoring continuously to change North Korea is the core of the trust-building process, and taking active initiatives on it is the trust-building process itself.

Hong said security, exchange, and cooperation should go together for the sake of peace; the Kaesong Industrial Complex is an aspect of the ongoing trust-building process. He insisted that North Korea should be held accountable for its irresponsible actions, but also that the Korean government should keep trying to make contact with its counterpart at the same time. He said he believed that the April 25th suggestion was the best the government could do in a situation where the conditions of the Kaesong industrial Complex were worsening in terms of food, medical service, and safety of personnel, while North Korea refused to accept the offer of talks. He urged that we should give the new administration more time and observe its North Korea policies with more patience.



The Meaning of “Trust” between the Two Koreas

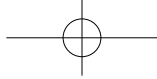
Choi Jin-wook (Director of Planning & Coordination, KINU) said it is difficult to see tangible results in the inter-Korean relations within a short period of time, mentioning “trust” is not just a policy instrument but something that complements the instruments. For example, he explained “trust” is similar to physical strength supporting techniques in playing sports. He stressed that to complement trust between two Koreas, trust-building in international relations and within Korean society should be pursued together. He pointed out it is unfortunate that the trust-building process of the current administration has no concrete action plan, such as opening a dialogue channel to establish trust. He argued the government needs to show the public what the items for humanitarian aid are and how it would be conducted, in more detail. He emphasized that this is a stumbling block in implementing North Korean policies and that security is way more unstable than it was during last year’s presidential campaign.

Hong Yong-Pyo responded that as adequate social capital raises trust between nations, trust-building is necessary as it is directly connected to a “robust” peace.

John Delury (Assistant Professor, GSIS, Yonsei University) mentioned the good thing about the trust-building process is that it de-links denuclearization and dialogue. He explained that putting the focus on “trust” would enable improvement of inter-Korean relations, and asked how the Park administration could establish trust when it does not talk with Pyongyang. He emphasized it is necessary to try to keep dialogue even though the dialogue itself is not the “carrot.”

Professor Delury explained Korea needs lively discussions on the ROK’s policies on North Korea as efforts to gain mutual rewards need to be made at the same time while pursuing exchanges in the academic and business fields. Given the North Korean situation, there seems to be a lot for Korea to intervene in, as the Kim Jong Un regime places top priority on economic development. He asked what the Park administration thinks about this.

In response, Hong Yong-Pyo said he totally agrees that trust is the essence of dialogue and communication with others. He stressed that the trust-building process was intended for communication with North Korea and that the Park administration would pursue North Korean policies in this direction. Therefore, he continued by saying that it is necessary to gain “domestic trust” within the country. He admitted he was aware of the roles of the private sector but under the current conditions, he predicted that talks on the private level can happen only after talks between the two governments resumed. He stressed that private companies entered the Kaesong Industrial Complex under the agreement between the two governments.



Which should come first, denuclearization of North Korea or Inter-Korean cooperation?

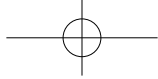
Park Cheol-hee (Professor, GSIS, Seoul National University) said that the trust-building process is difficult because Korea has to work with North Korea, the hardest nation in the world to have trust in. He raised a question over how long the Korean government's position of "taming" North Korea could last. In other words, he questioned what the limits of the "strategic patience" of the United States and the ROK would be.

Park Cheol-hee said he wanted to know what the government's strategy was on which should come first—denuclearization or exchanges. Also, he asked whether symmetric reciprocity between the two Koreas and the Park administration's willingness to talk can coexist. He also raised a question about which should be implemented first, inter-Korean agreements, or international agreements, considering that there have been past agreements between South and North Korea.

Hong responded that it is important to adjust policies according to the situation without being biased. He explained North Korea is a difficult nation to talk to, but the government would continue its effort to have discussions in predictable circumstances to improve the security of the Korean Peninsula. He emphasized President Park Geun-hye has been consistent in raising the necessity of keeping dialogue and trust with North Korea, and promises made between the two Koreas and international agreements should be observed and mutually respected. Albeit difficult, he emphasized, consideration of complicated aspects of the situation is part of the very process of trust-building on the Korean Peninsula.

RAPPORTEUR

Shin Hyeon-suk Global Asia
Fellow, East Asia Foundation



THE AGE OF G-2 AND THE ARMS RACE IN EAST ASIA

East Asia Foundation

Most Asian countries have been expanding their military budgets, while America and Europe have been reducing military spending. China's decades-long economic growth has created increasing uncertainty about the future distribution of power and led to widespread suspicions in the region, which are reflected in rising tensions over maritime disputes in the East Sea and South China Sea. In the face of North Korea's continued efforts to develop its nuclear-weapons capability and long-range missile arsenal, Japan and Korea have also made significant military capability improvements. While the United States remains by far the world's largest military spender, still more than the spending of the next 10 countries combined, the 2011 Budget Control Act imposed the expenditure ceilings on all government departments, including defense by "sequestration"—automatic budget cuts. This session has discussed the seriousness of the arms race in East Asia and what measures we need to see for peace in the region.

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MODERATOR

Nayan Chanda Director of Publications, Yale Center for the Study of Globalization

PRESENTERS & DISCUSSANTS

Satu Limaye Director, East-West Center in Washington D.C.

Pan Zhen-qiang Major General, retired, National Defense University, PLA

John Swenson-Wright Professor, Asian Studies Center, University of Cambridge

The truth about the arms race in East Asia

Nayan Chanda (Director of Publications, Yale Center for the Study of Globalization) opened the session by pointing out that the current arms race in East Asia developed because each nation thinks differently of one another. Although historical background can be a factor, he expressed the view that it is primarily because the G-2 cannot share the same opinion. Saying that the nine countries on the list of the world's biggest arms importers are Asian, Dr. Chanda added China is the second biggest importer and the fifth biggest exporter of arms. Also, he gave the example of India, which imported 100 units of SU35 fighter jets and a nuclear

Jeju Forum for Peace & Prosperity 2013



Choi Kang Director of Planning,
Korea National Diplomatic
Academy

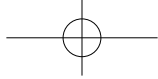
submarine from Russia, backing up his argument.

In response, **Satu Limaye** (Director, East-West Center in Washington D.C.) emphasized that military modernization in East Asia is centered on the navy, not on armed forces. **Pan Zhenqiang** (Major General, retired, National Defense University, PLA) responded to the aforementioned point about the military expansion of China, by saying it is wrong to regard China as an active player in the East Asian arms race. He insisted that the United States is the main culprit behind the regional arms race, as 60 percent of the U.S. Navy is to be dispatched to East Asia by 2020. Also, he gave an example of Japan, a long-time ally of the United States, which develops new weapons and aids in justifying China's military modernization by saying it is just one of the processes to catch up to the global trend. However, he did not deny the fact that China is enlarging its military forces due to concerns over possible maritime disputes, cyberattacks, and space war.

Choi Kang (Director of Planning, Korea National Diplomatic Academy) also interpreted the arms race currently witnessed in East Asia as actually being part of the modernization process. He commented that China, Japan, and Korea are just joining the flow of the times, but lack of mutual trust among nations is promoting an arms race emphasizing aggression.

How would the U.S. defense budget cut influence the Asia-Pacific region?

Large-scale reduction in U.S. defense spending since the implementation of sequester (automatic budget cuts) has raised anxiety over security among the allies of the Asia-Pacific region. There have been rising concerns over the possible gap in the regional defense system due to curtailed defense spending. Satu Limaye explained the order of a budget cut of about US\$50 billion made last March was just the beginning of much bigger spending cuts to come. Against this backdrop, he said it is unavoidable to adjust mobilization forces, including military personnel expenses, benefits, and the size of the



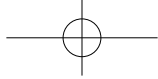
armed forces. However, Limaye added the range of adjustment would be limited to a degree that can minimize the effects on the Asia-Pacific region.

Choi Kang also stressed the significance of the U.S. budget cut on the defense of the Korean Peninsula. As some raised the point that defense expenditure of the Korean Peninsula should be shared equally, security anxiety is spreading in Korea. There have been voices raised about the need for autonomous nuclear armament of Korea or redistribution of strategic nuclear weapons on the Korean peninsula. He insisted discussion over Korea's nuclear development is not financially feasible, and the survey showing that over 60 percent of Koreans support redistribution of the U.S. strategic nuclear weapons in the country came from a lack of understanding about the meaning of re-introducing nuclear weapons. He urged Washington to show understanding for the current atmosphere and do its best to maintain the deterrence capability on the Korean Peninsula.

Professor Pan commented on the possibility of Korea possessing nuclear weapons, saying that the worst victim of the Korean development of nuclear weapons would be Korea itself. He quoted a Chinese proverb that says, "a barefooted person is never afraid of one wearing a good pair of shoes," and warned that nuclear development would take away every economic development Korea has achieved, overnight. To a question from the moderator about whether the military input of China would be reduced in proportion with the U.S. military reduction in the Asia-Pacific region, Pan answered the Chinese defense policy is a part of the military modernization program, and not something that goes back and forth depending on a policy of a specific country.

On the other hand, the possibility of weakening deterrence led by the United States in the Asia-Pacific region emerged, which in turn fueled the arms race combined with domestic politics. John Swenson-Wright (Senior Lecturer, Asian Studies Center, University of Cambridge) cited the example of Japan, which increased its defense budget by 0.8 percent for the first time in 11 years with the launch of the Abe administration. Japan is working to make improvements in areas such as intelligence, surveillance, and reconnaissance under the flag of dynamic defense; plans to introduce new technology to enhance durability of its battleships and submarines; beefing up the naval forces; and responding to the external military and political threats, including North Korea. Professor Swenson-Wright explained such a change is a process for the new administration to distance itself from the previous administrations, which seems to be a practical approach from Japan's point of view. However, he remarked it is a problem because it is seen as a threat to its neighbors due to unstable relations based on historical and territorial disputes.

Responding to a question about the Japanese strategy on the Sino-Japan confrontation around a set of island chains called Senkaku or Diaoyu, he said currently the last thing Japan would want is the deterioration of its relationship with China, therefore expecting



that the United States would help to stabilize the situation as an ally.

Satu Limaye answered there is nothing the United States can do any more and the assistance from the United States over the Senkaku/Diaoyu disputes should be conducted strictly in accordance with Article 5 of the Security Treaty Between the United States and Japan. He added 55 percent of overseas students currently studying in the United States are from Asia-Pacific countries. Thus, the United States wants to form constructive ties with China and other Asian countries as well as with its allies in the region.

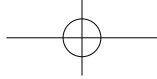
To a question concerning Korea's position when the territorial disputes are realized, Choi Kang answered Korea would stick to the principle of peaceful resolution. PAN Zhenqiang criticized Japan for its denial of its responsibilities for the Second World War, as he said that demonstrates Japan's lack of understanding about Asian sentiment toward Japan. He added other nations have to urge Japan to understand the feelings of its Asian neighbors more deeply, pointing out that the West has been lukewarm toward such an irresponsible attitude on the part of Japan.

Overheated Arms Race in East Asia; Mutual Trust Is the Key

Despite the U.S. military spending cut, the United States reveals its will for maintaining superiority in the region while checking the emergence of China, as based on the policy of rebalancing in Asia. However, Satu Limaye insisted the U.S. forces stationed in the Asia-Pacific region and expanded deterrence are security in a broad sense embracing Alaska; its goal is to secure the safety of the U.S. citizens, not a blockade of China. He added that according to the trends of East Asia and the Asia-Pacific, pain-sharing efforts in defense are being made among allies. Furthermore, the ROK-U.S.-Japan relationship needs a new type of alliance.

Pan Zhenqiang also did not hide China's discomfort with the "Pivot to Asia" policy of the United States. He criticized that such a confrontational attitude will not help resolve the nuclear crisis, ease tensions, or build trust in the region, citing the example of the sending of B-52 bombers to Korea for the U.S.-Korea Joint Military Exercise last March and April. He raised his suspicions that such a display of military power comes from overestimation of the nuclear and all-out capabilities of North Korea. According to Pan, North Korean nuclear power is no more than nuclear equipment; they are not weapons. Even if all-out war breaks out, using nuclear weapons is not a possible scenario without assistance from its neighbors, China and Russia.

Choi Kang responded by saying that the U.S.-Korea Joint Military Exercise is a way to deliver self-defense in preparation for the intermittent provocations by North Korea, and to reassure the public that the military is prepared.

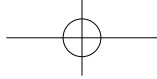


He urged that China should think about the current instability on the Korean Peninsula, placing itself in the shoes of Korea. He also said a military conflict with North Korea is the worst-case scenario, and that Korea intends to form a stable and cooperative relationship with the North. In addition, what makes North Korea a current threat is not because it possesses nuclear weapons, but because of the fact that it keeps expanding its nuclear capability. To avoid the worst under the circumstances, he stressed the nations in the region need to cooperate, not to blame one another. He mentioned he particularly looked forward to the Sino-ROK summit, where he expected both parties would have transparent conversations.

In response to a remark that neighboring countries are suspicious about Chinese attempts to beef up its submarine forces and satellite defenses, Pan Zhenqiang explained that although the Chinese government is committed to maintaining transparency through publishing papers, it is impossible to be completely transparent about its national defense, citing an example of the U.S. protection of military intelligence. Furthermore, he said that given the lack of mutual trust due to the existing U.S.-ROK alliance, and uncertainties about the responses of neighboring countries in the possible event of a China-Taiwan conflict, transparency is too much to ask from China.

RAPPORTEUR

Kang Chan-koo Program
Officer, East Asia
Foundation



MODERN EAST ASIA, THE EAST ASIAN REGION AND NEW LEADERS

Northeast Asian History Foundation

Recent discussions of East Asia go beyond general discourse and are moving toward establishing a regional community, peace, and stability in the region. Against this background, this session discussed the past, present, and future of East Asia within the timeframe of the modern period. First, the panelists discussed the regional perceptions of East Asia proposed by Koreans, Chinese, and Japanese. Second, they reviewed and discussed the roles played by the delegations of Joseon, Qing China, and Japan in the past. Finally, they discussed the roles and plans of new leaders in East Asia by re-examining the shared experiences and memories of Korea, China, and Japan, from the perspective of the twenty-first century.

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MODERATOR

Lee Jong-guk Research Fellow, NAHF

PRESENTERS

Minato Kawamura Professor, Hosei University

Song Cheng-you Professor, Peking University

Bae Sung-joon Research Fellow, NAHF

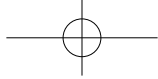
Kim Hyun-chul Research Fellow, NAHF

Minato Kawamura (Professor, Hosei University): The perception of East Asia as a region should be expanded to include Southeast Asian countries beyond Korea, China, and Japan. To this end, next-generation leaders with a more open-minded approach toward the development of East Asia as a whole should be produced in each field.

Song Cheng-you (Professor, Peking University): Some of the Chinese figures who mentioned the solidarity of East Asia in modern times included: Guo Song-tao, Li Hung-chang, Li Tachao, Liang Qichao, and Sun Wen. The thoughts of the last two have significant implications, worth succeeding and developing in the present. They represent perceptions of East Asia from the perspective of culture theory.

In this time of conflicts in East Asia due to differences in

| New Waves in Asia |



historical perception and territorial disputes, having a shared cultural understanding between Asian countries is deemed important. This needs to be used to raise mutual understanding through government-level efforts.

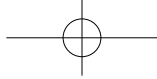
Bae Sung-joon(Research Fellow, NAHF): Asian solidarity has been raised since the 19th century but conflicts between East Asian countries still exist. This is because of cultural exclusionism created by a combination of nationalism and racialism of individual nations. Therefore, East Asia can establish a new community only when it is able to overcome nationalism based on ethnic groupings.

Kim Hyunchul (Research Fellow, NAHF): ROK-Sino-Japan cooperation is being highlighted among recent theories about a possible East Asian community. This was already confirmed in history as seen in the activities of the Korean delegations to Japan in 1880 and reformist intellectuals 103 years ago. At the time, young scholars including Kim Hong-jip and Eoh Yun-jung had been introduced to the concept of Asian solidarity while meeting and exchanging with envoys of Qing and Japanese officials. Huang Tsunhsien, diplomat in the Qing legation in Japan, handed them *A Policy for Korea*, a book he wrote emphasizing that Joseon would need to respond to Russia coming south, in alliance with Japan, China, the United States, and Europe. Asian solidarity, already formed at the end of the 19th century, has become a new challenge to address, although it once failed, due to Japanese expansionism.

Question 1) Kim Hyunchul Anti-Korean sentiment of a Japanese ultra-right racist group, Zaitokukai, meaning Citizens against Special Privileges for Zainichi (Koreans living in Japan), is severe. There are opinions that right-wingers were for Pan Asianism in the first place. Is there Japanese Asianism or nationalism behind the creation of the group?

Answer 1) Minato Kawamura No. The group, which is against commercial activities of Koreans, including restaurants in Shinjuku, is totally wrong. This reflects a simple anti-Hallyu right-wing sentiment and has no ideological background.

Question 2) Kim Hyun-chul Can the Asianism of Japan and China be converged?



Answer 2) Song Cheng-you No, it cannot. Japanese Asianism failed, as seen in its colonial rule. Greater East Asia co-prosperity of Japan regarded other countries as objects of aggression. Asian solidarity advocated by Sun Wen in China is a humanitarian thought centered on ethics, not hegemony.

Question 3) Song Cheng-you What is the relationship between racialism and nationalism?

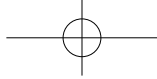
Answer 3) Bae Sung-joon Ethnicity is about the origin of a people while race is about biological characteristics. This paper emphasizes that both nationalism and racialism are products of the modern age and connected with nationalism of a nation-state to bring about cultural exclusionism.

Question 4) Lee Jong-guk This session has dealt with the history of, roughly, more than 100 years. We need to nurture mutual understanding among nations for East Asian solidarity. To do so, one has to think like the youth in the present as well as in the past. What are the roles of the young people or students studying abroad, who will lead the 21st century?

Answer 4-1) Professor Song Cheng-you I teach world history at Peking University, where students from around the world attend classes. So I try to be careful in delivering lectures. I look at China from the perspective of the world, not the opposite. I try to maintain the world's point of view, a global point of view.

Answer 4-2) Professor Minato Kawamura Before talking about the roles of youth, I have to reflect on myself first. Recently, Hashimoto Toru, the mayor of Osaka, was faced with global criticism for his weird remarks and historical perception. In his forties, he belongs to the generation whose historical consciousness is less than adequate. It is related to the lack of historical education. In Japan, the ancient and medieval times are taught but modern and current times are often not, and neither is Japanese history. To make matters worse, some students choose to study world history instead of Japanese history. Such circumstances arises politicians like Hashimoto Toru. From now on, in terms of historical education, Japan needs to focus on the modern and current times. As a teacher, I regret it when educators don't fully inform students.

Answer 4-3) Bae Sung-joon Koreans have to ponder about the model of Korean youth. One needs to know oneself well. East Asia is unbalanced and asymmetric. Take Asian solidarity, for example: the Chinese Asianism partly came from its seeing itself as a superpower in the region. Japanese Asianism is about not being obstructed, while Korea puts focus on avoiding damage. In brief, there are differences in perception among the nations in Asia, which require an accurate understanding.



Answer 4-4) Kim Hyunchul What the youth in the 19th century thought should be considered by their descendants in the 21st century. The recently-run Asia campus program allows students from one of the three Northeast Asian countries—Korea, China, and Japan—to visit another country as an exchange student for a year. Historical classes need to be expanded, including, for example, East Asian history. Although it can be difficult to learn and study for tests, it needs to be taught often and be made fun to learn. Instead of pressure to study, the classes should facilitate better mutual understanding. Ultimately, education of one of the three countries needs to be certified in all three nations. Focused investment at the social and government level is needed to guarantee co-certification of academic grades and employment. That way, a nation can produce open-minded leaders.

Policy Implications

- Promote cooperation among the private, government, and academic sectors, and cultural exchanges among Korea, China, and Japan to raise mutual understanding.
- Enhance historical education to establish correct perceptions of history.
- Create an atmosphere where students can have fun learning East Asian and world history from an international perspective.
- Establish a common university where co-education of the three nations is certified and future-oriented leaders are nurtured.
- Three-way cooperation presupposes the improvement of mutual understanding among Korea, China, and Japan, overcoming cultural exclusionism.
- Active exchanges among intellectuals, the public, and young people for shared perceptions of culture are required.
China needs to teach world history from a global perspective, not centered around the nation.
- Japan needs to enhance education of modern and current history of Japan.
- Korea needs to make it fun to study the history of East Asia including that of China and Japan, as well as Korea.
- Suggest the establishment of a common university of the three countries where co-education is certified, to foster next-generation leaders who will take part in the development of East Asia in the future.

RAPPORTEUR
Woo Sung-min Research
 Fellow, NAHF



VISION FOR AN EAST ASIAN REGIONAL PEACE COMMUNITY

Korean Society of International Law

Even though over six decades have passed since the end of the Second World War, East Asia is, unlike Europe, still suffering the aftermath of conflicts and distrust, primarily because Japan is not repenting its past wrongdoings. Japanese army sex slaves and forced labor during the war are issues involving Southeast Asian nations as well as Korea, which need to be in alliance. In addition, territorial disputes over Dokdo, Senkaku, and the Kuril islands are deep-rooted in history. Against this backdrop, this session discussed ways to enhance peace in East Asia by highlighting approaches to resolve historical feuds.

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OPENING REMARKS

Choi Seung-hwan President, KSIL

CONGRATULATORY REMARKS

Kang Jeong-sik Director-General, International Legal Affairs Bureau, Ministry of Foreign Affairs

MODERATOR

Lee Jang-hie Professor, Hankuk University of Foreign Studies

PRESENTERS

Lee Wang-hwi Professor, Ajou University

Alexis Dudden Professor, University of Connecticut

DISCUSSANTS

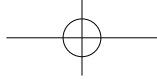
Lee Ho-cheol Professor, Incheon National University

Constructing a Peace Community in Northeast Asia: Power, Economy, and Identity

Lee Wang-hwi (Professor, Ajou University): The outlook for a possible successful regional community in East Asia are negative, a view which is well expressed by Gilbert Rozman and his five preconditions for regionalism. The European Union has faced challenges since the financial crisis in 2009 while East Asia shows the opposite. Against this background, my essay attempted to examine the possibility of a peace community in Northeast Asia.

With lingering problems of regional identity, a question has been raised whether or not the United States should be considered as part of the regional identity issue, given its clout in the region in the past and the present. In particular, Japan, China, and Korea have difficulties in creating a three-way peace community due to historical complications and territorial disputes, while Japan and China are in competition with the United States for regional hegemony.

| New Waves in Asia |



International relations can be approached from the perspectives of liberalism, realism, and constructivism: liberalists think economic cooperation has a positive impact on political alliances, while realists find it possible to create a community only when there is a common enemy. On the other hand, constructivists stress the importance of hegemony. Personally, I agree with the realist approach.

From the viewpoint of the realistic approach, remnants of the Cold War persisting in East Asia make it difficult to establish a regional community. While the United States still claims the hegemony in Asia it used to enjoy and China is beefing up its military forces, there are other problems remaining, including Japan's attempt to revise its constitution and the North Korean nuclear crisis. To address such challenges, there have been regional efforts represented by the ASEAN Regional Forum (ARF) and ASEAN, which have not been successful yet. The regional community led by China seems to have an agenda to control the military role of the United States in East Asia.

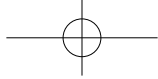
The difficulty of multilateral cooperation in Northeast Asia mostly comes from the territorial disputes between countries bordering the East and South China Seas. It is not easy to find examples of security and military alliances between super powers when there were unresolved issues over their borders.

By contrast, there has been substantial progress in economic cooperation. This is why liberalists believe the cooperation in East Asia shows future potential. The Chiang Mai Initiative, in particular, has brought East Asia a step closer to regional integration.

However, economic confrontation and competition still exist between the three big powers in East Asia: China is trying to exclude the United States via "ASEAN+3," while Japan is intending to counter China through "ASEAN+6," which is based on the principle of free trade. By contrast, the United States is working hard to proceed with the Trans-Pacific Partnership (TPP), strategic economic negotiations. However, U.S. clout through the TPP would not be significant although it would create effects to hold China in check.

Hyun Dae-song, Research Professor, Institute of Japanese Studies, Kookmin University

The Dokdo problem needs both historical and legal approaches as the relationship between the two is significant in resolving the disputes.



To Conclude, superpowers are focused on pursuing hegemony, not on creating a regional community. This is the biggest obstacle so far in establishing the East Asian community. The Asian financial crisis jumpstarted discussions over the establishment of the East Asian community and served as momentum for East Asian countries to seek self-help while trying to induce assistance from the United States.

International Law and Dokdo: History and Prospects for the Future

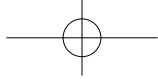
Alexis Dudden (Professor, University of Connecticut): The problems between Korea and Japan are based on history, security, and law. The Dokdo problem needs both historical and legal approaches as the relationship between the two is significant in resolving the disputes over the islets.

Although the Dokdo problem is generally discussed based on modern history with archaeological evidence often presented, the historical and legal approaches are different. When we talk about the island problem today, we are talking about a problem in modern history since the late 1800s. As the Dokdo dispute originated in the loss of Korea's sovereign right based on the Japan-Korea Treaty of 1905 and the Annexation Treaty of 1910, it is necessary to understand the imperialistic laws at the time. According to the theory of inter-temporal law, it can be argued that the Japanese occupation of Korea and Dokdo was legal, but that does not mean it was "just." As to the question of whether Korea's anti-Japan *uibyong* movement (the "Righteous Army") can be grounds for recognizing Korea as a nation at war, there is no simple answer considering similar cases. Japan insists that the *uibyong* movement was a rebellion.

In September 1904, a Japanese fishing entrepreneur Nakai Yozaburo petitioned for a sea lion hunting operation on the island under the supervision of Japan. Also, during the Russo-Japanese war, Japan installed a number of facilities there.

Based on the argument of the legality of the pre-annexation situation, Japan today makes its case for the dominium of the disputed island on the basis of the situation in 1905.

At the time of signing the peace agreement after 1945, Korea was not a sovereign state [note: not a member of United Nations] and was excluded from the talks. The importance of international law was even more highlighted after the San Francisco Treaty, and it was at this time when a similar map of Japan to that of today was drawn. Today's Dokdo problem stems from the lack



of clarification of the territorial issues in the San Francisco Treaty.

There were signs of the U.S. government's intention to express the fact that Dokdo did not belong to Japan, on paper, but it was dropped in the final treaty. I suspect that the U.S. government chose to do so to accommodate its own interests, which is something for which I insist the United States should accept responsibility.

Currently, Korea has effective control over Dokdo. If a dispute or possible military conflict arises, it is expected that the U.S. Seventh Fleet would intervene.

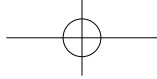
I think the current situation requires a new perspective on Dokdo. Instead of taking an approach for effective dominance and control over the islets, I would suggest that the Korean government consider how to use Dokdo in a more future-oriented way that accords with President Park's pragmatic diplomacy, energy and environmental research and, ultimately, peace and prosperity of Northeast Asia.

Discussion

Lee Ho-cheol (Professor, Incheon National University): The subject of the presentation is similar to what is being discussed at the Korea Association of International Studies. However, I am positive about the idea of the East Asian peace community, unlike the argument of the presenter. As the transition into a peace community has been accelerating since the economic crisis in 1997, ASEAN meetings are held every year and the Chiang Mai Initiative (CMI), which in my opinion is the Asian version of the IMF, has been gradually growing. The following questions are based on this assumption.

1) (To Professor Lee Wang-hwi) If the prospects for a Northeast Asian Community are gloomy, what can we do to get rid of the negative elements? 2) (To Professor Alexis Dudden) I appreciate that you presented quality materials, but I would appreciate some elaboration regarding the politics. I agree that the United States is responsible for the ROK-Japan territorial problem. However, the presenter needs to critically discuss the

To address the Dokdo problem, it needs to be understood that for Korea, it is not only a territorial dispute but also one that is historical.



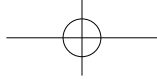
foreign policy approach that the United States intended to take, by supporting the position of Japan under the political circumstances at the time.

Hyun Dae-song (Research Professor, Institute of Japanese Studies, Kookmin University): Professor Dudden's presentation was very meaningful as it approaches the Dokdo issue from a legal perspective while also considering historical and political elements. However, he argued Korea was effectively incorporated into Japan. Perhaps "being legal" does not necessarily mean "being just." He criticized President Roosevelt for "handing" Korea to Japan as war booty and not mentioning Dokdo in the San Francisco Treaty, and said that needs to be understood, given the urgency of the situation at the time.

Professor Dudden suggested that Korea would use Dokdo as a symbol of peace in the Northeast Asian region, based on its effective control over the islets. Related to this, I'd like to make the following points:

1) The premise of the essay—the Dokdo problem is a legal problem—is difficult for Koreans to accept and might be used as grounds to file a suit with the International Court of Justice. 2) The U.S. viewpoint on territorial disputes is questionable and Korean sentiment about it varies. I think it would not be easy for the United States to intervene in the Dokdo dispute. 3) Although Professor Dudden insisted Dokdo could be used as a site for green energy science exploration, it should be considered that such activities could instigate Japan further.

Chair: Peace is the ultimate value for Northeast Asia as well as the Korean Peninsula. It is important to create a peace community soon, but common conditions between the nations in the region do not seem to have been sufficiently created yet. First, as part of a divided nation, Korea still has too many elements of conflict to resolve. Second, if it is assumed that peace is only possible when historical disputes are resolved, Korea and Japan have an ongoing historical feud, and the perception gap between the two nations over Dokdo is just too wide. To address the Dokdo problem, it



needs to be understood that for Korea, it is not only a territorial dispute but also one that is historical.

Q&A Session

Question 1) John Swenson-Wright Asked for an explanation about the process of lobbying: how much pressure Japanese politics was under at the time of signing the San Francisco Treaty; why Dokdo was so important (the treaty took away Okinawa from Japan while there were some measures to benefit Japan); what kind of evidence would there be, if any.

Question 2) Oh Byung-sun (Arbitrator, Permanent Court of Arbitration (PCA)) There are differences between the respective arguments of Korea and Japan over the legal aspects of the Dokdo problem, probably due to the gap between the past imperialistic laws and today's international law; asked for an opinion on which is more important today.

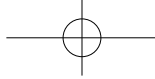
Question 3) Pointing out that it was difficult to have sovereignty when Korea and Japan were in a military confrontation, Professor Dudden said Korea had its sovereignty restored in April 1952, but that it actually happened in 1948. In addition, he said Japan has not made any argument against SCAPIN (Supreme Command for Allied Powers Instruction) No.677, and regarded Dokdo as Korean territory since Korea's independence from colonialist Japan. An opinion about its legal interpretation was requested.

Answer) Lee Wang-hwi (in response to Professor Lee Ho-cheol) The role of the United States would continue to be important because it is still the only superpower in the world. Despite its fast pace of growth, China has made it clear that it is not able to play a responsible role in the region as a mere developing country. U.S. intervention will act as a balancing force in situations where China lacks the capability to respond. Personally, I believe it is important to involve China in the TPP negotiations.

Answer) Alexis Dudden (in response to Professor LEE Ho-cheol) Professor Lee pointed out that the political aspects were not mentioned, but when dealing with the past, the problem is reduced to the discussion of historical and legal issues. As for SCAPIN No.677, I suspect the lack of information-sharing was the reason. Politics seems to change with the times. The UN preferred the idea of a "peace park," which I think the three Northeast Asian nations will not acknowledge.

RAPPORTEUR

Kim Tae-gil Executive Secretary,
KSIL



EAST ASIAN REGIONAL PEACE COMMUNITY CHALLENGES AND ISSUES

Korean Society of International Law

Professor Zou Keyuan of Lancashire University and Dr. Kim Doo-young of ITLOS discussed maritime conflict in East Asia and legal resolutions, respectively, for resolving historical responsibilities that can be seen as challenges to the East Asian regional peace community.

MODERATOR

Kim Boo-chan Professor, Jeju National University

PRESENTERS

Zou Keyuan Professor, Lancashire University

Kim Doo-young Deputy Registrar, ITLOS

DISCUSSANTS

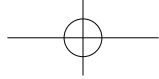
Lee Chang-wee University of Seoul, School of Law

Toyoda Tetsuya Professor, Akita International University

Disputes and cooperation over territorial waters in East Asia: Recent development and predictions for the future

Zou Keyuan (Professor, Lancashire University): The United Nations Convention on the Law of the Sea provides that oceans and seas should be used for peaceful purposes. Fishery agreements among China, Korea, and Vietnam in managing maritime resources aim at sustainable fishery management. Bilateral problems may affect the interests of a third party.

- Joint development: Can be used as a means of diffusing tensions. Generally, international cooperation goes smoothly when utilizing local organizations under the UNEP.
- Maritime Security and Safety: In terms of navigation, the piracy problem is the most threatening factor in the East Asian seas. Internationally, legal efforts, such as the international law on piracy and the SUA Convention, have been made. A number of regional agreements are under way and some agreement meetings were held among non-member nations. Various government-to-government cooperation initiatives, as well as international organizations and private groups, contribute to the legal definition of piracy.
- Maritime Boundary Delimitation: The Sino-Vietnamese



Agreement in the Gulf of Tonkin is the first boundary delimitation agreement, which is meaningful as it recognizes the only maritime boundary drawn through negotiations of the related parties.

- Claims to the extended continental shelves: potential causes of conflicts. As Vietnam, Malaysia, China, and Korea require the extension of continental shelves and Japan is opposed to it, the issue may bring on a range of conflicts.
- The dispute over islands: Albeit small, the disputed islands have geopolitical significance for their maritime resources when approached in terms of maritime boundary delimitation. (e.g. The Senkaku/Diaoyu Islands, Nansha Islands in the South China sea, Dokdo, and the island of Balongi)
- Dispute settlement: Taiwan-China; China is reluctant to resort to any third party settlement mechanism, which is clear in its unfavorable position toward Article 298 of the LOS Convention.

The general trend of East Asia is to take advantage of the international judicial system regarding the maritime disputes settlement regime. This is a positive move but it is to be admitted that international law has its limitations. This means complementary measures and the good faith of States to implement their internal laws, are necessary.

Many countries showed resistance against existing international law, such as on the safe passage for warships. Also, the lack of confidence in the utility of the international judiciary and abuse of international law are observed.

Can the advisory function of the International Court be utilized to facilitate the settlement of disputes between States?

Kim Doo-young (Deputy Registrar, ITLOS): It is possible to resolve state-to-state disputes through the Permanent Court of International Justice and the advisory function of the International Court. However, the preconditions—for example, the consent of the States directly interested in the dispute—need to be further discussed. Under article 65 of its Statute, the International Court of Justice may give an advisory opinion on “legal questions” only. The exercise of the advisory function has been denied for the request on political questions. The interpretation of “legal questions” need not be too confined, as in the “Western Sahara



case,” so many states may seek an advisory opinion of the International Court of Justice.

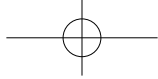
After the Permanent Court of International Justice (PICJ) became the International Court of Justice (ICJ), Article 65 was revised in accordance with Article 14 of the UN charter, but not very different from the prescription of the PICJ. There is no stipulation that a state may submit a request to the Court. The powers of jurisdiction of the ICJ declined in the 1960s and 1970s. A special committee needs to be put in place to revitalize the advisory jurisdiction.

In an advisory opinion on the Status of Eastern Carelia, Australia, in 1920, PCIJ pronounced that it had no authority to address the question without the consent of states interested in the dispute. The advisory function is an important role of ICJ under the UN regime, but the function was designed to let opinions of the UN be known. In brief, it is currently possible for states to use the advisory function. The UN has prepared a system based on which an advisory opinion of the ICJ can be sought.

Toyoda Tetsuya (Professor, Akita International University): Professor Zou Keyuan insisted international law did not help and sometimes even produced bigger problems; for example, the Dokdo dispute. If so, how should this phenomenon be understood? It seems to end up with politics. Territorial disputes seem to be more about domestic politics, than about international conflict. The question is: “Is this a matter of national interest?” A diplomat, as a nation’s representative, cannot make concessions.

I’d like to comment on the presentation of Mr. Kim Doo-young. An advisory function might be a way of settling disputes, and a smooth one. However, it is questionable how effective an advisory opinion can be. It can be seen in the following example: if a state makes a reservation when trying to join the UN and the UN denies it, the state still would not follow the UN policy. For all its limitations, an advisory function will help resolve territorial disputes to a degree. In this sense, I found the presentation to be very interesting and important.

Lee Chang-wee (University of Seoul, School of Law): Korea has maritime boundary disputes with three nations: With North Korea, it is around



the Northern Limit Line (NLL). There is no apparent dispute or islands in question with China but still there are differences in opinion. Finally, with Japan, Dokdo and continental shelves are lingering problems in the East Sea and the East China Sea. Korea signed three bilateral agreements including the fisheries agreements with Japan and China. Multilateral cooperation is needed.

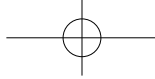
Question 1) Professor Lee Chang-wee China signed five or six bilateral fisheries agreements without multilateral agreement. Is China willing to make a multilateral fisheries agreement? If so, what would be the effects of the agreement?

Answer 1) Professor Zou Keyuan Despite its clear limitations, international law does help. However, it is dangerous to think international law can resolve all problems. In the same vein, international maritime law cannot be a solution for all disputes. Instead, new law can create new problems. For example, without the Exclusive Economic Zone (EEZ), maritime boundary delimitation problems might not have arisen. My answer to Professor LEE Chang-wee is as follows: Although China is willing to sign a multilateral agreement, it would overlap with the bilateral agreements already signed. Furthermore, bilateral agreements can be a way to ease the concerns over their influence on third party nations. In addition, China presents a range of settlement models to settle maritime disputes. However, multilateral agreements seem to be causing problems for other nations.

Question 2) The Dokdo dispute seems to have a destructive power. My question is if it could be resolved through the advisory function of the ICJ.

Answer 2) Kim Doo-young Only when the conditions according to the regulations are followed can an advisory opinion at the ICJ be sought. In the case of a multilateral agreement, the request of the relevant organization constitutes basic conditions. As for Dokdo, it is unlikely the Dokdo dispute will be brought to the ICJ. Conclusions can change depending on the opinion of both parties and they can request an advisory opinion, not a binding decision. The Dutch-Danish case is worth referring to, as they have sought an advisory opinion through agreement between the two parties.

RAPPORTEUR
Kim Tae-gil Executive
Secretary, KSIL



EAST ASIAN REGIONAL PEACE COMMUNITY: AREAS OF COOPERATION AND THE MODEL

Korean Society of International Law

Professor Chung Suh-yong of Korea University and Professor Ito Kazuyori of the University of Shizuoka spoke about on peace-building in East Asia through current economic and environmental cooperation and its tasks as the steps for an East Asian regional peace community.

MODERATOR

Oh Byung-sun Emeritus
Professor, Sogang University
and PCA Arbitrator

PRESENTERS

Chung Suh-yong Professor,
Korea University
Ito Kazuyori Professor,
University of Shizuoka

DISCUSSANTS

Park Deok-young Yonsei Law
School
Kim Sung-won Assistant
Professor, School of Law,
Wonkwang University

Peace-building in East Asia through Environmental Cooperation

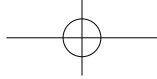
Chung Suh-yong (Professor, Korea University): As a semi-enclosed sea, the Yellow Sea faces serious marine environmental problems. Creating a cooperative regime is more crucial than political problems.

The pollution in the Yellow Sea is one of the most serious in the world, due to various factors: growing population, many large ports large ports, high level of fishing activities a declining number of species and habitat loss due to excessive mariculture (representing up to 70 percent of the world's total). Even though there are regulations, enforcing them is another challenge due to the unique problems of individual nations.

The YE LME Project was launched as one of the Large Marine Ecosystem Projects by the United Nations Development Program (UNDP), joined by related nations one after another. The YS LME Project utilized Transboundary Diagnostic Analysis (TDA), a joint research project to diagnose the environmental status of the Yellow Sea, and Strategic Action Program (SAP), to protect marine resources and reduce pollution. It has successfully moved to the

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second phase. It is necessary to involve North Korea in the project to serve its goal of establishing peace more effectively. It is also important to build a regional cooperative scheme among the nations of the region. North Korea showed its willingness to participate in the project; North Korean involvement would help greatly in opening the doors of this most isolated nation, to the world.

However, a recent series of provocative actions by North Korea blocked its way to the second phase of the YS LME Project. In accordance with the UN Security Council Resolution 1718, the international community banned financial assistance to North Korea, which has kept the UNDP from providing financial support for environmental preservation.

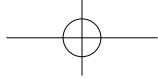
If all participants agree on the involvement of North Korea as an observer, it is possible for North Korea to join the project, despite the restrictions of the UN resolution. It is recommended the current administration pay attention to the fact that this project, by offering much incentive, would help North Korea to open up.

Prospects and Challenges for the East Asian Economic Partnership: Emerging Legal Agenda

Ito Kazuyori (Professor, University of Shizuoka): Traditionally, the international division of labor means specialization between different industries; in the modern world, it means the number of nations involved in the production process of a finished product. The fact that the proportion of intermediate goods in trade is increasing, illustrates the importance of international division of labor. As a supply-chain trade, the cost substantially increases, which explains a variety of solutions being sought in the modern world, including the growing number of Free Trade Agreements lowering or removing trade barriers.

While the FTAs in the 20th century focused on lowering trade barriers, the 21st century prioritized the creation of a more liberalized trade system across borders. It is important to improve market access, to get rid of obstacles in supply-chain trade, and to draft extensive regulations in multilateral treaties to remove factors complicating trade. The following are the six key rules: 1) Expansive “Rules-of-Origin” criteria 2) Trade facilitation (simplification of customs procedures) 3) Regulatory transparency (legal disclosure, regulations, and decisions of the regulator) 4) Improvement of the business environment 5) Investment protection (assuring non-discrimination and restraining expropriation through bilateral investment treaties) 6) Wider-coverage FTAs (from bilateral to multilateral) 7) Improvement of market access

The safety of maritime and air transportation is of vital importance for regional



security. Each nation also needs to be aware of this from the perspective of economic security. Discussions on Korea-China-Japan FTAs started in 2012, and have been continuously emphasizing that territorial disputes should not negatively influence economic cooperation.

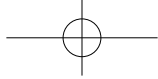
Is multilateralism necessary? The World Trade Organization seems to be focusing on traditional economic issues. Due to the stalemate in the Doha Round, the WTO does not seem capable enough to address expanded problems. Still, the WTO has an important significance in terms of trade liberalization in the traditional and universal sense.

In order to promote supply-chain trade, regionalism is more important than the WTO. In conclusion, it is necessary to complement the weaknesses of the world trade regime with bilateral or multilateral regional agreements.

Question 1) Kim Sung-won The new Korean administration repeatedly emphasizes a trust-building process in the region. How would this policy direction affect the YS LME Project? Would it create more conflicts or be helpful?

Answer 1) Chung Suh-yong The trust-building process on the Korean Peninsula needs to be directed by the Minister of Unification. This can help resolve “soft” issues, in addition to the hard issues of reunification and nuclear weapons. The trust-building process of the government seems to be based on the past European process. The point is, as the process is bilateral, the North Korea’s position needs to be considered. For example, the idea of creating a DMZ Peace Park can be interpreted as abandoning part of its sovereignty on a specific borderline, and such a problem goes beyond “soft” issues. However, substantial funding support can be attracted depending on the programs, and the cost of unification can be shared internationally. As such, it is meaningful to get North Korea to open its door using “soft” issues in the inter-Korean relationship.

Question 2) Park Deok-young (Yonsei Law School) Chapter 7 of the International Law of Japan was written, and Professor Ito’s part was a great help. First, I’d like to know what Japan’s policy is on the TPP and ISD article. In addition, Korea and Japan had FTA negotiations, but they were frustrated



by agricultural issues. I also understand Japan is seeking talks on the FTA again. Has Japan's position been changed? Second, Japan has declared its participation in the TPP, although Korea is undecided. It seems that China has a problem with the RCEP while Japan is reluctant about the TPP, creating conflicts in the CJK-FTA negotiations. What are your thoughts on this?

Answer 2) Ito Kazuyori Though the Investor State Dispute Settlement (ISDS) process was not included in the presentation, it is still a matter of importance, because foreign investors bring a case to the international mediation on the system. Regulatory authority of the regulator nations of the ISDS does seem to be neither a big threat nor an important issue to be dealt with. Agricultural tariffs are a problem in pursuing CJK-FTA. While the TPP aims to abolish most tariffs, it is still divided over agricultural tariffs. Personally, I believe it is more appropriate to approach agricultural issues through subsidies rather, than through tariffs. There are many kinds of multilateral FTAs, whose relations are complicated. The CJK-FTA and RCEP are in a kind of partnership. RCEP alone is not enough to cover all the aspects of trade. The United States stresses the TPP because it wants to maintain its military and economic clout. For these reasons, the TPP and RCEP are going to exist separately but ultimately, they need to be integrated.

Question 3) Lee Jang-hie Given the recent rise of tension on the Korean peninsula, the argument of Professor Chung Suh-yong of taking on a multilateral approach sounds remarkable. What is the position of North Korea to this approach? How are they actually responding to it?

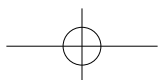
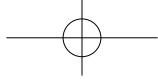
Answer 3) Chung Suh-yong North Korea gave a positive response to an official document asking if it wants to join the second phase of the YS LME. Although it was suspended due to problems North Korea raised in other areas, its willingness toward the project seems strong.

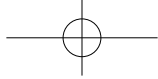
Question 4) Laura Henry Environmental issues can be overlooked during the international cooperation process. In other words, what are the best ways to remain faithful to the initial goals?

Answer 4) Chung Suh-yong I think it would not be a problem because there are clear guidelines and a system to ensure that the funding is used only for its original purposes.

RAPPORTEUR

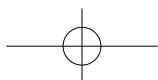
Kim Tae-gil Executive Secretary,
KSIL





Part III

Beyond Crisis Paths to Prosperity





SPECIAL SESSION I WITH LEGENDARY INVESTOR JIM ROGERS

THE POST-CRISIS GLOBAL ECONOMY AND THE WAY TO SUCCESSFUL INVESTMENT

Hankyung Business/Jeju Peace Institute

Jim Rogers, chairman of Rogers Holdings, became known internationally when he recorded a 4,200% rate of return over ten years with the Quantum Group of Funds (which he co-founded in 1973 with George Soros). Since retiring in 1980, he has made two world tours and visited more than 100 countries on six continents. He has also authored several books. He is especially cognizant of the importance of Asia in general and China in particular, not only with his words but his actions. In 2007, he relocated from New York to Singapore. In this session, he offered his predictions for the global economy in the wake of the 2008–09 financial crisis and offered a new strategy for successful investment in a changed environment.

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MODERATOR

Jang Hye Won Interpreter

PRESENTER

Jim Rogers Chairman,
Rogers Holdings

DISCUSSANTS

Jim Rogers Chairman of
Rogers Holdings

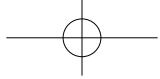
Hwang Young-key Senior
Adviser, Shin & Kim/Former
Chairman, KB Financial
Group Inc.

Jim Rogers (Chairman, Rogers Holdings): The global economy is facing a unique situation right now: for the first time in history, the central banks of the world's major powers are printing vast amounts of money. Japan has gone so far as to demand an unlimited supply from its mint, and the U.S. and U.K. also have the potential to print massive sums. This could lead to severe problems for the global economy in the very near future as inflation and interest rates rise.

China plays a pivotal role in this. If Britain was the center of the world in the 19th century, and the U.S. in the 20th, then China is unquestionably poised to lead in the 21st. The country is changing rapidly and showing itself to be one of the most outstanding practitioners of capitalism. It may be a good idea to sell Western bonds and invest in the Chinese stock and futures markets. The prospects for the Chinese yuan over the next decade look very strong.

I expect unification to happen between North and Korea in roughly the next four to six years. Already, you can see several signs

| New Waves in Asia |



of changes in North Korea. I think an integrated Korea would have a strong competitive edge, combining the South's assets and smart managers with the North's vast underground resources and pool of low-wage labor.

Hwang Young-Key (Senior Adviser, Shin & Kim/Former Chairman, KB Financial Group Inc.): I'm surprised to hear you say that, especially your predictions of an "integration" between North and Korea in the next four to six years. You've usually been right in past years, but I have to wonder whether that's really the case.

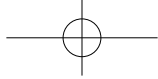
Jim Rogers: Anyone who would have predicted in 1984 that East and West Germany would reunify in the next five years would probably have been called crazy. I wouldn't have seen it coming either. I also think we're going to be seeing signs of integration in Korea in the near future.

There's a new middle class in North Korea that is looking for a better standard of living. There's also a large black market where North Koreans are seeing other ways of living through DVDs, magazines, and other forms of overseas culture provided by Chinese suppliers in the border regions. [New leader] Kim Jong-un has taken a very different approach from his father Kim Jong-il or grandfather Kim Il-sung. He was educated in Switzerland and is well acquainted with the outside world. Also, I think North Korea's military leaders are disappointed with their situation. They've seen the kind of amazing changes that have taken place with their allies, China and Russia, and then they've had to return home and see their own country unchanged. I think the evidence shows the foundations of a sea change, and I think Korea would come away from that kind of unification a more dynamic country too.

Hwang Young-Key: Given your expectations about reunification, are you planning to invest in Korea?

Jim Rogers: I'm not investing in Korea right now, mainly

...an integrated Korea would possess a strong competitive edge, combining the South's assets and smart managers with the North's vast underground resources and pool of low-wage labor. . . .



because of the pressures on its businesses from the weak yen. I have invested in North Korean coinage. Even if the values of the metals fall, I don't think that North Korean gold and silver coins are going to depreciate. And if the North Korean regime collapses in the next few years, then I expect their value to go up. That's my way of "investing in the Korean Peninsula." If I sense that unification is close at hand, and volatility in paper money has dropped off, that's when I plan to buy Korean stock.

Hwang Young-Key: You talked about the importance of agriculture. Do you think the fund managers and younger people here should be learning how to drive tractors?

Jim Rogers: The finance boom of the 1980s and 1990s is coming to an end. The U.S. graduated 200,000 students with MBAs a year ago—part of a general worldwide supply glut. We currently have 20 times more people studying for an MBA than majoring in agriculture, but agriculture is going to be the more promising field over the next 30 years. The early starters—the ones studying agriculture now—are going to have the edge. If you want to earn a lot in the future, then you should definitely learn to drive a tractor. If you don't have a dream right now, think of becoming a farmer.

Hwang Young-Key: Do you think the Japanese government is going to succeed with its quantitative easing approach (dubbed "Abenomics," after Prime Minister Shinzo Abe)? It's already having quite an impact on Korean businesses.

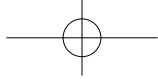
Jim Rogers: I don't think it's going to end well for Japan. If you look back through history, you're not going to find any examples of a country that saved its own economy by printing money. If Abe can give me one, I'll gladly eat crow.

Japanese interest rates are creeping up right now. I don't see Abenomics approach as "sustainable." The short-term effects on the Korean won may not be positive, but it could work in the country's favor in the long term, provided that its competitor and (historical) rival Japan repeatedly drops the ball.

The Japanese stock market dropped 10 to 20 percent in the last two weeks. I expect Abenomics to be a disaster for Japan, and I've already sold off a large portion of my Japanese stock holdings. I may have my daughters learn Chinese, but not Japanese.

Hwang Young-Key: The Bank of Korea has come out with some pretty substantial retrenchment measures. Do you think it's a good idea?

Jim Rogers: I tend not to trust central banks, but I do think the Bank of Korea is more effective than central banks in other countries. Korean businesses may be hurt for a while—especially because of their competition with Japanese rivals—but I think the long-



term effects are going to be very good for the ones that stick it out. And I expect unification with North Korea to leave Korea even stronger.

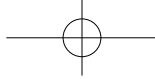
Hwang Young-Key: You're pretty optimistic about China, but there are also more pessimistic views out there, especially on the vast income disparities between its inland and coastal regions, and the dictatorial rule of the Communist Party. There have also been concerns about the so-called "shadow finance," the financial products that are handled by financial companies rather than banks. With that in mind, and with a drop-off already visible in the country's growth, do you think the optimistic predictions for the Chinese economy over the next five to ten years are justified?

Jim Rogers: China's growth is slowing down, but I think this kind of adjustment is actually a positive development because of things like inflation and bubbles. I think China's performance is going to be generally good over the next century. Look at the U.S.—we went through 15 recessions in the 19th century. Look at the Great Depression: the entire system collapsed just as the country was poised to become the most successful in the world. It was very painful for people in Washington and New York, but they succeeded. China has a lot of problems—the one-party rule is a political issue that we can't ignore. But Korea was under one-party rule at its peak of prosperity. So were Japan, Singapore, and even the U.S. I personally prefer democracy and diversity, but I think even a one-party system can succeed if it follows the right path.

Hwang Young-Key: I feel very fortunate to have met a legendary investor like you in such an age of uncertainty. I'm wondering what advice you would have for nervous investors.

Jim Rogers: You need to do research. Only invest in areas where you're at least somewhat well-informed. I talked

... [the Bank of Korea's retrenchment measures] may hurt for a while for South Korean businesses – especially because of their competition with Japanese rivals – but I think the long-term effects are going to be very good for the ones that stick it out. ...



about farming before—no one should invest in it if they don't have the right knowledge about agriculture. Research needs to come first.

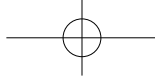
I also think that any investors who hope to earn money need to invest with conviction in areas where they are well informed. Everyone has areas where they are uniquely well-informed, be it fashion, automobiles, sports, or what have you. You should take those areas as starting points, and if you succeed with your area of specialization, then you may be able to build on them. Finally, you should not base your investments on “tips” you get in the newspapers, on TV or from friends, brokers, or professionals

Policy Implications

- Advanced economies need to end their quantitative easing measures and respond to their aftereffects.
- A response scenario should be developed for a sudden reunification of North and Korea.
- Investment infrastructure is needed for commodities and agriculture.

RAPPORTEUR
Jang Seung-gyu
Hankyung Business

| New Waves in Asia |



PROMOTING KOREAN-CHINESE TRADE: A STRATEGIC APPROACH TO TAPPING NEW URBAN DEMAND

China Magazine

China's recent urbanization (and urbanization policy) is becoming one of the chief drivers of domestic demand in the country. The growing domestic market from China's urbanization measures has many businesses around the world taking note of the new source of massive demand. They are now working in various ways to seize an early advantage in what they see as an alternative path to survival in a global recession. This session looked at the relationship between China's urbanization and its growing domestic demand. Korean and Chinese participants with experience in the Chinese market presented on and discussed about greater trade and benefits for both sides. In particular, they looked at ways for Korean businesses to cut costs and increase recognition in the Chinese consumer market, with the discussion centering on shortcuts to the Chinese market, new ways of doing business, and forms of cooperation. Korean businesses also shared their experiences and performance with leaders from the China Commerce Association for General Merchandise and CEOs of Chinese retailers as part of an effort to find the right "win-win" strategy.

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MODERATOR

Xu Haoran Senior Vice
Chairman, Far East Holding
Group

PRESENTER

Jeon Byeong seo Professor,
Kyung Hee University

Chu Xiuqi President, China
Commerce Association for
General Merchandise

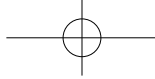
Huang Fei Professor, Seoul
School of Integrated Sciences
& Technologies

Xu Haoran (Senior Vice Chairman, Far East Holding Group):
China has been undergoing rapid urbanization since adopting a policy of openness and reforms. The question facing it now is how to steer this process toward stable development. This topic was chosen in the hopes that Korea's experience with stimulating domestic demand and contending with urbanization might be instructive.

Strategies for Taking Advantage of Urban Demand

Jeon Byeong seo (Professor, China MBA at Kyung Hee University):
There's been a lot of attention in recent months on [Chinese President] Xi Jinping's concept of a "Chinese dream." Historically,

Jeju Forum for Peace & Prosperity 2013



DISCUSSANTS

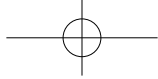
Hao Jian Chairman, Wuhan
Zhongnan Commercial Group
Park Jong deuk CEO, Dawon
International

the world has typically tried to overcome economic recessions with new technology, new markets, currency printing, war, and changes to the distribution structure. The biggest concern with the Chinese economy is that China is a currency superpower, with GDP less than half that of the U.S. but a currency issuance rate of over 40 percent. Right now, it's trying to overcome this problem with consumption-centered growth, with the aim of reducing the savings rate from 45 percent to 5 percent. The two prongs of this approach have been urbanization and attempts to promote domestic demand. In particular, there was Li Keqiang's "new four modernizations," a new approach for the urbanization of 400 million Chinese people.

In the future, China's urbanization is going to be focused on creating industry and service jobs, expanding social security for low earners, modernizing and marketing agricultural production, and promoting consumption. The rapid urbanization of the past was the result of openness and reform policies, but now the country seems to have reached the "second phase" of this process, with slower rates of expansion (compared to the rapid growth of the first phase) but a greater emphasis on quality over quantity. The most important step in this process is to improve the quality of urbanization, working to absorb new migrant populations by actively helping them, and improving urban planning and structures.

Here's how I see the next stage of urbanization over the next ten years: urban development, wider automobile use, and the popularization of fashion and food culture. You can see the spending patterns of people aged 40 to 60—there have been huge increases in spending on automobiles, financial services, and travel. I think an explosion in domestic demand is imminent, and I think it's going to turn China into a true consumer power.

In my opinion, urbanization needs to be focused on invigorating a wide range of consumer businesses, thereby stoking the demand that will drive the national economy. Urbanization is transforming consumer goods and retail businesses around the world right now. For retail in particular,



it's a real battleground. One way out of the recession would be to adapt to the Chinese market—KFC has done this successfully with items like porridge and fried rice.

Chinese businesses are the most knowledgeable about the Chinese retail market, and I think that Korean companies need to develop mutually beneficial partnerships with them. The Chinese businesses can use these partnerships for pricing, luxury brand development, and branding.

Korean businesses have been some of the main beneficiaries of China's industrialization over the past decade, but they're going to need to change their strategy for the next decade. They'll have to target the newly urbanized Chinese population with everything from intermediate to finished consumer goods. Branding and distribution channels for consumer goods are an important part of this—you're going to need to cooperate with local partners if you want to succeed in the Chinese consumer market. Companies will also need strategies for adapting their products to local lifestyle practices and culture.

Chu Xiuqi (President, China Commerce Association for General Merchandise):

Urbanization plays a pivotal role in boosting the Chinese economy. The prospects for retail have been most promising. The retail industry has grown a lot since it first began developing in earnest after China's membership in the World Trade Organization. Department store retail revenues went up by an average of 16.5 percent per year between 2006 and 2011, with total retail sales at 81 member companies up 8.9 percent from the previous term in 2012. China's twelfth Five-Year Plan (2011–2015) projects an annual increase of 15 percent in total spending on consumer goods, which is expected to reach 32 trillion yuan by 2015.

The Chinese consumer market has a lot of potential, and I think it's going to be a boon for Korean retailers. China's consumers tend to favor Korean products, which they see as having outstanding quality and technology. Korean department stores have a market concentration rate of 80 percent, compared to just around 10 percent for Chinese department stores. Urbanization and rising consumer incomes are offering great opportunities to retailers.

China is already the world's largest manufacturing power, and it stands poised to offer the world a larger consumer market and serve as a creative powerhouse. I hope to see more attempts to promote trade and cooperation between Chinese and Korean businesses through various methods and platforms, along with the creation of distribution channel opportunities.

Huang Fei (Professor, Seoul School of Integrated Sciences & Technologies): I want to begin by looking at how Korean department stores are achieving growth in the developing e-commerce environment, which has been a big challenge to traditional markets. China



has the world's fastest rate of online growth. The question, then, is what department stores should be doing to respond to this challenge. I think the answer lies in stressing offline and brand elements, working to adapt traditional department store management techniques to the online environment while focusing on brand value.

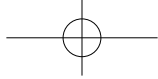
Since the digital era began, smartphone use has been feeding an e-commerce boom, but leading offline department stores have put up a good fight. In the case of Korea, where online markets and home shopping have developed at a rapid rate, department stores have survived with a unique positioning strategy aimed at the wealthiest customers. Places like Lotte Department Store have also opted for a “multi-channel” strategy with home shopping, online shopping malls, and smartphone shopping platforms. As a result, Korean department stores have maintained a premium and a distinct brand image while continuing to establish a strong competitive edge in the e-commerce market with steady sales and growth.

I see eight main factors contributing to the success of the most distinctive Korean department stores, including the Lotte, Hyundai, Shinsegae, and Galleria chains: sophisticated services, fashion leader status, luxury brand strategy, high-end targeting, “cultural creation,” a full gamut of services, the use of different online channels, and a “human-centered” management approach focusing on employees and customers.

I think these secrets to success offer a lot of potential ideas for Chinese department stores. I would suggest a five-part strategy: 1) an all-out response to the e-commerce shock, 2) integration of distribution stages and stronger branding, 3) leveraging of the department store's advantages to establish a strong reputation in the high-end market, 4) a leading role in fashion trends, and 5) a positive feedback loop of sustained development and mutual benefits.

Hao Jian (Chairman, Wuhan Zhongnan Commercial Group): Changes in the market environment are wreaking havoc on Chinese retail. We can see it in the example of Hubei Province, where single retailers are operating department stores, on- and off-line shopping malls, and supermarkets. The traditional retail industry should be actively working to prepare itself for market changes, and I think that urbanization and industrialization offer opportunities to achieve this exact goal. Government-led industrialization has taken place relatively quickly, but urbanization has been less robust. Retailers and department stores are now responding to changes in the population structure as railroad construction and other factors are sending large numbers of farmers into the cities, with the rises in per capita income presenting them with a new supply of consumers.

So how have Chinese retailers been faring? The building of so many new shopping malls has led to overheated competition, and businesses have been suffering from the relentless focus on construction in local government policy. Another issue is consignment sales.



Typically, retailers have used them to take on the traditional role of department stores, but the influence of those stores is about to wane.

I see three areas where Chinese retailers need to improve: 1) a greater range of products and services, 2) a response to the different channels and changes in distribution methods, and 3) a better profit model.

Park Jong deuk (CEO, Dawon International): I think we should try to look at Chinese distribution from the Korean perspective. How should Korean businesses be responding to Chinese urbanization at a time when multinational companies are leaving China due to the income inequality and rising wages that urbanization has caused?

I would suggest two solutions. The first is to understand the Chinese market in terms of its consumers. Korean businesses need to stop viewing the Chinese market as a toll processing base and start looking at it as a top consumer market and bank of customers. I think the right approach is to adopt strategies that are specialized for regions and incomes, with a focus on highlighting a unique brand image. One example might be adopting a luxury strategy for coastal regions and focusing on low-cost products in inland and farming regions. I also think it's important for Korean and Chinese businesses to establish partnerships.

Policy Implications

- Urbanization has led to a turning point where China is now less a production base than a supply of consumers. This is a key factor in promoting Korean-Chinese trade.
- An "age of culture" has arrived, where culture is associated with both "dreams" and "competitiveness." Trade should be promoted between Korean and Chinese cities through cultural interchange in order to reduce conflict and encourage mutual understanding.
- Careful preparations and analysis are needed to prepare for potential demand in promoting industries such as automobiles, financial services, and travel as Chinese urban incomes rise and the "post-'80s" and "post-'90s" generations reach maturity.
- China is a large country. Traditional retail and e-commerce strategies should be customized to take into account the high population density in its coastal regions and the geographic characteristics of its central and western regions.

RAPPORTEUR

Chae HaYeon Teresa Professor,
Daejin University Graduate School



ECONOMIC PROSPERITY IN ASIA: DEALING WITH ECONOMIC NATIONALISM

Friedrich Naumann Foundation

Whenever the economies all over the world enter a recession, economic nationalism rises everywhere. Since we believe in laissez-faire economics we do not think economic nationalism is the solution. Instead we intend to broaden the public policy debate on the merits of free economy and limited governments. Our session provides a platform for political dialogue and academic exchange. It aims to deepen participants' knowledge of economic nationalism and liberalism, their relation to free trade and markets, the creation of wealth, and a free society in general. The session also intends to develop mechanisms to fend off the various economic national policies. We hope that a set of economic freedom arguments and messages will be made known to the participants and applied.

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MODERATOR

Wan Saiful Wan Jan Chief Executive, IDEAS, Malaysia

OPENING SPEECH

Lars-Andre Richter Resident Representative, Friedrich Naumann Foundation for Freedom Korea Office

CONGRATULATORY

Rolf Mafael Ambassador, Embassy of the Federal Republic of Speech Germany to Korea

KEYNOTE SPEAKER

Sam Rainsy President, Cambodia National Rescue Party & Former Minister of Finance

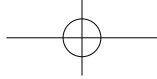
Choi Byung-il (President, Korea Economic Research Institute):

I disagree with the former prime minister of Malaysia, Mohammad Mahathir that countries need protectionism, which was mentioned in the keynote speech. Economic nationalism is unsustainable. Many people in Korea complain about importing fish or other food that should be self-sufficient, but when we push self-sufficiency to the extreme, only few countries can survive. Then how do we attain economic prosperity, invest in education and liberalize the economy? To that end, good political leadership is also important.

Pham Chi Lan (Former Vice President, Vietnam Chamber of Commerce and Industry): Protectionist measures rose recently via technical barriers to trade (TBT). Tariffs are going down but various measures like health concerns, environment restrict trade.

Vietnam has been a member of the ASEAN since 1995. We experienced trade deficit with ASEAN members and North Asia, but trade surplus with EU. About eighty percent of our foreign

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direct investment (FDI) comes from East Asia and South East Asia, but mainly from low-cost, low-tech industries, and it also entails environmental problems. ASEAN initiative is a good attempt, but not enough for us. East Asian countries need to open up their economies more for Vietnam exports.

Junning Liu (Senior Fellow, Institute of Chinese Cultural Studies): Economic nationalism is a body of policies that protect certain local interests, requires the imposition of tariffs, restrictions of free trade, intervention in the name of protecting “national interest.” Nationalism forces consumers to buy only local producers, demands trade protectionism, and even nationalization of some foreign companies.

Nowadays nationalism is rampant in countries ruled by dictatorship, especially the ones that control currency. It is costly to consumers because the supply of capital pushes the price of consumer goods to increase. It appeals to national pride, suspicion and fear of foreign goods, but, in reality, it is damaging to the consumers. Milk is a case in point. In the case of imposing high tariffs on foreign milk, consumers must endure high prices, low, bad or even harmful product qualities.

Tricia Yeoh (Research Director, Institut Rakyat, Malaysia): Recent growth of Malaysia is not at par with neighbors. Cost of business is high due to corruption and bureaucracies. 1971 New Economic Policy (NEP) had the noble cause of eradicating poverty, but in fact it was meant to protect the Bumiputera, literally meaning “the princess of the Earth” in Malay and referring to the local elites. It engendered a culture of patronage and cronyism.

This morning, the former prime minister Mahathir said that the automotive industry needs to be protected. Such protectionism actually is a waste of government money to protect and bail out local industries. Around 69-70 billion Ringgit were lost in the process.

Government role in the economy has been expanding. Private investments used to be high in the past, but since

DISCUSSANTS

Choi Byung-il President, Korea Economic Research Institute

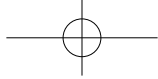
Feng Xingyuan Professor, Chinese Academy of Social Sciences

Pham Chi Lan Former Vice President, Vietnam Chamber of Commerce and Industry

Junning Liu Senior Fellow, Institute of Chinese Cultural Studies

Barun Mitra Director, Liberty Institute, India

Tricia Yeoh Research Director, Institut Rakyat, Malaysia



1998 private investment was less than the government investment. Government-linked corporations (GLC) account for “approximately 36% and 54% respectively of the market capitalisation of Bursa Malaysia and the Kuala Lumpur Composite Index (KLCI).” GLCs and Government-linked investment companies (GLIC) are the major players in the Malaysian economy.

Malaysian economy is heavily dominated by government. In the areas that are privatised, select individuals are chosen to receive lucrative tenders and contracts. Cronyism results in—when government is dominant—giving only to friends and advocates the monopolies in electricity and telecoms. This is why we need to remove trade barriers, make the economy more competitive and control corruptions.

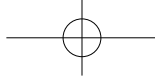
Feng Xingyuan (Professor, Chinese Academy of Social Sciences): Trade benefits both parties, allowing efficient distribution of the factors of production. There is an “infant industry” argument. However, we should not protect. We will only protect the underdevelopment (industries). Open markets and protection of property rights are the key. Also, stable currencies are required to protect foreign investors.

Trade benefits can exist even between unequal economies. President Obama was asking for “balance of trade” with China, meaning China should export less to the US. This is wrong. Trade surplus by China is used to the investment on and expenditure of US citizens, so the deficit is compensated. US should ask instead that China should open up service markets.

The campaign for trade ban on Japanese goods last year meant banning our own development. Many Japanese companies are thinking of moving their investments out of China and going elsewhere. Free trade is beneficial to all sides, both buyers and sellers, not only one side.

Barun Mitra (Director, Liberty Institute, India): People trade, companies trade, but governments don't. However, governments negotiate trade, and negotiations take many years.

India is not known for manufacturing, but more for IT. India may have been the only country manufacturing automobiles in the 40s after Japan, but how many Indian car brands do we hear of now? Today local car manufacturers survive only because of government support. The infant industry argument only resulted in cronyism. India promoted industrialization through domestic consumption, and not export-oriented industrialization, and this resulted in cronyism. The poor class of India was the one that suffered most from such cronyism. Textiles and IT were neither protected nor subsidized, but went to the extent of being completely neglected. However, they still prospered. About



eighty percent of our IT products are for exports.

Free trade is fair trade. When two sides agree, it leads to a win-win situation and benefits both buyers and sellers. Economic nationalism is used by politicians to secure themselves. It is the people and citizen who suffer from that.

Sam Raimsy (President, Cambodia National Rescue Party & Former Minister of Finance): If an economy is lagging or unprepared, free trade is destructive. A transitional period to produce positive effects is needed first, before we open up the economy to free trade. We must consider the social, political environment and control corruption first. In actuality, farmers are becoming landless under the name of trade liberalism.

Questions 1) Cambodia—How to develop it? What is your vision for prosperity in Cambodia?

Answer 1) Sam Raimsy First, good leadership and second is education. Cambodian leadership is a mafia, a gang, and they are destroying a country using liberalism. Through our transitions from communism to democracy, and then to a mafia-controlled government, situations in Cambodia have worsened. China and Vietnam, they are socialist countries but they have developed. They uphold national interest and have long-term visions. Although not democrats, Lee Kuan Yew and Mahathir have visions. We need education. Through the war and dictatorships, three generations were lost. And only low-tech investments come in. We need to catch up.

Answer 2) Barun Mitra Free trade to be effective and powerful, it has to be unilateral, nothing to negotiate. The most protected industries are also most inefficient, like agriculture. Pure unilateralism in trade allowed Indian IT and textile to develop, without any government protection.

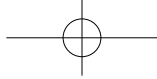
Answer 3) Feng Xingyuan Also look at Hong Kong. Low taxes, free trade—there is economic prosperity

Answer 4) Choi Byung-il Protectionism is understandable, in the sense that the weak must be protected. But one must consider the political economy. Beneficiaries of nationalism and protectionism are the incumbent players.

Closing Remarks

Rolf Mafael (German Ambassador to Korea): Building an internal market for Asia will build prosperity. In the case of Germany, global competitiveness and open economy allowed us to survive the recent global financial crisis.

Service sectors need more liberalization in the EU. We had the same discussion and



debate in Europe as you have here on economic nationalism. Our prosperity also depends largely on our trade with Asia. Priority is the WTO, multilateral negotiation.

There are indeed social consequences to liberalization, like ensuring labor standards. But this is heavily opposed by many developing countries. If you step back, and compare the situations in 1996-97 with those of today, Asia has made great progress.

When the EU-Korea FTA was negotiated, German car industry opposed, but who benefitted in the end? German car industry was able to enter Korean markets more easily. Another beneficiary was the Korean car industry. Ultimately, customers won in both Korea and Germany. Liberalization will lead to more prosperity

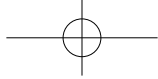
Policy Implications

- Protecting human rights, controlling corruptions are the key for underdeveloped economies like Cambodia.
- Economic nationalism and protectionism often results in cronyism and corruption, disadvantages the local consumers via higher prices, low quality products and services due to absence or limited competition.
- Economic liberalism will benefit consumers, lead to peace and prosperity.
- Unilateral trade liberalization is one option that countries should consider to avoid cronyism, control corruption, and directly benefit the people, consumers and producers alike.

RAPPORTEUR

Bienvenido "Nonoy" Oplas President,
Minimal Government Thinkers Inc.,
Philippines.

| New Waves in Asia |



DECONSTRUCTING THE DYNAMISM OF ASIAN ECONOMIES: PATTERNS OF COOPERATION AND CONFLICT IN TRADE, FINANCE, AND FOREIGN DIRECT INVESTMENT

East Asia Foundation

As populations continue to rise, the countries of Asia have achieved relatively solid economic growth, with various forms of local cooperation in trade, finance, and investment leading to an increase in regional economic integration. Another recent trend, however, has been a tendency to split along the lines of a Regional Comprehensive Economic Partnership (RCEP) centering on China and the ASEAN nations, and a Trans-Pacific Partnership, with a focus on the U.S. This session took an in-depth look at the Korean, Japanese, Chinese, and Malaysian perspectives on economic cooperation and conflict in Asia. In particular, the following four questions were addressed:

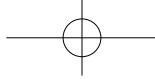
- What is Korea's response strategy to Asia-Pacific FTAs, the RCEP, and the TPP?
- What is China's position on the RCEP and TPP, and what plans have been made for attracting regional investment?
- What is the Japanese Cabinet's plan for escaping economic crisis and its policy for East Asian trade and investment?
- How is the Chiang Mai Initiative set to develop, and what is the role of ASEAN?

MODERATOR

Ahn Choong Yong

Distinguished Professor,
Chung-Ang University/
Foreign Investment
Ombudsman, KOTRA

The Asian foreign exchange crisis began in 1997. Since then, there have been various formal discussions on East Asian integration. The countries of Asia are focused on establishing an "East Asian identity," with an active role planned for the Chiang Mai Initiative, which includes the ten ASEAN nations, as well as Korea, China, and Japan. An expanded form of the ASEAN+3 framework was also seen with the participation of Australia, New Zealand, and India. In short, as Asian economic cooperation develops at a rapid rate, regionalism



PRESENTERS

Lim Wonhyuk Director of Global Economy Research, Korea Development Institute

Wang Yong Professor, School of International Studies, Peking University

Hirohisa Soma Minister for Economic Affairs, Embassy of Japan in the Republic of Korea

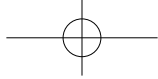
Michael Yeoh Co-Founder and CEO, Asian Strategy & Leadership Institute, Malaysia

stands at a crucial turning point. The participants in this session discussed patterns of cooperation and conflict in Asian trade, finance, and foreign direct investment.

Ahn Choong-yong distinguished professor at Chung-Ang University and foreign investment ombudsman with KOTRA, moderated the session. Ahn began by outlining three major changes in the Asian environment. The first was a change in political leadership. The second was a shift in U.S. foreign policy toward the Asia-Pacific region rather than the Middle East; Ahn noted that the U.S. is using the TPP in an effort to counter Chinese influence, with 17 rounds of discussions on regional free trade taking place within the framework, which includes Canada, Mexico, Chile, Brunei, and Australia. The third change was the debate over the RCEP. Ahn pointed to the possibility for conflict between the two frameworks within the region, with Japan declaring its participation in TPP with the “Abe-nomics” approach of current Prime Minister Shinzo Abe, and China and Korea not currently participating. He finished by observing that Korea now finds itself in the complex situation of potentially being party not only to an FTA with the U.S. but also one with China and participation in RECP and TPP.

The Geopolitical Importance and Regional Role of the Korean Peninsula

Lim Won-hyuk (Director of Global Economy Research, Korea Development Institute) began by noting the geopolitical importance of Korea: it functions on a physical level as a land bridge in the Asia-Pacific Region and on a political level as a mediator between the antagonistic continental and coastal powers that surround it. He went on to say that ongoing discussions on an “East Asian community” have failed to yield results thus far, with Korea focusing more than ever on bilateral cooperation and forgoing the risks of a multilateral framework. Noting that the combination of regional integration with this “hedging” strategy has been beneficial for Korea, he predicted that it would continue pushing for bilateral alliances along with wider-scale integration.



He went on to suggest a combined approach focusing on the alliance with the U.S. and multilateral cooperation, taking into account Korea's geopolitical environment. He said that the signed FTA with the U.S. means that Korea has no need to rush into the TPP, that Korea should participate in both the TPP and the RECP because the latter is an important stage in trade cooperation, and that it should also consider ways of combining the TPP with the RECP.

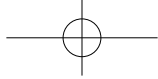
Lim said that the RECP is being pushed from the perspective of China and the ASEAN countries, while the U.S.-led TPP is more beneficial to developed countries than developing ones; a country like Vietnam, he suggested, would be hard-pressed to accept its more stringent demands. He predicted that more countries would be willing to accept the TPP if its terms were relaxed to some degree. While this may not be what the U.S. initially hoped for, he said, Vietnam and Japan hold the key to developing the framework further.

He also predicted that an FTA with China would have a large long-term effect on Korea. China currently has an important role as Korea's top trading partner. From this standpoint, Lim said, the Korean government should give more careful consideration to the "fine print" in its FTA negotiations with China, while also taking into account the potential effects on smaller businesses and the national economy. He advised considering the costs of any adjustments to the FTA and predicted that the administration of Korean President Park Geun-hye was not likely to push aggressively for such an agreement. He finished by saying that the administration should closely examine not only the FTA but also the small businesses and agriculture sectors that would be impacted by it.

China's Position on the RECP/TPP and Future Prospects

Wang Yong (Professor, School of International Studies, Peking University) began by saying that the question of how to alleviate the regional economic imbalances that emerged from the financial crisis has now become an important issue. China, he

Korea should function on a physical level as a land bridge in the Asia-Pacific Region and on a political level as a mediator between the antagonistic continental and coastal powers surrounding it.



said, adopted a variety of diplomatic approaches to the Asian financial crisis. He characterized Asian financial cooperation as being in an “intermediate stage” compared to Europe and the U.S. and said that China had done well in generating a “turning point” atmosphere. In particular, he noted that China has successfully developed an export-driven growth model and produced high levels of value-added in its domestic market, while its political leaders have worked to nail down a firm position on the TPP and RECP.

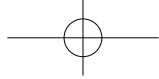
Wang went on to observe that China’s new leadership has emphasized market values and discussed openness and reforms, but added that it was still unclear how China’s economic development and reforms would progress and that the issue of state-run enterprises was an extremely important one in the Chinese context. He predicted that the leaders would continue working to reform the economy and generate added momentum, and said that the RECP offered a framework for more strategic and reform-oriented change. He also said that China is prepared to take part in the TPP framework.

He next discussed the summit meeting between Chinese President Xi Jinping and U.S. President Barack Obama, which he said took place sooner than many had expected. Washington and Beijing appeared likely to be more frank and less formal in their discussions, which Wang said was important. Both countries clearly recognize their high level of economic interdependence, and China is likely to be significantly affected by the U.S.’s economic recovery. Wang argued that it was meaningless in economic terms to separate countries into categories of “coastal” and “continental,” observing that past trends showed the need to view U.S.-China relations through a single lens of mutual cooperation and consideration. Based on this, he expressed an optimistic view about the future of Washington-Beijing relations and predicted positive effects from both the TPP and the RECP.

Michael Yeoh (Co-Founder and CEO, Asian Strategy & Leadership Institute, Malaysia) acknowledged China’s position

Asian financial cooperation was in an “intermediate stage” compared to Europe and the U.S. and China had done well in generating a “turning point” atmosphere.

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Japan plans to take the bold trade measures and continue to work toward FTAs and the RECP and TPP frameworks.

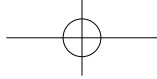
as the most important economic power for ASEAN nations. He also recommended considering the possibility of the Chinese yuan becoming an international trade currency. He went on to say that the RECP would increase the standing of ASEAN countries, and that achieving it would require reforms based on decisions and communication by the respective countries' political leaders.

Ideas for Beating the Japanese Economic Crisis and Prospects for Regional Economic Cooperation

Hirohisa Soma characterized the long-term economic recession in Japan as “lost twenty years.” With domestic demand at a standstill and deflation drawing out into the long term, the administration of Prime Minister Shinzo Abe has set a goal of reviving the national economy and overcoming deflation. Soma defined this “Abe-nomics” approach as a strategy for growth through aggressive financial policy, flexible accounting, and efforts to promote investment, with a more concrete growth strategy set to be unveiled in June 2013.

The Bank of Japan hopes to meet the goal of stabilizing inflation at around 2 percent through easy money policy. Soma described how it is attempting to generate wealth through growth by investing an “emergency budget” of 13.1 trillion yen as part of its measures to revive the Japanese economy. Abe is also trying to achieve growth by encouraging women to join the workforce, taking aggressive action in the areas of agriculture and fishing (where Japan hopes to gain a trade advantage), and increasing private investment. Soma also said that the government plans to enact bold deregulation measures and woo foreign investors through new “special strategic districts,” with a focus on the three metropolitan areas of Tokyo, Osaka, and Aichi.

In addition to emphasizing the bold trade measures that Japan plans to take, Soma also said that it would be continuing to work toward FTAs and the RECP and TPP frameworks. He observed that Japanese industry has expressed high hopes for the RECP and TPP, and said that Korea had been early to



reap the rewards of FTAs in its competition with Japan in the areas of automobiles and machinery. He went on to say that a trilateral FTA among Korea, China, and Japan was still in its earliest stages, adding that the governments were cooperating closely to reach an agreement on its scope. He argued that Japan needs to be “wise enough” to use the RECP and TPP as a way of achieving FTAs more easily and suggested that it may be able to contribute actively to the global economy as it escapes its deflation conditions and recovers economic soundness.

Soma took a positive view of the trilateral FTA, noting that the three countries are now discussing the scope of their respective duties. He said that Korea and Japan were prepared to take active steps to open their markets, while China still has a number of tasks to resolve, including lowering tariff barriers and relaxing regulations in the service sector. He concluded by saying that working-level communication was proceeding generally smoothly and expressing optimism about the feasibility of a trilateral FTA.

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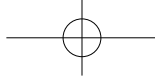
The Role of ASEAN and Development of the Chiang Mai Initiative

Michael Yeoh began by noting that the Malaysian government is looking at ways of taking its cooperation with other Asian economies to the next level, including preferential treatment in procurement, the role of the private sector, the government’s role vis-à-vis business, and competition law. He added that the ASEAN countries are now discussing the RECP and predicted that the TPP would be signed before the RECP.

He then turned to the Chiang Mai Initiative (CMI), which he said is functioning as a cooperative network to ensure liquidity in East Asia. Launched in 1997 to provide a stable source of finance and currency after the experience of the Asian foreign exchange crisis, the CMI framework has Korea, China, and Japan accounting for the bulk of the funds, while ASEAN nations are responsible for the remaining 20 percent. The fund began at US\$120 billion, but was increased sharply to US\$240 billion at a subsequent meeting of finance ministers.

A trilateral FTA among Korea, China, and Japan is still in its earliest stages, and the governments are cooperating closely to reach an agreement on its scope.

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Yeoh pointed to the establishment of the AMRO macroeconomic research institute as a major achievement.

Yeoh recommended establishing a strong framework of financial regulations to promote further investment in East Asia, with Australia, India, and New Zealand playing active roles. He noted that discussions on the bond market took place at a May 2009 finance ministers' meeting in Bali and quoted the Asian Development Bank (ADB) as saying that the infrastructure could be built at a cost of US\$160 billion.

Yeoh also recommended giving serious consideration to how Asia should try to make its voice heard within the current framework of institutional finance. He argued that although ASEAN has yet to produce tangible results, it could do so in the future, adding that financial cooperation in Asia was a more important concern and that regional investment was also a crucial factor. He predicted that an Asian monetary fund would only take root after the countries first discussed the possibilities of existing ones, and finished by stressing the need to develop a more fleshed-out conception at the ASEAN summit, with the ASEAN countries cooperating closely with the IMF to expand the CMI.

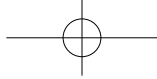
Prospects for an Asian Economic Community

For the last part of the discussion, Ahn Choong-yong began by noting the ongoing regional FTA discussions and affirming that concrete supply networks and value chains do exist. Stressing that national efforts to sign FTAs and attract foreign investment are aimed at cutting costs and raising economic efficiency, he said that the countries now need to recognize each other as important economic partners.

He further recommended action to prevent divisions between Asian countries, adding that the TPP and RECP should be merged into a single framework to serve as an "economic cornerstone." Ahn predicted that in spite of territorial and historical issues among Asian countries, supra-national economic cooperation based on economic need (through the framework of FTAs, the TPP, or the RECP) could serve to launch the process of forming an Asian community.

RAPPORTEUR

Shin Hyeon Suk Global Asia
Fellow, East Asia Foundation



TOWARD A NEW FRAMEWORK FOR THE NEXT TWENTY YEARS OF KOREAN-CHINESE ECONOMIC COOPERATION

Center for Chinese Studies, Korea National Diplomatic Academy

Economic cooperation between Korea and China has developed by leaps and bounds since the two countries formed a diplomatic relationship in 1992. They have major influence on each other's major industries (e.g., trade, investment, industry collaboration) and development of social capital. Given China's role as an important actor in the Korean Peninsula's security situation—and many other areas as well—Korea now needs to develop stronger economic collaboration as a way of increasing its diplomatic leverage over this crucial partner in future growth. This cooperation appears poised to develop further under the new administrations of Park Geun-hye and Xi Jinping, both of whom are pursuing a stronger relationship as “strategic cooperation partners.” Discussions on major economic issues between China and Korea in a changed environment are historically significant as a way of preparing for the next twenty years. Hopefully, this will be a driving force for development not just between those two countries, but for East Asia as a whole.

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MODERATOR

Shin Jung-seung Director, Center for Chinese Studies, Korea National Diplomatic Academy/Former Korean Ambassador to the People's Republic of China

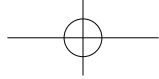
PRESENTERS AND DISCUSSANTS:

Yang Pyeong Seob Associate Professor, Korea Institute for International Economic Policy

Korea-China Economic Relations Today and Their Pitfalls

Xu Changwen (Senior Research Fellow, Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce of the People's Republic of China): Economic trade between Korea and China has been developing rapidly since the two countries formed a diplomatic relationship in 1992—the fastest rate among China's top three trade partners. If this trend continues, trade with Korea is expected to pass trade with Japan, and the benchmark of US\$300 billion in trade will be reached earlier than the projected date of 2015. In short, the countries have become

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Fellow, Chinese Academy of
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of the People's Republic of China.

Zhao Jinping, Deputy Director,
Foreign Economic Relations
Department, Development
Research Center of the State
Council of the People's Republic of
China

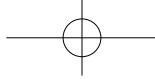
very important economic partners, and increased economic cooperation will potentially be very important not only to their development but to that of East Asia as a whole.

At the same time, imbalances in mutual investment are surfacing. There are two main causes for this: China's lack of understanding of the Korean market, and Korea's conservative approach to courting foreign investors. I think that Korea needs to take a more active approach, such as staging meetings to attract investment, either locally or in China. This may resolve some of the investment imbalances that are occurring.

Kwag Boksun (Professor, Kyungsoong University): The economic relationship between Korea and China, which is based primarily in cooperation on commodity trade and investing company processing trade, has recently shown increasingly obvious growth in opportunities for cooperation and competitiveness. In particular, economic interaction has shifted from industries and vertical distribution of labor in the 1990s to industries and horizontal distribution of labor in the 2000s, with competitive trends in the areas of electronics, IT, machinery, parts, and materials. In terms of problem areas, practical cooperation has not kept up with the scale of exchange. The two countries are having difficulty establishing a true relationship of cooperation and need to work on building more substantive ties between their central and local governments. In particular, they need to collaborate in areas such as energy and the environment, taking advantage of China's urbanization and Korea's regional development experience.

China's Domestic Economy

Zhao Jinping (Deputy Director, Foreign Economic Relations Department, Development Research Center of the State Council of the People's Republic of China): No country can maintain high growth rates in the long term. Once it reaches a certain plateau, economic growth takes place at medium to low levels. China has experienced very high growth rates over the past 30 years, but those rates have recently begun to



slip. But I don't think this should be taken as a sign that the development potential of the Chinese economy and market, or its influence on the world economy, has waned.

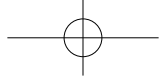
Also, because the Chinese economy's development has depended on massive resources and cheap labor, and is therefore limited by factors such as resources, the environment, and the workforce, I think there needs to be a change in the course of economic development methods—away from quantitative growth and more toward qualitative growth. I see five main policy approaches for achieving this: 1) hastening adjustments to the economic structure, 2) promoting innovation, 3) improving public welfare to improve the distribution of the products of economic growth (i.e., improving public welfare), 4) devising a more resource-saving, environmentally friendly development model, and especially 5) continuing to push openness and reforms.

Yang Pyeong Seob (China Team Director, Korea Institute for International Economic Policy): The effects of the so-called “four bonuses”—population, land, openness, and reform—that accounted for much of China's growth have begun to diminish. As China shifts its economic development strategy away from investment/exports and more to domestic demand, it is poised to enjoy moderate growth rates in the range of 7 to 9 percent, which I expect to have an impact on trade and investment with Korea. Korean businesses will have to prepare for these changes in China's environment and policy. In particular, they're going to need stronger productive capacity and marketing to the domestic demand market for Korean businesses in China.

Policies for Growing Chinese Domestic Demand

Zhao Jinping: China's approach to increasing domestic demand has been a combination of strong fiscal policy and loose monetary policy in the short term, and continued urbanization policy in the long term. In the future, these increasing urban populations are going to lead to greater resident incomes and consumption, so I think the building

If this trend continues, trade between Korea and China is expected to pass trade between China and Japan, and the benchmark of US\$300 billion in trade between Korea and China will be reached earlier than the projected date of 2015.



of infrastructure will be a source of new investment in the urbanization process.

Kwag Boksun: There have been two major frameworks in Chinese domestic demand policy: regional development, and industry/industry structure improvements. In the first category, steadily growing consumption and project markets resulting from urbanization policy have increased the possibilities for cooperation on city-building (smart cities, environment, economy) and communications projects. In terms of industry/industry structure, Korea’s “new growth engine industries” and China’s “strategic emerging industry areas” are very similar and offer a lot of potential for cooperation.

Problems for Korean Businesses in China

Kwag Boksun: Korean businesses investing in China have dealt with six major challenges: 1) stronger tax administration from the Chinese government, 2) difficulties in labor relations due to a more pro-labor legal environment, 3) customs issues, 4) issues related to processing trade, 5) rising production costs for labor and associated areas, and 6) and environmental and energy-related issues stemming from China’s increased urbanization. For the most parts, these are typical issues cited by overseas businesses.

In my view, the most important issue is the problems that small and medium-sized Korean businesses have encountered in their strategy for targeting the Chinese domestic market. I think that the Korean and Chinese governments (or associated agencies) will need to work on developing their economies by providing support for domestic marketing by investing Korean businesses. For example, you could have easier capital procurement, opportunities for Korean companies to join Korea’s government procurement market, partnering with major distributors, and opportunities for Korean businesses in parts outsourcing for large Chinese companies.

In the long term, the increasing urban populations are going to lead to greater resident incomes and consumption, and therefore, the building of infrastructure will be a source of new investment in the urbanization process.



Thoughts on a Korea-China FTA

Yang Pyeong Seob: I see a bilateral FTA as the most effective mechanism for achieving two goals: 1) creating an environment for Korean businesses to take advantage of the Chinese domestic demand market, and 2) upgrading the two countries' economic ties. There's been growing uncertainty in their economic cooperation environment, and an FTA could offer an effective outlet at a time when collaboration in bilateral trade and investment is facing new challenges.

In particular, while Korea's agricultural trade debate has been steadily increasing, its agricultural exports to China have been on the rise, with the possibility for greater demand as Chinese incomes improve. Korea may also be in a position to extract some concessions, based on China's understanding of the sensitive nature of Korean farm products. At the same time, there is also a definite need for safeguards, stronger measures on food safety, and compensation for damages resulting from agricultural openness.

In terms of a bilateral FTA, I think people need to be more aware of the tradeoff between benefits for larger companies and damage to smaller ones. Because some SMEs stand to enjoy increased exports in certain categories, developing protective measures for categories where damages are expected would be a more effective approach than delaying market openness.

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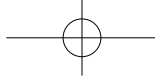
Xu Changwen: Right now, China is pushing for FTAs with a number of countries. I hope it will be able to sign an agreement with Korea in the near future. A bilateral FTA would have a positive impact on economic development not just for the two countries but for the East Asian economy overall. [Premier] Li Keqiang is following the lead of [his predecessor] Wen Jiabao in taking a positive view of a Korea-China FTA. If everything goes well with the negotiations, we could have one within the next two years.

Korea-China Summit Agenda

Yang Pyeong Seob: I expect the growing amount of trade between Korea and China will raise more economic issues, which will require a channel for resolution. In particular, I think the two sides will need to hold strategic dialogue on economic issues. I also think they need to work on fine-tuning the "big picture" in economic terms. It may be a good idea to do joint research on the next twenty years of bilateral economic relations.

Zhao Jinping: I hope the next summit sees both sides making new headway on a bilateral FTA. In my view, they should be working under a long-term vision of using a bilateral FTA as a stepping stone to a trilateral FTA with Japan and achieving the framework of the Regional Comprehensive Economic Partnership (RCEP).

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Kwag Boksun: I think the Korean and Chinese leaders should use Korea's experience with urban development as a basis for discussions on cooperation on local development. I also hope that they share their experiences on port development and discuss ideas for cooperation in the maritime economy era.

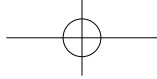
Xu Changwen: The bilateral FTA process seems to be moving somewhat slowly. I don't expect to see much progress unless the two leaders take proactive steps on the issue. I also think that an FTA would broaden the scope of the two countries' relationship.

Policy Implications

- New avenues of cooperation should be identified to help Korea and China develop their relationship in both qualitative and quantitative terms.
- Because Korea's "new growth engine industries" and China's "strategic emerging industries" overlap to some extent, stronger cooperation could help them not only develop their economic ties but also seize a competitive advantage in these areas in the global market.
- China plans to continue its urbanization effort into the long term, so cooperation based on Korea's own experience with urban development could lead to a "win-win" outcome.
- China's economic policy changes present Korea with both a potential crisis and an opportunity. By identifying policy trends in China, Korea can seize opportunities to claim the Chinese domestic demand market.
- Because smaller businesses lack a strong grasp of Chinese policy trends, the relevant agencies should be supporting their education and development of market entry strategies.
- China has been much more proactive than Korea about pursuing a bilateral FTA. Because it is expected to offer concessions in sensitive areas to speed the process along, Korea should be working on a negotiation strategy to maximize its benefit.

RAPPORTEUR Cho Myung Hee

Researcher, Center for Chinese Studies, Institute of Foreign Affairs and National Security, Korea National Diplomatic Academy



TAKING AN ASIAN BRAND INTO EUROPE AND WORLDWIDE

Seoul School of Integrated Sciences & Technologies

Black Yak began in 1973 as “Dongjin Engineering.” Forty years later, it is celebrating its first year as a global brand, with an increasingly visible presence in such outdoor market strongholds as Europe and the U.S. Now it has set the goal of becoming number one in the world in its area by 2020. Chairman Kang Tae-sun has emphasized a combination of established technological ability and stronger overseas marketing as part of an effort to expand outside of Asia and conquer the world market. In line with the “Himalayan original” brand identity, he opened a store in Nepal—a first for the domestic industry—with plans to use this position as a base for increasing domestic brand value by expanding into the European and U.S. markets, as well as new powerhouses such as Northern Europe and Russia. All of this is part of the plan to become one of the world’s top five brands by 2015. This session looked at the story of this new global brand, its globalization strategy and the drivers of its growth.

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MODERATOR

Hur Jeong Ok Professor, Seoul School of Integrated Sciences & Technologies

PRESENTER

Kang Taesun Chairman & CEO, Black Yak Co.,Ltd

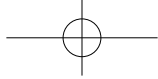
DISCUSSANT

Cho Dong-Sung Professor, Seoul National University

Kang Taesun (Chairman & CEO, Black Yak Co.,Ltd): Black Yak was founded in 1973 and celebrated its fortieth anniversary in 2013. It was founded at around the same time as a number of other well-known overseas brands, including North Face, Patagonia, and MontBell. We’ve run it according to a mountaineer’s spirit: big dreams, lofty goals, and starting small. We’ve become a leader in the Korean market, we’ve established ourselves in China, and we’ve reached the European market. In 2012, we reached 500 billion won in sales. Our targets now are 870 billion won by 2013, 2 trillion by 2015 (30 percent from overseas), and world number one with 4 trillion won in sales by 2020 (50 percent from overseas).

Black Yak has worked hard to improve its product quality and

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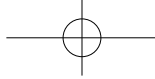
functionality in the Korean market. In 2008, it developed fabric applying crystal to GoreTex. In 2011, it developed a duoback backpack to reduce fatigue and “three-zone” hiking boots designed to reduce muscle fatigue. In 2012, it developed innerwear designed to reduce fatigue in different body parts and increase muscle volume. And in 2013, it came out with sweat-absorbent underwear with stronger functionality, along with outdoor wear with increased launderability and detergent designed to extend the lifetime of items.

Black Yak has earned admiration in China for its interest in the Great Wall and responsible attitude toward the environment. Many news outlets have called it the top brand around. Its products were well received at a European outdoor event in February 2013 (the ISPO in Munich, where it earned the top award for Asia), and it received congratulations on its 40th anniversary. Black Yak’s European strategy—based on Korean design and flair, Himalayan culture, and globally customized patterns—can be summed up in one sentence: “Being Black Yak is being global.”

I feel that Black Yak’s vision of becoming number one in the world is achievable through what I call the “global number one spirit”: going from curiosity to pride, from individual ability and commitment to consistent organization, from size and scale standards to standards based in values and sustainability, from a local brand with functionality and expertise to a global brand with a sensibility and culture.

Black Yak’s mission is to make sure that everyone who loves the outdoors has Black Yak—to give them the gift of enjoyment. We want to give pleasure and happiness to our customers. We have a “three-responsibility” policy for achieving this mission: responsibility for customer satisfaction, responsibility for the environment, and social responsibility. The reason we’re establishing the Black Yak Foundation is to help fulfill that social responsibility along with our customer satisfaction and environmental responsibility.

Cho Dong-Sung (Professor, Seoul National University): There are four models for international management, which we can identify



in terms of where they happen and what the mechanisms are. So we have globalization, locbalization, glocalization, and localization. Black Yak represents the first type of locbalization strategy, which is international mechanism + overseas market → localization → locabalization. (The second type, which can be seen with Yuhan-Kimberly, is globalization → glocalization → localization → locbalization.) I look forward to seeing Black Yak achieving great success in moving from the domestic market to the global one over the next decade, and I expect to see it growing to become a global brand.

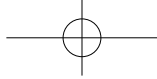
Policy Implications

- Offer entrepreneurship opportunities to young people (social encouragement, institutional support)
- Follow the spirit of the mountaineer who overcomes one-in-a-hundred odds to reach the top, and the management philosophy of Edmund Hillary, the first man to climb Mt. Everest: “Big dreams, high goals, small steps.”
- Increase domestic market share through better quality and functionality.
- Use the global branding strategy from the European market to establish Black Yak as a high end outdoor brand in China.
- Succeed with the “Being Black Yak means being global” locbalization strategy and adopt the globalization strategies of companies like BMW and Apple.

RAPporteur

Shin Jong-Hwa Professor,
Seoul School of Integrated
Sciences & Technologies

New Waves in Asia



HOW COMPANIES AND SOCIETY CAN COEXIST IN THE LONG TERM

Seoul School of Integrated Sciences & Technologies

A company coexisting with society has to achieve two types of goals, economic and social. By focusing too much on short-term profitability, it may sacrifice the trust of the different stakeholders that surround it, and the attention that it receives will mainly be negative. A company can achieve sustainability when it achieves the results that society desires in terms of growth and distribution—and this is also a way for it to survive in the long term. This session looked at ideas for integrating corporate activity in profit-oriented and nonprofit areas for the sake of coexistence, as well as the role of social enterprise and its mechanism for success.

CHAIRPERSON

Cho Dong-Sung Professor,
Seoul National University

MODERATOR

Chung Seunghwa Professor,
Yonsei University

PRESENTERS

Kang Chul-Hee Professor,
Yonsei University

Yang Oh-Suk Professor,
Handong Global University

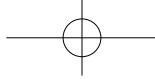
Lee Kyungmook Professor,
Seoul National University

Choi Youngkeun Assistant
Professor, Sangmyung
University

Chung Seung-Hwa Professor,
Yonsei University

Lee Kyungmook (Professor, Seoul National University): For companies and society to coexist in the long term, companies need to contribute to social development and justice, and the government needs to create the kind of society that is conducive to doing business. What contributions a company is able to make depends on the region and the context. “Legitimacy” is defined as the perception by the members of society that a company is helping to realize the values that society adheres to. Ultimately, every country is trying to achieve development and justice. And justice comes in two forms: distributional and procedural. This kind of development is part of the basic mission of a company, and a company is also in a position to realize justice. Legitimacy as perceived by stakeholders can be judged by the difference between the transaction conditions offered by the company and by the next-best option.

A company meets stakeholder expectations—economic, ethical and legal, discretionary—as a way of establishing social legitimacy. The issue now is that stakeholder expectations differ from one



company to the next. And a company's legitimacy can be bolstered when it addresses not just these expectations, but social issues as well.

A company that establishes social legitimacy is a company that can survive long term. We can expect some relatively positive effects—a strong sense of admiration for the company, brand loyalty, stockholder purchases. This kind of legitimacy can also save the company's life when it's facing a crisis. Outside actors may make sacrifices in the short term to help out.

The government's part in this is to create a society that is good for doing business. This means offering more competitive input elements than other countries and making sure that fair rules of competition operate. It also has to build a society where entrepreneurship is encouraged. This means eliminating some of the risks that come up when you start a company and reforming education to train people who are talented and creative.

Choi Youngkeun (Assistant Professor, Sangmyung University):

There's been more and more interest recently in the importance of corporate social responsibility and qualitative growth. Companies are contributing to society in various ways, most notably, employee volunteer activities. This shows us the effects that result from a company setting policies that encourage volunteer activity.

I did a regression analysis on data from the Beautiful Foundation with employee volunteer participation rates and periods as the dependent variables and social contribution organization affiliation and volunteering support type (vacation day compensation, cash support, reflection in personnel evaluations, "other," "mixed," and "none") as the independent variables. It showed that rates and periods may vary according to volunteering policy, with different effects for different policy content.

Next, there was a presentation of research on "social partnership." Right now, social enterprise studies in business administration are in their early stages. Methodologically speaking, they're really just describing what social enterprises are. There is very little in the way of empirical research, and even that hasn't been taking place for very long. There have been studies on resource-based view partnerships

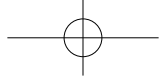
DISCUSSANTS

Kim Ki Chan Professor,
Catholic University of Korea

Lee Yoon Chul Professor,
Korea Aerospace University

Ahn Se Yeon Research
Professor, Seoul National
University

Ayman Tarabishy Professor,
George Washington
University



and strategic partnerships at ordinary venture enterprises and non-profits, but not so much at social enterprises. But a partnership can help increase market presence and influence. It can distribute the investment risk, ensure necessary resources, achieve economy in terms of scale and scope, developing dynamic capabilities by promoting organizational learning, and increase perceived legitimacy. With social enterprises, partnerships can be found where there are organizations in two or more areas—public, private, and social.

The research that is out there now shows that financial performance improves the more diverse the partnerships are. In this case, the study claims that performance grows when a social enterprise has a diverse range of partnerships. The hypothesis is about whom the partnerships are being formed with and what kinds of resources they can get out of them. Questionnaires were disseminated to 517 out of 565 social enterprises certified through 2010 (48 could not be contacted). Seventy of them were returned. The dependent variables were subjectively rated in financial and social terms. And what it showed was that the independent variables influencing financial performance were those instances where an enterprise had formed partnerships with a private support organization, or within an organization providing financial resources or support for development of markets. The positive impact on social performance was found in cases of partnerships with non-profits.

The U.S. and Europe have long traditions of voluntary non-profit activity. The Korean case is different because it's been government-led, as a way of creating jobs. Notably, corporate social performance has been lower when the certification age is higher, and there haven't been effects from government partnerships. These two things appear to require further research in the future.

Yang Oh-Suk (Professor, Handong Global University): In talking about social innovation enterprises, I presented a

The government should create a society that is good for doing business. This means offering more competitive input elements than other countries and making sure that fair rules of competition operate.



video on the café His Beans as an example. The manager there, Im Jeong-taek, started the café after learning about the potential of intellectually disabled persons. So they offered jobs and training as baristas to disabled persons—to date, they've trained 26 such people. I believe they just opened their fifth store.

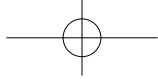
It's been suggested that businesses in these kinds of unique areas should be called “social innovation enterprises” rather than “social enterprises.” With a social enterprise, you have to think about things like success and its factors, sustainability, management strategy, survival strategies, the relationship between hiring and profits, service quality vs. worker satisfaction, growth and maintenance, job assessments, and so forth.

So we analyzed the business models of successful social enterprises, looking at previous research and separating out the shared factors and the unique ones. What we found for His Beans was that it met the criteria for unique factors in terms of target market, social legitimacy, and practical feasibility. We also found a number of areas where it fell relatively short.

Generally speaking, the factors behind a successful social enterprise are given as central and local government policy, social capital, business environment, management capabilities, organizational structure, “social enterprise spirit,” and management strategy, in that order. But the His Beans case was different: the social enterprise spirit came first, followed by organizational structure, management strategy, business environment, management capabilities, central and local government policy, and finally social capital. We then conducted an analysis of their priorities in terms of specific items of assessment.

So we compared the three of them—the entrepreneurial spirit, social enterprises, and what we're calling “social innovation enterprises”—in terms of their innovation, progressiveness, ability to absorb risks, agility, social goals, independence, and aggressiveness in competition. What

The social enterprise spirit and organizational structure are the most important factors, followed by the ability to overcome a lack of management ability with effective strategy.



we found was that the social innovation enterprises had strengthened their entrepreneurial spirit by merging social goals.

From its very outset, a social innovation enterprise is focused on society. Its standards for success are the percentage of disabled persons employed and its sustained management, and the characteristics of its business model are strategic positioning and a weak internal value chain. The social enterprise spirit and organizational structure are the most important factors, followed by the ability to overcome a lack of management ability with effective strategy. A social innovation enterprise has to be financially independent – actually turning down social capital and financial support from the central and local government.

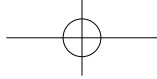
It is required to give thought to the ways in which the direction of the business is set and its goals are to be achieved.

Lee Yoon Chul (Professor, Korea Aerospace University):

To coexist with society, a company needs legitimacy. Living together in the long term requires the company to realize values that are shared with society—not just economic value, but social value.

We can look at Korea's top high tech materials industries, steel, automobiles and shipbuilding, home appliances and mobile phones. They've been putting a lot of effort in raising their economic value over the years, and they've seized a global economic advantage, but economic value isn't everything. For an example of the way a company that sacrifices social legitimacy can collapse overnight, we need only look at the case of Enron. A "decent" company, in contrast, can survive in the long term. Right now, the idea of corporate-social coexistence is a developing concept. It's led to things like transparent management, ethical management, socially responsible management, sustainable management. And these things have succeeded recently in producing shared value. We also talked about the research of Michael Porter on the production of shared value.

You need to give thought to the ways in which the direction of the business is set and its goals are to be achieved. The



direction is a question of what our business is, what it ought to be, what its goals are. The part about achieving goals is a question of who judges what the methods are and what kinds of efforts have to be made on the value chain.

In particular, we saw a detailed look at how to judge CSV (creating shared value). There's an assessment by the company itself, and then it has to be tested by a certified outside organization. This assessment needs to be expanded into different categories: public enterprises and corporations at the first level, and all organizations that generate social value at the second. It should be done on a yearly basis, with the company outlining the shared social values that it embodies in a sustainable management report, which is then reviewed by the certified organization. One of the methods suggested was for the company to calculate and publish both its profits and the social value spun off in the value chain in the process of making those profits, which is then authenticated. Because we need a social consensus on the model for judging the shared value produced by any one company, we have to develop a model that would allow for objective assessment in terms of government policy. Social enterprises should also be assessing their contributions in terms of CSV.

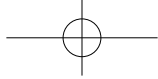
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Question 1) Cho Dong-Sung Discipline can be divided in terms of “is” and “ought,” and I think both of these apply to the production of shared value. So there has to be a real effort to pursue shared value, and it needs to be something positive. I believe that social enterprises are possible from a natural “is” standpoint without pressure from policy experts, but I'd like to hear Professor Lee Kyung-mook's opinion on this.

Answer 1-1) Lee Kyung-Mook Most successful enterprises contribute to producing corporate value, but they also contribute to society. I see it as an enterprise that innovates in a way that lets it make efficient use of limited social resources as a way of contributing not just to corporate value but also to long-term social survival.

So the aim is to produce value for the company, but they're also ultimately helping society advance. Some enterprises may actually make social value the goal in and of itself. I think it's a question of where their priorities are.

| New Waves in Asia |



Answer 1-2) Choi Youngkeun I've taken part in debates on human society, with a focus on competition and growth, and they talked about "pro bono" activities observed in the behavior of the bonobo, a species of primate.

Bonobos offer their food to each other and yield to the females.

These days, the term "pro bono" is most often used in the sense of some professional donating his or her expertise.

But what you can see is that sharing clearly exists in natural societies.

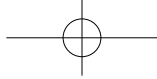
There's also "ethical consumption," which is a topic that has been drawing a lot of attention recently. More and more consumers are taking part in a movement to buy, for example, fair trade coffee, even if it's expensive and doesn't taste as good. So I think the potential for coexistence is present in human societies, too.

Answer 1-3) Yang Oh-Suk The research to date has mainly been focused on the "ought," just because there haven't been that many examples. But I definitely think there's also an "is" element. CSV goes farther than corporate social responsibility (CR), and I think there are already examples of it. So these things have really just started to emerge.

Answer 1-4) Lee Yoon-Chul A company that is really working for social values still needs economic value as well. But it seems like there are examples where this isn't the case. Many companies have run roughshod over social values in the pursuit of competitive advantage. There are cases where you don't really see the long-term survival between company and society. So we need to have appropriate monitoring rather than just trusting companies unconditionally.

Question 2) Kim In-Seok These days, we've seen a lot more attention to shared value. But with humankind having perfected this system of expanded reproduction, I have to ask if we're moving toward an era of self-sufficiency or if we're just going to develop this system further. I have a lot of questions about whether coexistence is strictly necessary, whether companies need to contribute to social values, or whether capitalism needs to be "supplemented."

A social consensus is needed about the model for judging the shared values that companies produce. This model should allow for objective assessment in terms of government policy.



Answer 2-1) Cho Dong-Sung The question seems to be asking whether we're talking about coexistence, convergence, or supplementation.

Answer 2-2) Choi Youngkeun It's a difficult question, but also an important one. We could look at it from a management standpoint, but I personally think it should be addressed in terms of **political economy**. In its early stages, the development of capitalism was based on efficiency. There certainly were problems, but it was an effective system for generating wealth. But in a capitalist system, we often find the rich getting richer while the poor stay poor. It's a hierarchy that is being reworked by cooperatives. The organizational structures are becoming more parallel, which I think bears quite a strong connection to coexistence.

Answer 2-3) Lee Kyung-Mook In the past, the government tended to resolve the different issues that arose in corporate activity. These days, it's having trouble doing that. I think that concepts like "shared value" are emerging because of society's expectation that companies should take it upon themselves to solve these social problems. We're seeing these discussions already on topics like polarization, or the worsening employment situation resulting from increased productivity in a knowledge-based society. What I expect in a capitalist economy is less a convergence on any one form, and more the current form of company becoming the representative one, with those companies developing systems to produce shared value.

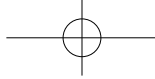
Answer 2-4) Lee Yoon-Chul Even if you're not replacing the system, I think it's important to establish those core values among individuals and companies, the idea that business has to coexist with society.

Answer 2-5) Yang Oh-Suk I think it's a lot closer to coexistence than convergence, and supplementation rather than replacement. Those, to me, are the pivot points in moving toward coexistence.

Answer 2-6) Cho Dong-Sung I expect that future research is going to be about different ways of contributing to social development.

RAPPORTEUR

Park Dong Joon Seoul National University Business School



CSR IN THE GLOBAL ECONOMY: CHANGING CORPORATE STANDARDS

Korea Human Development Institute

In an age with increased calls for more developed social responsibility, it is important to understand the ISO 26000 standard. Foreign companies are working actively to adopt CSR as a core strategy for bolstering competitiveness, but reports show that more than half of Korea's top 100 companies lack a coherent strategy formulated for ISO 26000. Also, an increasing number of companies recently have been focusing on CSV (creating shared value)—going beyond CSR to find the right form of shared value for their businesses. The concept involves pursuing both economic profits and values that serve the public interest. CSR is understood to be an essential business concept rather than a simple matter of “giving back to society,” as it is a way for a company to demonstrate the sustainable management tasks and results that it has produced and be a leader in sustainable practices centering on “people and technology,” including training strategies geared toward future development and attempts to develop core technical capabilities. For this session, Korean CSR Standardization Forum chairman Kim Young-ho shared the international CSR standards, and participants discussed how Asian companies might respond to them.

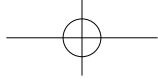
MODERATOR

Lee WonDuck Senior Advisor,
Samsung Economic Research
Institute/Former Senior
Secretary for Social Welfare,
The Blue House

PRESENTER

Kim Young-Ho Chair Professor,
Dankook University/Chairman,
Korean CSR Standardization
Forum

Lee WonDuck (Senior Advisor, Samsung Economic Research Institute/Former Senior Secretary for Social Welfare, The Blue House): In the past, the orthodox corporate approach was to make profits under a capitalist system. These days, however, corporate social responsibility has become a sine qua non. How do we explain this change? It's because many of those who don't pursue CSR are unwelcome in the market and can't achieve sustainable development. If we look at the cases of companies that are not just respected and feared but “loved,” we can see that a company needs to instill love, compassion, and trust in its corporate culture, and that this culture



needs to grow continuously. These days, we've been working on CSR standardization as a way of responding to the "Capitalism 4.0" generation and helping the world achieve sustainable development. So we want to talk a bit about examples of CSR standardization and company management along these lines.

DISCUSSANTS

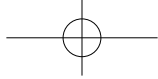
Yoshiki Otake Founder and Executive Advisor, AFLAC Japan

Ryu Youngjae Chief Executive, Sustinvest Research & Consultancy

Kim Young-Ho (Chair Professor, Dankook University/Chairman, Korean CSR Standardization Forum): Around the start of the 21st century, CSR was the topic of international discussions. In 2001, the International Organization for Standardization (ISO) requested a feasibility study from the Committee on Consumer Policy (COPOLCO). The result of this, in 2003, was a Strategic Advisory Group (SAG) on social responsibility (SR), which included representatives from governments, companies, international organizations, and NGOs from around the world. That, in turn, led to an ISO Working Group on Social Responsibility (WGSR), following a 2005 vote by ISO member nations. After that came eight congresses in six years. Finally, in 2010, the ISO 26000 was approved, with 93 percent from 77 participating nations and around 40 international groups voting affirmatively. On November 1, it was officially published as an international standard. There have been a few different regulations and agreements on specific freedoms, but it's quite an achievement to have the discussions on responsibility reach maturity, and result in the enactment of ISO 26000. In the U.S., President Barack Obama talked in his inaugural address about entering a "new age of responsibility."

I'll talk a bit here about the structure and nature of ISO 26000. It follows ISO 9000 and ISO 14000, and is a kind of integrated and expanded form of those. There was a lot of anticipation and interest when it was announced, but it was also a time when the global economy was facing a crisis. Companies were less interested in sustainability and more interested in survivability, so it didn't have a lot of force in real-world terms.

Next, there's the issue of verification. This system was launched to assess performance according to social standards. So far, no organizations have been denied, although there have been cases where companies have failed to earn credibility from the public



in spite of their certification. For example, The Gap, Inc., a global clothing company, took a big hit from a boycott over the use of child labor by one of its subcontractors. In this case, it was really overwhelmed by social judgment. You could say the same thing about Toyota. Different countries are enacting different standards, but the basic pattern has been toward a system of certification.

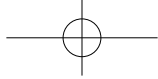
I was actually in Japan in 2004 and 2005, when the press and the mass media were making a huge deal about CSR, with reports about it almost every day. People have talked about how Japan has not been very active in that area, but Korea has been far more reluctant, and the media here don't really talk about it. Maybe one of the reasons is that it hasn't become an issue with the public. Korea may be one of the cases where the CSR "wave" has been weaker than anywhere else in the world. Before it hit, there were a few places developing "economic justice indexes" and giving prizes to companies—Citizens' Coalition for Economic Justice, for one—but it was New Il-han who is really regarded as the "father of Korean CSR." The road from Guro to Bucheon just outside Seoul has been named "New Il-han Road," in his honor.

The next step was the creation of the Korean CSR Standardization Forum, which was spearheaded by the Ministry of Trade, Industry and Energy. Korea bid for a congress on SR – previous ones had been held in Vienna and Quebec. They tried to come up with a "Seoul Protocol," but Korea came out against it at the seventh meeting. So it ended up being held in Copenhagen, and the Korea event fell through.

The Korea Chamber of Commerce and Industry came out with a CSR report that looked at CSR as a factor inhibiting Korean trade. It was kind of a symbolic moment: in places like Northern Europe, it's seen as a proactive strategy, but here it's viewed mostly negatively. There was a kind of negative mindset, a resistance from businesses. But it's important in terms of promoting corporate image.

There's a kind of "escape" trend with corporate management—to present themselves as legitimate businesses by adding a CSR strategy as part of their overall core strategy. A kind of "CSR laundering," if you will. In some sense, we've fallen behind even China in this regard. There's also the fact that the chances of CSR taking root

Socially responsible management should trigger the kind of positive feedback loop that is necessary rather than being used for PR or as a catchphrase.



intersect with issues like economic democracy, shared growth [between smaller and larger business], green growth, labor issues, and legalization of the underground economy. So it needs to be developed from a complex perspective.

Harvard University professor Michael Porter introduced the concept of “Creating Shared Value” (CSV). Indeed, people in Korea have been going crazy over CSV. There was a symposium that asked why CSR hasn’t been able to take root in Korea. Are CSR and CSV interchangeable? Do they supplement each other? If CSR is a principle for management, then CSV is a strategic management tool for embodying it. You can’t substitute CSR with CSV.

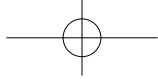
I do get the sense that people haven’t really been talking about the importance of stakeholder communication and empathy in promoting a company’s sustainability, as opposed to the perspective of individual companies. But I don’t think it’s a good idea for companies to be moving toward CSV when global standards have already been formed. I think it will help in getting CSR to take root.

It’s pretty clear what the mechanism is behind social responsibility increasing positive social judgments. But can it actually increase a company’s assessment in financial terms? We’re still not clear on this, but I think it’s important to create a social system that is linked to this institutionally.

They have what we call the “R is R” condition—responsibility leads to returns. Up until around 2012, socially responsible investment (SRI) funds were doing better than the KOSPI index. Lately, they’ve dropped off. Part of this is the counterargument, which is that financial performance is better when you do a good job with your CSR. Even if it’s a bit expensive, society will go along if you have consumers who are willing to spend responsibly. I also think CSR can take root when you have social responsibility efforts. In particular, I think financial institutions can raise their “responsible competitiveness” by participating.

In bilateral terms, all of these things require a multi-matrix system to succeed—CSR, SRI (socially responsible investment), SRC (socially responsible consumption), SRL (socially responsible labor), SRS (socially responsible schools), SRB (socially responsible business), and SRG (socially responsible government).

If you look at the international framework, you’ll find cases like the 2007 CSR MOU between China and Sweden, where the two sides agreed to use CSR as a tool for international cooperation. In 2012, they launched the



“Nordic SCR Joint Project.” There’s also been an international trend toward unity. People aren’t saying, “Not now, the global economic crisis is still going on. We’ll do the CSR when it’s over.” What they’re saying, I think, is, “We’re going to start with the CSR now, and this will see us through the crisis and help a socially responsible form of capitalism take root.”

Standards for CSR have declined to some extent. In cases like Korea or Japan, really anything they do would count. Personally, I think promoting socially responsible capitalism is a way of increasing competitiveness.

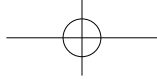
Yoshiki Otake (Founder and Executive Advisor, AFLAC Japan): Forty years ago, I founded a life insurance company in Japan. The entrepreneurial spirit behind AFLAC actually ties in with the ideas of CSR and CSV. So I’m going to talk about management in general, and the case of Japan in particular.

There was a report that I submitted to the Japanese Ministry of Economy, Trade and Industry. Eighty percent of Japanese managers said there needs to be a CSR report, and the government has been working hard to prepare one.

I should note that Japan has 250,000 companies that are more than 100 years old. Companies that old represent about 50 percent of all world businesses. There are 3,000 that are over 200 years old, and 14 that are more than 1,000 years old. The reason so many companies in Japan have been around for so long is because 96 percent of companies are SMEs or microbusinesses with fewer than 299 employees. Germany, which is in second place, has a rate less than two-thirds that of Japan. And these companies view their management philosophy as something crucially important. They’ve worked to build their businesses, viewing their employees as invaluable contributors to the local community. They stay away from things like investment or speculation.

I have no idea where the Japanese securities market is going. Twenty-seven years ago, we had no clue where global capitalism was headed. You can’t take your eyes off it for a moment. In Chiba Prefecture, there’s a woman they call “Mother Merchant,” and she is always working to uphold a commercial code of ethics. That kind of thing is crucial to human-centered management. The bigger the business, the more ethical you have to be. They’re following in their ancestors’ footsteps by taking for granted what is right and wrong.

Ryu Youngjae (Founder and Executive Advisor, AFLAC Japan, Chief Executive, Sustivest Research & Consultancy): I set up a socially responsible



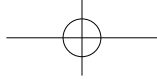
investment counseling firm that handles around 5 trillion won in public servant funds, mainly national pensions. So I've seen a lot of CSR. If you just look at them, you'll see a lot of top companies publishing reports, and there are around forty or so that have their own CSR teams. The quantitative growth is there, but the actual charitable activities have been somewhat distorted in their development.

Charitable responsibility comes after legal and ethical responsibility. But Korean businesses have primarily used social responsibility as a form of publicity and “whitewashing” after some kind of scandal has broken out with the owner's family. It's pretty dismaying to watch. I've also seen a lot of cases where the development of social media and the internet has turned corporate funds into a risk element. You can see this in the case of Namyang Dairy—social risk seems to have become a very important fact of management. The sad thing is that socially responsible management is being used for PR or as a catchphrase rather than triggering the kind of positive feedback loop that is necessary.

CSR has to show up in your day-to-day performance. People have tried to get policy measures enacted, but you can't really tie it to performance when environmental and shared growth indicators are dropping. Unfortunately, most Korean businesses aren't achieving any real positive feedback loop.

It's also sad to see the uncritical attitude people take toward the models developed in the West and the things that famous scholars say in the CSR debate. What we need is a Korean reinterpretation and repackaging. Financial CSR is going to be different from gas industry CSR, which is going to be different from manufacturing and service industry CSR, so the matter needs to be studied very closely. And if you want companies to really take this seriously, you need a mechanism that will go easy on the companies, so to speak, in the long term. The companies that focus too much on the short term are just going to use CSR for PR purposes. We also need to develop appropriate tax deductions and strategic aspects for the sake of long-term investment. If you put it in terms of “shared growth” or “putting a stop to conglomerate funneling practices,” then the conglomerates and conservatives are going to be up in arms about it. I'll finish by saying that I think a kind of “global roaming CSR” would be helpful for this.

| New Waves in Asia |



Question 1) Ryo Harada, Osaka City Councilman You talked about “public interest capitalism.” I think that’s an excellent idea. I’m curious to know which multinationals around the world are offering the best examples of CSR.

Answer 1) Yoshiki Otake There are a lot of managers all over the world with the kind of spirit that underpins CSR and CSV. We’ve seen a lot of debate about fixing the capitalist mind-set, but it’s human, so it’s flawed. I’m not sure exactly how to deal with a situation where financial capitalism is so widespread and there are such vast quantities of money around the world.

Question 2) Shizuo Suzuki Japanese Businessman I’ve heard that Korea has been legally defining “ordinary enterprises” and “social enterprises” for the past six years, and that there are now more than 600 social enterprises. I’m wondering about the specifics of what constitutes a social enterprise.

Answer 1) Ryu Youngjae Korea’s social enterprises have been created by law and certified by the Ministry of Public Administration and Security. Right now, a total of 3,200 have been certified, in terms of companies and local governments.

It’s nice that they provide employment for the disadvantaged, but they’re having a tough time standing on their own two feet and turning a profit.

I think more than 98 percent of them would have trouble functioning if government support were cut off. I’m also worried that the government may be coddling young social entrepreneurs. Drawing their attention to available government support may end up being a source of moral hazard in the future.

So we have the quantitative growth, but the qualitative growth is more or less stagnant. Milton Friedman once said, “A company’s social responsibility lies in maximizing profits.

They’re serving the shareholders, and it’s against the shareholders’ interests for them to fulfill a social responsibility.” Because economies in the contemporary sense have social meaning and economic meaning going hand in hand, I think they are complementary things in the long run.

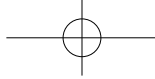
Policy Implications

- Focus not on the words, but on the basic philosophy.

Adam Smith identified an economics of self-interest, where actors work according to their own interests and others compete with better products, which works in the interest of society as a whole. This theory still has a lot of influence today.

RAPPORTEUR

Chang So Young Bureau
Director, Korea Human
Development Institute



THE 'BUSINESS NEXT' PARADIGM AND THE FUTURE OF ASIA

Seoul School of Integrated Sciences & Technologies

The 21st century is now 13 years old. How have companies been putting the old 20th century management paradigms behind them and achieving transformation in the new era?

What kind of paradigm does the new century demand from them?

Global scholars have been stressing three important trends—digitalization, globalization, and democratization—as a way of ushering a new 21st century model of creative management.

This session looks at the winds of change that are sweeping over the global village, the kinds of transformations and preparations needed to be a winner in the new business environment, and what “Business Next” paradigm awaits companies in the future. In particular, CEOs use examples of corporate management to discuss Asia’s future, the paradigm shifts of the 21st century (and the equations that explain them), and the new paradigms that are changing the global village.

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John Kim CEO and President,
Vitamin House Inc.

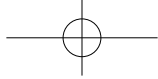
An Tae Gug SAFE Trading co.,
Ltd

Choi Eunsoo (Senior Editor, Maeil Broadcasting Network (MBN)):
It’s the 21st century, and the model for corporate management is changing. There have been a few different shifts in the paradigms governing the world.

The first shift is that the vertical society has become a horizontal, two-way system. The top-down organization of the vertical society, where orders and obedience were valued, needs to be transformed into a bidirectional, horizontal model of communication with the customer.

The second shift has been from a “push era” to a “pull era.” Few companies succeeds anymore with the rule of “pushing”—imposing your perspective on the customer from a supplier’s standpoint.

| New Waves in Asia |



The top-down organization of the vertical society, where orders and obedience were valued, needs to be transformed into a bidirectional, horizontal model of communication with the customer.

Companies need to be able to pioneer a management style that operates by “pulling,” or anticipating the customer’s thoughts.

The third change is the move away from a “people working era” to a “passive income era” where money and the system do the work. A fourth, important shift is the move from an age of reason to an age of feeling. This requires an emotion-based approach of design, branding, and storytelling rather than pricing policy.

Finally, companies need to pay attention to the advent of social media and be savvy with social network services like Facebook and Twitter. The successful 21st century company will have to take advantage of super connectivity.

Moon Kyoung-ahn (Chairman, Volvik): My company, Volvik, has been focused on building its brand power and bringing an end to the era of black and white golf balls. We gave a lot of thought on how to develop our brand, and the concept we came up with was colored balls. The colors make the balls easier to tell apart and easier to tell whose is whose, so we offer that convenience.

In order to step up our marketing of these colored balls, we developed drawings and other kinds of marketing tools, and we sponsored athletes around the world. Sales went up when Volvik balls became the ones preferred by the pros and recommended by their caddies. We’ve gone from a 3 percent market share to 30 percent.

Jung Byung-kook (President and Managing Director, 3M Korea): 3M is proud of its 110-year history. The secret to such longevity has been our efforts toward innovation. The most important part of this is a system that offers “creative time” to up to 8,000 research workers. We’ve implemented a 15 percent rule, where 15 percent of a worker’s day is to be used freely. They can sleep, they can watch movies. The company doesn’t care.

A second part of the system is the 40 percent rule, which is about performance—new products developed over the past five years are supposed to account for 40 percent of sales for the year. We’re working on blending all our technologies and incorporating worldwide megatrends to locate the customer’s needs.



John Kim (CEO and President, Vitamin House Inc.): I founded Vitamin House after working in sales for a large corporation. The secret to our success has been “ideas through changes in thinking.” For instance, we introduced the “shop in shop” concept, setting up exclusive Vitamin House sections within pharmacies. We also hired nutritionists – people struggling to find work—and put them to work as nutritional counselors selling our products at these pharmacies. This is what has helped raise our sales.

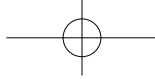
The third thing is that we set up a pre-purchasing system. Because we joined the industry late, it’s difficult to manage the company when we’re receiving payment after the fact. So we decided not to supply our products unless we were paid in advance. This helped resolve our fund shortage, and we also found a niche in terms of customer needs by developing vitamins customized for different age groups.

An Tae-gug (President, Tuscarora): Tuscarora is a “total leisure/outdoor” company. The outdoor gear market is growing rapidly—about 6.4 trillion won now—but competition is fierce. And with big corporations dominating the market, Tuscarora decided on a strategy of getting in there by marketing itself as a “caring company.” We’ve been able to increase our sales by developing single items as top-class products, which then drive sales for other items.

Our bid for success as a “caring company” has four components. First, we’ve moved in on the large discount stores like Lotte Mart, e-Mart, and Home Plus. In those cases, we succeeded with our model by blowing up the price bubble. We sell quality products, but don’t overcharge for them, which helps the customers know that we’re sincere about this. We’ve also succeeded with so-called “happiness products”—again, by selling quality goods at a reasonable price. The third component has been the concept of a “happy company” where everybody’s satisfied, including subcontractors, distributors, and customers. Finally, we’ve generate shared value with a “happy society” by taking a leading role in activities for the public good.

RAPPORTEUR

Yoo Gil-sang CEO and President,
Cyber Education Center for Korean
Teachers



THE CHANGING SECURITIES ENVIRONMENT AND THE ROLE OF THE RESEARCH CENTER

Hankyung Business

Recently, the securities industry has been facing a need for change. Stock transaction volumes are dropping, and earnings with them. In the past, transaction fees for individual and organizational investors were a primary source of revenue for Korean securities companies. For organizational investors in particular, analyses by research centers have played a key role. Those centers have also established their own revenue stream with organizational investor transactions. But with those transactions now in decline, research center returns have been plummeting—and with no signs of the trend reversing. This session looks at the strategies that research centers are adopting to find a “new path” in a changing securities environment.

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MODERATOR

Cho Yun Nam Head of
Research, Daeshin Securities

PRESENTER

Shin Seong-ho Head of
Research, Woori Investment &
Securities

Jeong Yong-taek Head of
Research, KTB Investment &
Securities

Shin Seong-ho (Head of Research, Woori Investment & Securities): I really have a great affection for my fellow analysts. Looking back, I can remember what a great honor it was to do research. Narrowly speaking, I was serving the investor; more broadly, I was serving the national economy. We’ve always been optimistic, proud. But these days, the analysts’ lot is a tough one.

First, research duties need to be updated to fit the current securities market. Investors are uncomfortable with stock investments, period. And analysts are being criticized for too many errors and conflicting recommendations. Another criticism is that the scope of research data is too confined to specific Korean businesses.

Sales patterns have also changed. There’s been a rise in program purchasing and index transactions. Meanwhile, there’s also been

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more intense competition between securities companies, which results in lower transaction prices. That has also been a burden on research centers. The upshot of this seems to be that stock-focused research centers have hit something of a wall.

We can look at it a bit more closely, starting with the trends in product scale for different areas of the financial market. Since 2009, the percentage of this represented by securities has been dropping continuously. Securities-related financial products were 41.2 percent in 2009; by the first quarter of 2012, they were down to 38.8 percent. Meanwhile, securities transaction fees have been falling steadily since 2006. This has been the case not just for stocks but also for derivative-linked securities.

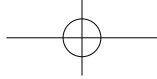
Per capita current net income is also dropping. In 2009, it was around 70 million won; by 2011 it was down to 50 million won. The effect on securities company return on equity (ROE) has obviously been negative—it's only around 3 percent. That's less than bank interest.

Let's turn to corporate sales, which are most closely linked to research. In 2003, program transactions represented 16 percent; now they're up to 38 percent. At the same time, the media's research polls on corporate sales are less correlated to actual transaction volumes than you might think. Overseas, where companies are more sensitive to profits than securities firms in Korea, the number of analysts has been declining steadily.

Already, global IB has been reducing the amount of research done by people in organization stock sales, and increasing the amount of automated services. The Korean market still depends heavily on broker abilities, but change looks to be on the horizon.

So where do we go from here? First off, we need to increase the precision of our analyses. Next, we need to increase the scope of analysis to include overseas items. Third, we need more information exchanges with overseas securities companies. Fourth, we need to research not only stocks but

Global IB has already been reducing the amount of research done by people in organization stock sales, and increasing the amount of automated services. The Korean market still depends heavily on broker abilities, but change looks to be on the horizon.



also bonds and financial products. In particular, I think we need more analysis of overseas bonds and financial products in the area of overseas organizational stock sales. Finally, we need more pay differentiation in our research.

The situation is tougher now. More things are being demanded of companies. The list of requirements has grown. Ultimately, I think the only way to survive is to do a bit less sleeping and increase the scope of our research.

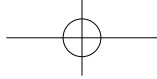
Jeong Yong-taek (Head of Research, KTB Investment & Securities):

I think most of Korea's research centers have more or less the same structure. KTB Investment and Securities is almost four years old. It's already earned recognition as a capable research center for its scale. But we've had a lot to think about. We've spent a lot of time thinking about our lack of differentiation. The industry situation definitely has gotten tougher, and analysts have run into a wall.

Every securities company group is distinct. So the first "class" of analysts at KTB worried about how to establish our presence. Now we're in our second class, and their question has been how to design and what role to play, given the nature of the KTB group. So we changed our organization, dividing the center up into "innobiz" and "core biz" research sections.

Of the two, the core biz section is handling most of what past research centers did. It includes an "economy" part, along with large cap industry. This has helped a lot in terms of efficiency. But the core of the KTB group lies in investment banking (IB) and private equity (PE). So KTB is working to become a think tank within the group.

The inno-biz section handles things like tech software, media, bio, and so forth. It's different from other small cap work. There are about 1,800 to 1,900 listed stocks in Korea, but the research center only does analysis for about 100 of them. We also don't really have reports offering continued updates on small cap. You could call it a kind of "market outlook." So we're working to combine large cap and small/medium cap analysts in a vertical organization. For example, the strongest person on IT small cap might be a Samsung Electronics analyst. We're also expanding the scope of our duties. We're considering helping with investment in a number of different group projects, including venture investment, private equity



funds, things like that.

The key thing is productivity. I think there are about 20 writing analysts working at mid-sized securities companies in Korea. In other words, there's a limit. So we're trying to eliminate the data that are too similar in perspective to what other securities companies are disseminating. We're also putting in a lot of effort to automate things. So it's a kind of "selectiveness and concentration" strategy.

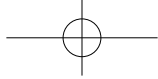
Cho Yun Nam (Head of Research, Daeshin Securities): I think we can sum up the Woori Investment and Securities approach as "asset class diversification" and the KTB approach as "strengthening internal capacities." I'm curious what our panelists think of this.

Hong Seong-Guk (Head of Research, Daewoo Securities): I definitely think the financial market right now is dominated by non-stock financial products. The research center at Daewoo Securities has been putting a lot of effort into finding new business. There's also been a trend lately of research being somewhat undervalued. I think that's a big mistake. The quality of our reports is much higher than at other research institutions, and the reason for that is that we're most sensitive to a changing world.

The goal is clear: we need to build individual capabilities. In reality, there is a lot of demand for analysts at pension funds and investment organizations. Large corporates need the analysts' services even more. So we have to expand the role of the analyst from "specialist" to "generalist." Senior analysts in particular shouldn't allow themselves to get pigeonholed in one area.

Lee Jun-Jae (Head of Research, Korea Investment and Securities): Analysts have more duties now than they did even three or four years ago – maybe twice as many. A particular concern is that they have to be more focused on services than on analysis. But it seems like an increase in quantity rather than quality.

At Korea Investment and Securities, we've had a lot to think about. Our position is that we should watch the market situation right now rather than attempting any sudden changes. At the end of the day, the important thing is building analyst capabilities. It's time for analysts to show what they are capable of in different business areas. This includes



It's time for analysts to show what they are capable of in different business areas.

developing abilities in offering financial design and lifetime plan design for our individual customers, helping our IB customers properly assess company value, and giving our corporate customers ideas for new projects. We need to build ideas.

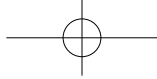
Cho Ik-Jae (Head of Research, HI Investment and Securities): I'd like to talk about things from a slightly different angle. We're going through a period of low growth following the financial crisis in the U.S. At times of low growth, stock prices don't just keep rising steadily like they did before. In other words, what we're seeing now is just a few items out of all stock that are increasing in value.

I feel like moments like this call for a change in perspective. We're living in a time when we really need analysts who can find items that are declining in value. One of the problems for Korean analysts is that they're always talking about "buy, buy, buy." But right now is really a moment to "sell, sell, sell."

Obviously, there also need to be changes to the overall financial market landscape – corporations, asset management companies, securities companies. It's actually not easy for an analyst to write a "sell report." It takes a lot of courage. So I also think that the industry as a whole, or the financial authorities, need to come up with some kind of "rule," a regulation requiring us to write sell reports.

Cho Yong-Joon (Head of Research, Shinyoung Securities): The asset management market in Korea has changed completely. Asset management companies are making profits by managing the funds of large organizations like the National Pension rather than those of individual customers. The National Pension in particular keeps growing each year. There are about 200 companies where it owns a share of more than 5 percent. Those stocks are a tough sell – and that means there aren't that many transactions. So the rules of the games for domestic organizational sales have changed completely.

One possible source of new revenues for Korean securities companies may be transactions with Korean investment funds in the U.S., U.K. or China. Right now, foreign investors represent a very large percentage of transactions on the Korean stock market,



but all the profits go to global IB.

So I think it's time for the Korean government to come up with plans for solving this problem. The Korean securities industry (and its researchers in particular) is in crisis. We could end up giving away our own backyard. We need some kind of institutional help.

Shin Seong-Ho: Korea's growth rate has dropped a lot. The only way to survive now is to see things from a global perspective. It's like analyzing Hyundai Motor—you have to compare it with its global competitors.

Kang Seong-Bu (Analyst, Shinhan Investment): I have two favors I'd like to ask from Mr. Cho and Hankyung Business. Right now, the emphasis in media opinion polls and at research centers is too focused on stocks. The need for non-stock financial products has become very strong, and I think that this needs to be taken into account in analyst assessments and research priorities.

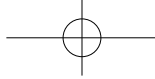
Im Jin-Kyun (Head of Research, IBK Securities): The role of the analyst is definitely becoming more important. This low-growth era is a time when it is very difficult to make a profit. I think this attitude of analysts being “useless” is just a conspiracy theory. The real problem, I think, is analyst productivity. What we need to do is make clear determinations about analyst performance—and that is not at all easy to do. So we need to give that more thought going ahead.

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RAPPORTEUR

Lee Hong-pyo Reporter,
Hankyung Business

| New Waves in Asia |



CAN ASIAN UNITY AND NEW PROJECTS/ TECHNOLOGIES SAVE THE WORLD?

Tama University, Japan

Korea, China, and Japan share both geographic and historical ties. They are also leading the Asian continent in economic terms. A union of Asian countries centering on these three nations might not be able to achieve the kind of currency reforms that the European Union did, but it certainly would be a new economic force and source of synergy. Many issues remain to be solved for economic growth. Countries not only in Asia but around the world are studying and analyzing China, an emerging economy that has joined the ranks of the G20 nations. But Asia cannot be understood in terms of China alone. For Korea, dialogue with its near—yet-distant neighbor Japan is more important than ever. Despite the historical issues that remain unresolved between the two sides, the road forward is one of cooperation. This session looked at the future of Korean-Japanese economic cooperation, including how to plan and design new projects and technologies, not just for Asia but for the rest of the world.

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PRESENTER

Hakubun Shimomura Japanese
Minister of Education, Culture,
Sports, Science and Technology

DISCUSSANTS

Ayumu Kawai CEO, Yamato
Group

Cho Woo Jin Professor, Tama
University

Tetsuo Gyoutoku CEO, Japan
BE Institute

Chang Man Key (chairman of the Korea Human Development Institute) began by discussing the arrival of the “era of Asia,” noting that the combined economies of Korea, Japan, and China put them second only to the U.S., the world’s top-ranked power. These countries, he said, now face the task of having to be leaders not just for Asia, but also for the rest of the world. He also observed that they have been working on contributing to happiness and peace in Asia with their prosperity and changes and seeking possibilities for a “new wave.” He finished by calling for understanding and cooperation to resolve their conflicts and rescue Asia from crisis.

Ayumu Kawai (CEO, Yamato Group) discussed water resources as one of the chief risks in the world today. Existing water supplies may spread infectious diseases that can be fatal to children and

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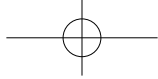
seniors with compromised immune systems. Kawai discussed the Yamato Group, which he founded. He explained how the company grew to become a listed company through its IT efforts and has developed technology for long-term preservation of ionized water to help populations in Africa that are dying from waterborne diseases.

Example 1: Kawai described seeking the cooperation of Tama University in an influenza control experiment at Himawari Kindergarten in Osaka. The experiment examined the deterrent effect of putting humidifiers into classrooms during flu season, and found that it was possible to prevent infection. Noting that many people had lost their lives the year before from influenza contracted at kindergartens (where large groups of children interact) and facilities for senior citizens, Kawai stressed the importance of prevention for a healthy life.

Example 2: Kawai described a December 2012 trip to Kenya, where he observed the Masai population's dependence on rainwater for drinking. When this source is dry, the residents have no choice but to drink river water; some women drawing water from the river have been attacked and killed by crocodiles. Kawai observed that purified rainwater can be drunk, but also noted that germs can breed vigorously after a certain amount of time has passed. His approach was to capture rainwater in a tank and subject it to ionization. As a result, potable water could be stored without stagnation or exposure to contaminants.

Example 3: Kawai mentioned a recent large earthquake in Japan and how authorities were uncertain about the extent of the damage. Residents could not cook with water from the area because of cholera concerns, but ionization of the contaminated water proved successful in preventing bacterial infection. Kawai said he had plans to introduce the technology throughout the world in the hopes of "helping in some small way" with a contribution from Japan.

In the "Asian Era," the combined economies of Korea, Japan, and China are second only to the U.S., the world's only superpower. These countries must now become leaders not just for Asia, but for the whole world.



Tetsuo Gyoutoku (CEO, Japan BE Institute) recounted a story about a “shocking” man who arrived at Tokyo’s Haneda Airport some 45 years before. The man was Herman Kahn, director of the Hudson Institute, and the reason that he was such a shock to the Japanese was because he had prophesied that the 21st century would be the “Japanese century.” Gyoutoku began the discussion by questioning why Kahn had made this pronouncement.

The first reason that he gave was diligence; any office buildings in New York with their lights on late at night, he said, were very likely to be populated by Japanese workers. The second was the outstanding skill of Japanese bureaucrats. Kahn noted that becoming a bureaucrat in Japan required aspirants to follow an elite program, resulting in truly gifted individuals. The third factor was thrift, with 1.4 trillion yen in savings. The Japanese people, Kahn said, were fond of saving money. The fourth factor was the presence of a market of potential workers. These factors were pointed to as reasons for the prediction that the 21st century would belong to Japan.

Gyoutoku then asked if, 4 decades later, the predictions had come true. He inquired about the fundamental presumptions, asking whether the Japanese truly were diligent, their universities world-class, their bureaucrats superior. He did affirm that the Japanese like to save money. He also noted that salaries in the past were low, and that employers today cannot hope to hire people at the same rate. Based on these factors, Gyoutoku concluded that the Japan of today is in a state of collapse.

He went on to say that having become an economic power, Japan should now be focused on peace. He suggested that its experiences with peace and abundance over the years may have been factors precipitating the collapse of Kahn’s predictions, and raised the question of how Japan might come back.

He noted that he had arrived at the forum using a cane that he had purchased in the Korean city of Andong. Recalling the historical figure of Yi Toegye, a Confucian scholar from 500 years before who had a tremendous impact on Japanese gentlemen, Gyoutoku said that using the cane reminded him anew of the lessons imparted by that great Korean and spoke of the great depth of Eastern teachings. Whereas modernites crave the “vast,” the requirement for a life well lived is depth rather than breadth. He went on to warn that Koreans had become too shallow and were spread too thin. He also stressed the importance of “weight.” He asserted that the supreme human values and requirements of a well-rounded person were weight, thickness, and depth, and lamented what he described as the loss of these elements.

Gyoutoku concluded by saying that the 21st century was the century of Japan, but that predictions about Japan had been off the mark. He went on to assert that the “age of Asia” would indeed arrive. He made reference to the Bengali poet Rabindranath Tagore, Asia’s first Nobel laureate, who said that nations collapse under two circumstances: when they have politics without a philosophy, and when they have reason without sensibility. Modern people,



Gyoutoku said, were merely “moving their heads.” While people are regarded as intelligent because of the breadth of their studies, he asserted that the truly important question was whether this theory, reason, or conceptual logic was backed up with feeling.

Hakubun Shimomura (Shimomura, Japanese Minister of Education, Culture, Sports, Science and Technology) began by discussing the global issues that Japan is compelled to resolve as a nation, adding that both Korea and Japan have to address matters of the global structure. He also noted the presence of issues that require resolution through discussions between governments, including environmental concerns such as acid rain and global warming. He gave microscopic dust and other forms of atmospheric pollution as examples of regional issues with international implications.

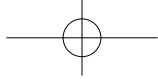
Shimomura said that the issue of resources was one of the countries’ paramount concerns and should be resolved in a way that transcends national boundaries. In particular, he noted that a mapping of natural issues by countries would show many Asian countries to be at great risk. Observing that the response to natural disasters is a common challenge for Asian countries, he stressed the importance of considering them not only from the standpoint of individual nations but in the medium and long term. The question of how to confront shared human issues, he said, speaks to the need to usher in a new era, with innovation becoming a central topic in the resolution. He noted that the administrations of Prime Minister Shinzo Abe in Japan and President Park Geun-hye in Korea have emphasized scientific innovation. Though the situation is similar for other countries, he said, the matter cannot be solved through established scientific innovation approaches alone.

Shimomura went on to say that overcoming individual crises was less important than the awareness of a paradigm shift, one that he said should be approached with a sense not of crisis, but of hope for the future. In terms of hope, he raised the question of whether Asia is currently the fastest growing part of the world. The trend of strong 2012 economic growth rates, he said, were challenging the established notions of “advanced” and “developing” economies.

He went on to say that Asia’s issues were the world’s issues, given that the region has the highest population density in the world, and thus is the most influential. This, he said, was the shared future. He also noted efforts in various areas to break down national borders, saying that science and technology schools would be no exception. Under the conditions of a paradigm shift, he said, it was important to be open to a new era rather than staying confined to the “Asia” framework. He noted

Nations collapse in two circumstances: when they have politics without philosophy, and when they have reason without sensibility.

| New Waves in Asia |



that this trend was accelerating around the world, with countries like Japan, Korea, India, and the nations of Africa working on projects together. He also referred to an advanced U.S.-Japan science and technology cooperation committee that had met the previous April to promote research exchange in science and technology. As minister in charge of science and technology education and innovation for Japan, he asserted Japan's need for a "new beginning," which he said had to take a form that was not "closed off." Noting the increasing number of internationally co-written papers in the academic community, he said that it represented an environment where international collaboration, an approach that is not confined to any one country, has long become standard practice. The environment, he said, was becoming one where individuals can work hard while also competing with one another.

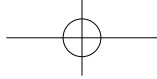
He went on to note the increase in worldwide networks over the decade from 1998 to 2008. He offered Campus Asia as an example of a large-scale Korean-Japanese-Chinese university education project that has been making steady progress, adding that his belief as Minister was that fundamental efforts to develop "global capabilities" were essential. He asserted that global standardization requires collaboration, and that the current paradigm shift demands a willingness from all individuals to take the initiative in putting their heads together for the sake of a shared future. A paradigm shift, he said, requires a change in our way of looking at things.

He went on to say that shifting individual ideas and societies as groups of individuals and changing paradigms toward the creation of a shared future could be a way of preparing for and connecting with a new era. This, he said, entailed a reversal of values: what once was good is now bad, what once was up is now down. He asserted that the most important element in a paradigm shift is not currency value or power, but wisdom and the creation of an era where it is emphasized. He gave the example of Korean music videos and the miniseries Jewel in the Palace (filmed on Jeju Island), which are shown on a daily basis in Japan, and said it was important to question how individuals should interpret this. He said that it was indicative of a worldwide trend of individuals ignoring national barriers.

Shimomura concluded by asking audience members why they had gathered together that day, adding that he wanted each of them to give the question some thought. He then said that he was confident that it was because all of them had strong thoughts about the new era. Linking those thoughts to action, he said, would lead to science, technology, and innovation in the "paradigm shift area." He finished by saying that he had vowed to do his best as Minister in the areas of science, education, and sports.

RAPPORTEUR

Ho Kyoung A Section
Chief, Korea Human
Development Institute



THE STATE OF GLOBAL ANALYST PERFORMANCE ASSESSMENT AND IDEAS FOR A KOREAN APPROACH TO DEVELOPMENT

Hankyung Business

Analysts have been called the “stars of the security company.” Every move the stock market makes seems to depend on what they say. Unfortunately, no clear standards exist for assessing their performance, resulting in a wide variety of metrics used by media and assessment agencies around the world to judge them. This session looks at the different forms of assessment used around the world and examines the possibilities of a better alternative specific to the Korean finance and investment environment.

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MODERATOR

Cho Yun Nam Head of
Research, Daeshin Securities

PRESENTER

Kim Dong-sun Professor,
Chung-Ang University

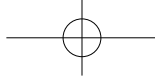
Kim Dong-sun (Professor, Chung-Ang University): The assessment of analysts has consistently been a major topic of research in the U.S. since the 1960s. Analysts have been called the “stars of the capital market,” and theirs is one of the most important roles in addressing information asymmetries that arise in the market. They’ve also recently been viewed as critical in improving corporate governance structures in the English-speaking world.

Right now, there are two major assessments for world-famous analysts, one by Institutional Investor (II) and the other by the Wall Street Journal (WSJ).

II uses a qualitative approach in which they ask people, mainly fund managers, to rate analysts on a scale of one to four for stock choice, quality of return projections, and overall services. Their choices tend to follow asset management company size.

In contrast, the WSJ uses a quantitative approach. They take reports on analysts covering at least four stocks and rate yearly returns for target stock values.

| New Waves in Asia |



So what function do these assessments serve? If you look at the research, they report positive and negative functions at a roughly two-to-one ratio. Returns for stocks recommended by analysts topping the media rankings outperform the market by around 7 percent.

Let's now look at the way that overseas securities companies do their internal assessments of analysts. Their main metric is customer satisfaction. The securities companies in Korea use a variety of methods to rate analysts, although internal assessments tend to be skewed toward short-term performance. It's similar to media polls—they're only interested in the short term. The "beauty pageant" aspect is another big problem.

There are ways of improving things. First, the media polls need to use more quantified indices. Generally speaking, there needs to be more of a focus on analyst training from the Korea Financial Investment Association, and from the industry in general. At securities companies, analysts represent a kind of R&D division. A company can't grow without R&D.

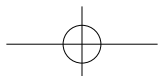
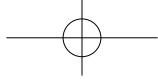
Lee Jun-Jae (Head of Research, Korea Investment and Securities): There definitely is a big downside to focusing too much on short-term performance in assessments. I think it needs to happen at least once a year.

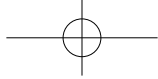
Park Jae-Seok (Analyst, Samsung Securities): The time has come to introduce quantitative methods. That's only for analysts who lack experience to grow.

Oh Seong-Jin (Head of Research, Hyundai Securities): There's a trend right now of securities company specialization. I'm wondering if there are examples overseas of analyst polls to rate the characteristics of the different companies. If not, then I think we need to come up with some other kind of tool.

RAPPORTEUR

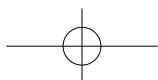
Lee Hong-pyo Reporter,
Hankyung Business

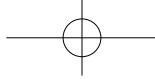




Part IV

The Environment and Human Welfare





DIRECTIONS AND ISSUES IN ECO-FRIENDLY DEVELOPMENT IN DEVELOPING ASIAN NATIONS

Cheju Halla University

There is no need to further emphasize the importance of transnational cooperation on environmental conservation in the course of economic and social development in developing Asian nations. Not only does the scale of economic and social development in these nations account for a larger share of the global economy than in other regions, eco-friendly development for the co-prosperity of humanity is all the more important because of the sheer scope of development. This session discussed the issues and experience of eco-friendly urban development from the perspective of “eco-city” development.

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MODERATOR

Jun Yong-Wook Vice President,
Sejong University

PRESENTER

Jeong Hoi-Seong President,
Institute for Environment and
Civilization

DISCUSSANTS

Jeon Eui-Chan Dean, Graduate
School, Sejong University

Lee Ju-Yeon Executive Vice
President, POSCO ICT

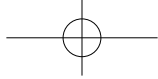
Moon Sungjong Professor,
Cheju Halla University

Jeong Hoi-Seong (President, Institute for Environment and Civilization): spoke of how poverty and environmental issues are among the biggest problems facing modern society, and how climate change, the loss of biodiversity, and global warming are the biggest causes of overconsumption and poverty. He explained how the biggest victims of climate change are underdeveloped nations, and if it continues, how climate change will directly harm developing nations.

He said improving quality of life to eradicate poverty and implement environmental conservation are the biggest issues facing developing nations, adding that such nations, which suffer from mass poverty, are weak in the face of the dangers stemming from a deteriorating environment and climate change.

Population growth and environmental conservation became issues with the rapid economic growth that came in the 1960s. By 1972, the U.N. Conference for Human Environment (UNCHE) cited

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environmental pollution and protecting the ecosystem as issues for international society.

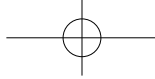
Jeong explained that despite later efforts such as the U.N. Millennium Development Goals (UN MDG) and the World Summit on Sustainable Development (WSSSD), most countries remain unable to escape extreme poverty and that this continues to seriously impact the global ecosystem.

Accordingly, the 2012 Rio+20 summit chose “The Future We Want” as its agenda, and adopted the themes of sustainable development, green economics and the eradication of poverty. Jeong said this was a matter of strategy and policy for establishing a vision and realizing the objective of sustainable development goals (SDGs).

He emphasized that environmentally-friendly development in developing nations will require finding concrete solutions for the eradication of poverty and sustainable development, and that in the course of overcoming poverty, the most important move is to devise development strategies that protect the tradition and culture of a developing nation as well as encourage voluntary participation of society in the region.

Jeon Eui-Chan (Dean, Graduate School, Sejong University): presented an environmental policy strategy for eco-friendly urban construction, based on the Korean experience. Starting in the 1960s, Korea achieved rapid economic growth through the implementation of five-year development plans for the national economy. By the 1980s, the emergence of industrial zones with an overconcentration on the heavy and chemical industries presented environmental problems like air pollution and water contamination. He said the main cause of environmental pollution was to be found in cities around the greater capital region, noting that pollution from this region was greater than in industrial zones. He said that for policy governing this kind of pollution to be successful, the need is an environmental policy tailored to the characteristics of the region, development of alternative energy, active international cooperation and public understanding and participation.

The biggest victims of climate change are less-developed nations and if it continues, it will directly harm developing nations.



Moon Sungjong (Professor, Cheju Halla University): talked about the importance of the academic and historical value of Jeju Island’s natural environment, noting how UNESCO chose Jeju to be a Biosphere Reserve, designated it a World Natural Heritage Site, and recognized its status as a member of the Global Geopark Network.

He explained how Jeju Special Self-Governing Province has a plan for organized conservation to ensure a healthy environment and keep development sustainable, as well as an action plan for the preservation of the value of its environmental assets.

Moon also spoke of the province’s establishment of an Environmental Resources Management System to preserve its environment and expand carbon sinks, a plan for low-carbon urban development in response to climate change, programs for increasing ownership of environmentally-friendly cars that promote reduced CO2 emissions, and the importance of establishing green transportation systems such as bicycling.

He said Jeju’s environmental conservation strategy will ultimately become the foundation of the island’s goal to become a global “eco-city.”

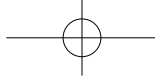
Policy Implications

- For a developing nation’s policies toward environmental pollution to be successful, there needs to be a policy tailored to the region in question, development of alternative energies and active international cooperation. Public understanding and participation are also needed.
- Environmentally-friendly development requires concrete solutions for the eradication of poverty and sustainable development, and in the course of overcoming poverty, the key is to have strategies for preserving tradition and culture and encouraging civic participation.

RAPPORTEUR

Lee Junho Dept. of Planning & Management, Cheju Halla University

| New Waves in Asia |



CLIMATE CHANGE AND FISHERIES IN EAST ASIA

Jeju Special Self-Governing Province/Jeju National University

Disappearing glaciers in the North and South Poles and in high altitude areas have led to erratic weather stemming from rapid changes in global oceanic currents. The increasing unpredictability of land and marine ecosystems has considerable influence on the diversity of marine species. Participants in this session examined how changes in the marine environment affect species diversity and positive and sustainable ways to preserve that diversity.

MODERATOR

Jung Sukgeun Professor, Jeju National University

PRESENTERS

Kim Suam Professor, Pukyong National University

Shan Xiujuan Yellow Sea Fisheries Research Institute, China

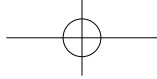
Kim Dohoon Professor, Pukyong National University

Kim Suam (Professor, Pukyong National University): The waters of East Asia, where Korea is located, account for 36 percent of the fish caught and 80 percent of the fish produced by the global industry, and as such, occupies a massive part of the fishing industry.

We are at the starting point of climate change, and if you consider the change in temperature of sea water, the area around Korea is warming the most. If this continues, big changes in fish distribution will occur by 2050. One example is the way mackerel are now dispersed much farther north.

Marine life is vulnerable to acidification of the oceans caused by climate change. If, for example, acidification desolates coral reefs, the fish that inhabit them could be annihilated. In addition, rising sea levels are exacerbating damage to hatcheries close to coastal areas. Damage from typhoons is done to the physical coast and causes a loss of fishing days. An increase or decrease in precipitation is also thought to influence the fishing industry, but this requires more research.

The rapid change in climate is seriously harming the fishing



industry, and fishing populations are taking a direct hit. This subject has earned little interest, however, despite East Asia being the storehouse of the world's fishing industry and its significant influence over national economies. Korea is not alone in this, as other countries in East Asia are also overlooking this problem. We need to recognize the seriousness of climate change, how it influences the fishing industry, and act to protect this resource. To this extent, an inter-country fisheries agreement and an international organization to oversee the industry are needed.

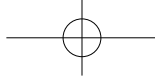
Shan Xiujuan (Yellow Sea Fisheries Research Institute, China):

Factors that significantly influence the fishing industry are climate change, pollution, habitat destruction and overfishing, but among these, climate change has immense influence. Global warming is clearly happening, and its severity is growing more serious with human activity. Climate change is a global problem for the fishing industry, so much so that the effects of global warming can be found in 59 of 64 marine ecosystems. Its direct effects include negative impact on marine resources and reduction in fish catches, but climate change also indirectly affects things like global trade.

Climate change causes shifts in the temperature and salinity of the sea and in rainfall, while fish resources experience physiological and behavioral changes while trying to acclimate themselves. Examples include the discovery of plankton or starfish en masse or the takeover by jellyfish of ecosystems that had been dominated by fish. Looking at the past, what mostly existed in the 1970s was reported to be cold current fish species, but that by 2000, that had changed to mostly subtropical fish species. Climate change is lowering the diversity of fish species. In the future, the types of fish in both temperate and tropical regions will be reduced to only tropical fish, and finding fish from the subtropical and temperate regions of the ocean will be hard. The kinds of sea food we eat will also change to mainly tropical fish, and this change will hurt national economies and the global economy.

In the fishing industry, climate change and human activity

We need to recognize the seriousness of the influences of climate change on the fishing industry, and launch an inter-country fisheries agreement and an international organization to oversee the industry.



could destroy fish habitats, reduce the distribution of fish species, and change the biological characteristics of fish.

As for the Yellow Sea, having looked at China's catch by season, we have observed distinct changes in small fish, especially yellow corvina.

In a study of the years between 1960 and 2008, we ascertained considerable physiological and ecological change in things like yellow corvina's growth coefficient, age structure, size change, overall death rates and changes in the breeding and breeding age. Interestingly, we observed a definite change in the food chain between the 1980s and today, and this change is affecting the health of fish species, their growth, and even their ability to reproduce. Furthermore, climate change is leading to the discovery of never-before-seen species of fish and other organisms.

Environmental change is influencing the ecosystemic resources of the Yellow Sea, and the same is assumed for other areas of the North Pacific. This being the case, research is needed to clarify the influence that climate change is having on the fishing industry.

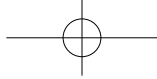
Kim Dohoon (Professor, Pukyong National University): A lot of cases have been reported in which fisheries are being destroyed because of longterm changes in climate. Examples are changes in major fish species, the emergence of new species, and things like chlorosis that can be seen in Jeju. Responding to climate change like this will require a change in production structure systems and tailoring a fishing policy to this end.

International bodies are providing important policies for the stabilization of fisheries amid climate change.

The Food and Agriculture Organization (FAO) is responding to the causes of the changes by urging real-time monitoring of the reproduction rates of fish species and assessing weaknesses of national fishing industries.

For the sake of policy proposals on climate change, I propose an assessment of the fishing industry and species, determining methods to reduce climate change, changing the

Responding to climate change will require changes in production structure system and fishing policies.



sector's production structure, linkage with green growth, strengthening community involvement in fishing villages, making the structures governing the industry more flexible, and strengthening international cooperation. This will provide a strong groundwork in establishing a policy designed to ease the negative effects of climate change.

Question 1) Kim Jun-taek (Jeju Special Self-Governing Provincial Council)

What is your view on expanding the regulatory fishing body for Korea, China and Japan in North Asian waters areas to all of Northeast Asia?

Answer 1) Kim Suam I propose forming an intergovernmental organization. It will not work without government action.

Answer 2) Peter Hayes (Director, Nautilus Institute) Are you sharing fishing data with North Korea?

Answer 2) Shan Xiujuan China and Korea have just that kind of data sharing. It is my understanding that China only refers to North Korean figures. I believe North Korea does not participate in large marine ecosystem (LME) projects.

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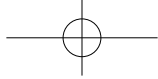
Question 3) Park Yun-gwak (Korea Fisheries Association of Seogwipo) Is research data on climate change in the Yellow Sea being shared?

Answer 3) Shan Xiujuan There has been a lot of research about the Yellow Sea in China recently. We are at the stage of amassing the results of the studies and data, and are monitoring the data.

Question 4) Kang Jae-gwan (MarineCom) Climate change is, if you look at it, all about warming, but lately fishermen in Jeju have been saying fishing grounds are not forming because water temperature is actually lower. What do you think of this? And I wonder whether a predictive map for fishing areas could be made, like those for crops?

Answer 4) Jung Sukgeun Climate change is something people can see for themselves, so this concept is about sensing the crisis and preparing a response. It requires a long-term perspective of 50 to 100 years, and not the short term. I think a map for predicting fishing grounds is being done by the National Fisheries Research and Development Institute. Unofficial research results indicate Japanese

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amberjacks, mackerel and butterfish have tended to move farther north, while anchovies tend to be concentrated near Japan. We will formally present these results at a later date.

Question 5) Song Chang-su (Seogwipo City Hall) Is there data on greenhouse gases produced by the fishing industry? Greenhouse gases from the industry likely account for a minor portion of all CO2 emissions. Are these significant?

Answer 5) Kim Dohoon If greenhouse gases occur in the fishing industry, it means we should measure carbon emissions and compare them at the state level. Also, for consumers, we could follow the example of advanced nations, where environmental labels are used as a matter of strategy, to indicate which fish varieties were caught with a low level of carbon emissions.

Policy Implications

- Recognition of the severity of climate change's influence on the fishing industry is needed, as well as action to protect resources. This will first require research and analysis into how climate change is influencing the industry.
- One suggestion was the establishment of a fishing industry agreement between states and international organizations to manage the industry.
- Another proposal was for the organization regulating fishing industry resources to be expanded beyond Korea, China and Japan to all of Northeast Asia and be made an inter-governmental body.
- Since the Korean government recognizes this need but tends to be half-hearted about the issue, implementation will require public pressure.
- To establish a fishing industry policy toward climate change, we need to ascertain the reasons for the change through real-time monitoring of production quantities. Also needed is an assessment of the weaknesses inherent in each kind of fishing technique and species.

RAPPORTEUR
Ha Seungmok Jeju
National University



METEOROLOGICAL INDUSTRY GROWTH VIA CONVERGENCE-INTEGRATION MODEL OF WEATHER TOURISM

Seoul School of Integrated Sciences & Technologies

Climate change is occurring rapidly enough for Korea to be experiencing double the global average of increased warming. The phenomenon is affecting all areas of human life, both directly and indirectly. Diverse methods for responding to and dealing with climate change are being attempted the world over. Korea is growing its new and renewable energy industry by creating wind farms, largely offshore. Particularly in the case of Jeju, where tourism is the main industry, growth in the sector, which is just one part of the effort to adapt to climate change, will be important. For adaption and a proactive response to a rapidly changing climate, what is needed is a regional development model linked to new and renewable energy (such as wind) that utilizes weather data services as well as new areas of tourism that can increase earnings. So here, we took the opportunity to connect weather with energy and also tourism through a model integrating the weather, wind and tourism.

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MODERATOR

Kim Baek-Jo Director of Policy Research Laboratory, National Institute of Meteorological Research

PRESENTER

Cho Seok-Joon Former President, Korea Meteorological Administration

DISCUSSANTS

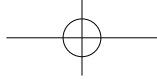
Lee Jung-Hwan Director, Jeju Energy Corporation

Yang Kyung-Ho Vice President, Jeju Tourism Organization

Cho Seok-Joon (Former President, Korea Meteorological Administration): Weather prediction is getting harder in the wake of more erratic and changing climate conditions. Forecasting the weather is about more than just the weather—it influences industries across the board. Climate change is expected to lead to problems like desertification, droughts and water shortages. According to new predictions on climate change presented at the fifth International Climate Change Conference, Korea by 2050 will see more precipitation but the temperature will also rise by such a degree that it will be relatively in a state of drought.

Worldwide, Korea's weather system ranks around seventh and the

New Waves in Asia



country shares weather data with the world. So the nation needs to build weather models and form policies based on this weather prediction data.

Suggested responses to climate change include carbon tracking systems, detailed scenarios and weather and climate data tailored to each region.

Jeju Special Self-Governing Province needs a strategy for making its weather a new part of tourism as part of efforts to develop what the island calls “seven major tourism sectors.”

It must record and commercialize notable climate characteristics or promote the basis for water tourism.

Influence of climate change in Jeju on tourism

Yang Kyung-Ho (Vice President, Jeju Tourism Organization):

The relationship between climate change and tourism can be said to be one in which each aims at each other. With Mt. Hallasan at its center, Jeju has relatively large differences in temperature and weather in each direction. I propose the following for the marketing of tourism that utilizes Jeju’s climate.

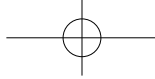
My first suggestion is weather tourism indexes. This would be about the development of indexes, for example, one measuring the weather for horse riding and another for playing golf. My second is weather tourism packages of activities tailored to the weather, like hiking to oreum (volcanic cones) in the rain, folk sites in monsoon season or extreme sports. My third recommendation is weather insurance, a product for when tourism must be canceled due to adverse weather. Samsung released a weather insurance product in 2009, and something for Jeju could be modeled on this. My fourth suggestion is storytelling that uses the weather. Tourist activities that connect Jeju’s weather with its history and folk culture could be promoted.

Lee Jung-Hwan (Director, Jeju Energy Corporation): The use of traditional energy sources is being challenged due to

Kim Eui-Keun, Professor, Jeju International University

Cho Chun-Ho, Director, Climate Research Laboratory

As the use of traditional energy sources is being challenged due to environmental issues, climate change and safety, renewable energy industry needs to be nurtured.



environmental issues, climate change and safety. We thus need to promote our new and renewable energy industries. Wind energy is a new paradigm for the sector.

Plans for development of offshore wind energy in the Jeju area by 2030 are being drafted. A strategy for connecting this kind of power to tourism is needed as well as for bringing together wind power, tourism and the weather. Weather prediction will also be important in assessing the influence of wind power and preparation for major storms. To this end, I propose a working-level team for weather data convergence.

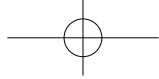
Kim Eui-Keun (Professor, Jeju International University):

We need to build specialized programs for weather tourism. I propose the development of tours featuring wind, solar and tidal power, Jeju Global Research Center of the Korea Institute of Energy Research, salinity gradient power production, mango farms, subtropical industries and others. With a longer summer season, people need facilities where they can experience climates and things related to typhoons. Other ideas are international exchanges in weather and climate technology, the establishment of an Asian wind power center and the creation of a weather tourism organization.

Cho Chun-Ho (Director, Climate Research Laboratory): Given global climate change, temperatures are 4 degrees higher than in the interglacial period and could rise about 3 degrees more. So a more prudent attitude toward climate change is needed because the weather could negatively influence tourism and life. The Jeju government must create low-carbon and ecological tourism through projects such as “slow cities.”

RAPPORTEUR

Shin JinHo Senior Researcher,
Climate research Lab/NIMR



RESPONDING TO CLIMATE CHANGE: EFFECTIVE USE OF NEW RENEWABLES AND CONVENTIONAL ENERGY IN JEJU

Seoul School of Integrated Sciences & Technologies

The world's climate is changing rapidly. Warming has clearly been observed in Jeju as well, with winter temperatures markedly increasing and sea water levels rising at a high rate. The island is pursuing a policy to spread the use of new renewable energies called "Carbon-Free Island Jeju by 2030." In response, voices are growing stronger to preserve the environment and put conventional and new renewable forms of energy to harmonious use. In this session, participants debated responding to climate change through the convergence of new renewables and traditional energy sources.

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MODERATOR

Kim Dong-Kook Director, Jeju
Global Research Center

PRESENTERS

Kim Eel-Hwan Professor, Jeju
National University

DISCUSSANTS

Nam Jae-Cheol Director-General,
National Institute of Meteorological
Research

Oh Si-Deok Wind Power Program
Director, Korea Institute of Energy
Technology Evaluation and Planning

Moon Sung-Chang General
Manager, Korea Electric Power
Corporation

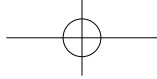
Lee Tae-Won Senior Research
Fellow, Korea Institute of
Construction Technology

Nam Jae-Cheol (Director-General, National Institute of Meteorological Research): The National Institute of Meteorological Research (NIMR) was moved to Seogwipo per government policy, with construction 97 percent complete. Our new and renewable energy projects will take a major step forward when our building is finished next year and after 200 research employees move in.

On the problem of climate change, our research is mainly related to the development of wind energy and the conversion of waste to energy. We are also working on a system for predicting wind power and contributing to the construction of wind farms.

The Jeju area experiences a lot of typhoons and natural disasters. So we will also conduct research on safety, have this reflected in policy and thereby create synergy.

Oh Si-Deok (Wind Power Program Director, Korea Institute of Energy Technology Evaluation and Planning): In his book



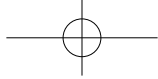
Research in wind power should not be limited to Jeju; from the very start, it should be part of long-term research and goals.

Revolutionary Wealth, Alvin Toffler questions whether energy is a problem for only certain classes.

Talking about new renewable energy and conventional energy in the Jeju area is good, but when implementing a project, the direction and stages it takes can change considerably. Once we have looked at previous research from experts and academia, we can change the concept of energy, its manner of use and the directions it is taking.

First, we seem to have formulated predictions by estimating changing research demands and data for previous time periods. But I think what is needed is predicative data rather than estimates based on consistent data. Second, I feel that in research for 2019, the data was too hasty in capacity. The capacity of this study could be said to be at a level too difficult to realize. In other words, there are limits to the possibility of realization and acceptance as well as other technical issues. Ultimately we have to research offshore wind power and decide on a timetable for adoption 15 or 18 years later, and drawing results based on estimates from hypothetical data is inadvisable. We need to begin research from the perspective of attempting something new about new renewables, but at the same time, a more substantial discussion is possible about market uncertainty if we follow-up with more proactive research. Third, when talking about industrialization, we have no concrete research and alternatives when talking about whether electric cars are business or technological models. Fourth, Jeju unfortunately is unable to provide a concrete response to our naming of the island as the export base for the smart grid. Fifth, I agree that the provincial government has achieved much in new energy research by taking an interest and doing things like running relevant projects on its own.

Moon Sung-Chang (General Manager, Korea Electric Power Corporation): A lot of research on wind power is being done, but realistically wind power has a lot of problems in energy generation and more studies on weather and other variables are needed. Much must also be resolved in safety. Wind power



requires no fuel, but we must determine if the capacity limit can be increased by linking many sources of wind power together. For example, one method of increasing capacity could be through the use of large-scale storage equipment.

Research in wind power should not be limited to Jeju; from the very start, it should be part of long-term research and goals. If from the beginning undersea cables are used in a windy area, we could send electricity to the mainland.

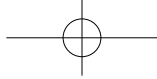
Lee Tae-Won (Senior Research Fellow, Korea Institute of Construction Technology): On making Jeju a “carbon-free island” based on new renewable energy, particularly wind power, I believe this is a good direction to take but we need more concrete research.

A lot of discussion is ongoing about the environment, particularly issues like rising energy costs and reducing greenhouse gasses. But realistically, the inclusion of discussion on nuclear power is worthwhile because the resource is used. How unfortunate that communication is inadequate between energy suppliers and consumers about the supply of clean energy. The Korean people need to take an interest in questions such as these.

Korea has long discussed energy supply and demand. Now we need to think about what place in the mix to give to new renewable energy and about methods for industrializing new renewables. For starters, just as politics and economics have been the topics of much discussion in Korea, energy supply must also be talked about as often. How long can the country continue with its highly centralized management of energy? Forms of energy and the structure under which it is consumed cannot develop when the relationship is between energy companies and individuals in contractual agreements. A change is needed in the scale of things from the massive to the medium because renewable energy is not limitless, it is finite.

Secondly we need to link things by relevant area. Formalized dialogue should be held between departments of urban planning, roads and other environment-related areas. When it

Now we need to think about how to industrialize new renewables and what place in the mix to give to them.



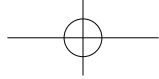
comes to buildings, we need to research building structure in connection with architecture and look at systems that circulate warm water to provide heating. Another need is to study and examine things together from the perspectives of diverse fields. And we need an energy coordinator. The Jeju region should talk not just about wind energy, but also research the storage and conversion of new renewables. More in-depth study of natural energy sources is needed.

Finally, the Korean energy industry has no concept of customer service, something it needs given that the Korean public lacks any interest in how it gets energy. Research should be done together with the public to foster the ability to think positively about, and take an interest in, energy development.

Kim Eel-Hwan (Professor, Jeju National University): When a country achieves per capita income level of US\$20,000 the people start to enjoy “leisure,” and at US\$30,000, they move on to the concept of “healing.” Now is a good time for the central government and officials to take an interest in new renewables and invest more in public relations and research.

The understanding of the need for a secure supply of energy has recently expanded, and Koreans are beginning to take an interest in energy. The United Kingdom is worth looking at because renewables account for a large portion of the energy Britons use. But this is possible because the British public has a positive view of renewables.

As the era of per capita income of US\$30,000 approaches, the government should promote the need for secure and renewable energy so that every Korean has an understanding of clean energy.



Policy Implications

- Jeju is contributing greatly to the creation of wind farms and engaged in a wide range of research into systems for predicting climate change. Because the island is subject to typhoons and other natural disasters, however, research into issues related to these problems must come first.
- Thus far, research on new renewables has been about statistics, about analyzing data. But research on regional development needs studies on feasibility and adaptive capacity before data analysis is conducted.
- Wind power safety is an area with much to be resolved. Research is needed on how electricity can be transmitted to the mainland using undersea cables from the east and west of the island, and about how that would be implemented.
- There is much discussion about the environment, rising energy costs, reducing greenhouse gases and other related issues, but realistically, discussion of nuclear power is also crucial. Active communication is needed between energy suppliers and consumers, and the public should get involved.

RAPPORTEUR

Kim Hong-Gil Professor,
Seoul School of Integrated
Sciences & Technologies.



CLIMATE CHANGE AND WATER MANAGEMENT STRATEGY FOR ISLANDS

Jeju Special Self-Governing Province Development Corporation

Worsening climate change necessitates the establishment of mid- and long-term plans for insular area water supplies. In this session, we explored water management strategies for Jeju Special Self-Governing Province by looking at Hawaii, which has hydro-geological characteristics similar to Jeju, and how it manages its water resources in response to climate change

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OPENING REMARKS

Oh Jae-yeon CEO, Jeju Special Self-Governing Province Development Corporation

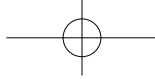
PRESENTER

William M. Tam Deputy Director, Commission on Water Resource Management, Hawai'i Department of Land and Natural Resources

William M. Tam (Deputy Director, Commission on Water Resource Management, Hawai'i Department of Land and Natural Resources): Island areas are especially sensitive to climate change. Hawaii's fresh water is being threatened by reduced precipitation, rising temperatures and increasing demand. Alleviating the influence of climate change demands a comprehensive approach to management. This involves reconstructing the distribution pattern of underground water tube wells, collecting and preserving even more rain and fog drip through the effective management of forests, collecting and reusing storm water and seepage, reusing waste water and implementing effective programs for saving water.

Rainfall is the Hawaiian islands' primary source of freshwater. We need to consider all ideas about collecting and preserving rainfall in nature, and we need to improve means of supplying fresh water. The challenge is to slow the flow and manage the process from the moment a drop of water hits the earth to when it enters the sea. Historically, tube wells were developed without being coordinated. When tube well owners decided where to build new ones, they did not consult each other. This was no problem when there were few

| New Waves in Asia |



tube wells and water demand was lower. As demand increased, appropriate distance intervals were needed between them to prevent conflict. This is especially important as the volume of water cultivated in aquifers decreases because of climate change.

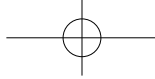
Initial predictions about climate change suggested that precipitation will decrease over the course of the next century. This is a serious problem for islands, as most do not even have waterways that they can change the flow of. Alleviating precipitation reduction will require an understanding of dispersion patterns, as through these, island communities can effectively collect more rainwater. For example, protecting and preserving upstream forested areas could bring imbalanced benefits. Understanding how living species consume and use the water—and how water is lost in transpiration—shows how managing forested areas is about protecting the types of trees that play the most important role in protecting water resources.

Protecting and managing forests is, economically speaking, far more advantageous than developing new tube wells. Serious forest management can also create jobs and strengthen the local economy.

Another effective approach is renewing and reusing sewage and storm water. Actions such as these will reduce the loss of coral reefs. Collecting rainwater not only increases the amount of water cultivated from aquifers, but also reduces contaminants from land-based sources that enter the coastal water environment. Coral reefs the world over are being threatened by rising temperatures, ocean acidification and land-based pollutants. Farmers, too, welcome ways to maintain more of their topsoil.

Climate change can also mean that plants use more water as a result of rising temperatures. The amount of water it takes to grow crops will increase. The use of non-potable water should be expanded to satisfy increased demand from agriculture. A major potential source for non-potable water is treated waste water. Through proper treatment, it could be used in edible and non-edible grains. Now that water is sold as a product, reusing waste water could reduce the cost of treatment. We need to explore local solutions to reduce the money needed to treat and reuse waste water. The only way to make such projects economically possible is cooperation between producers of recycled water and consumers.

The surest solution to the problem of climate change is water conservation programs. The limited supply of island freshwater demands the most efficient use of this resource. Water conservation programs need not only technical



effectiveness, but must also consider price structures that that can economically influence water consumption. Land use planning is also important and should fit with rainfall patterns and distribution. Crops can be irrigated through rotational irrigation that takes natural rainfall, and that way, dependence on inefficient supply systems can be reduced.

Responding to climate change is becoming a global issue. The future is uncertain but the direction that must be taken is clear. Unlike other resources, water is essential to all life and has no substitute. There is talk of regional solutions but most actions remain local. We urgently need proactive ways to advance new means of cooperation at the local level. We cannot wait for national or even regional measures.

Just like the Hawaiians who crossed the central Pacific 1,500 years ago in double-hulled canoes (who only had knowledge of the ocean that would lead them), we also need to change course to avoid the coming storm. We need to make mistakes, learn from them, and not be afraid to acknowledge them.

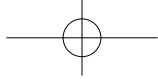
Policy Implications

- Seeking to alleviate the influence of climate change, Pacific islands are pursuing policies for effective water conservation that include reconstructing tube well distribution patterns, implementing forestry management, collecting and preserving more rainfall and fog drip, collecting and reusing storm water and seepage, and recycling waste water.
- Because of the vulnerability inherent in its limited freshwater supply, Jeju Special Self-Governing Province needs diverse policies for a stable system of water supply.
- The direction of policy for managing Jeju's water supply, including water conservation, needs to be the strategic management of water in response to climate change.

RAPPORTEUR

Mun Su-hyeong Section
Manager, Jeju Special
Self-Governing Province
Development Corporation

New Waves in Asia



INNOVATING ISLAND WATER SUPPLY SYSTEMS

Jeju Special Self-Governing Province Development Corporation

In this session, participants discussed the state of Jeju Special Self-Governing Province's waterworks and improving it, and the adoption of an advanced water supply system.

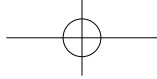
PRESENTERS

Lee Sang-Ho Professor,
Kookmin University

Yoon Eom-Seok Director,
Jeju Special Self-Governing
Province Water Resources
Division

Lee Sang-ho (Professor, Kookmin University): The intensifying global water shortage and the limits of existing methods of water management have increased the need for efficient water management. The so-called Smart Water Grid is considered a new alternative. The grid is a next-generation water management system that converges information and communication technologies to improve the efficiency of water resources and waterworks management. It involves things like technologies for IT convergence, water resource management and infrastructure.

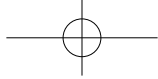
A Smart Water Grid allows the efficient utilization of water resources and reduction of energy use through multifaceted production and management of water and the optimization of water supply. The United States, Europe, Singapore, Australia and other countries have been working to adopt various forms of the grid. Malta faces challenges in securing enough water and dealing with inefficient water use, but is solving these problems with the grid. Other successful instances where the grid has been applied to secure diverse sources and thus resolve water shortages include Queensland, Australia's Water Grid and Singapore's NEWater. Innovative water management for islands will necessitate improving the efficiency of existing facilities, utilizing multiple water resources, integrating the management of water and energy,



and optimal control over water demand and production. The Smart Water Grid offers numerous possibilities as a smart solution for water management tailored to each location. So I urge active consideration and adoption of the grid.

Yoon Eom-seok (Director, Jeju Special Self-Governing Province Water Resources Division): Jeju Special Self-Governing Province covers 1,848.4 square kilometers of territory; of this, the cities of Jeju City and Seogwipo occupy 52.9% and 47.1%, respectively. The island's river system is centered on Mt. Hallasan and flows north and south, while rivers did not develop in a significant way in the east and west. In the past, village settlements were built naturally near the springs located near hills and along the coast, and water was supplied that way. In areas with no springs or where the supply of spring water was insufficient, difficulty occurred when a drinking water shortage appeared because a village was dependent on rainwater.

As of December 2011, the province's waterworks had an infrastructural capacity of 508,000 cubic meters per day, a daily supply capacity of 208,000 cubic meters, and a daily per capita supply capacity of 347 liters. Sources include underground water, a reservoir (Eoseungsaeng) and freshwater stations in that order. As of December 2012, the island had 18 water treatment facilities and nine municipal and nine regional waterworks, as well as approximately 100 village-level waterworks. In order of prominence, water treatment methods include sterilization, slow filtration, rapid filtration and membrane filtration. Waterworks penetration was near 100 percent by the mid-2000s. Pipelines cover a combined distance of 5,345 kilometers. Of this, 72 kilometers (1.3 percent) are of water supply pipe, 425 kilometers (8 percent) water conveyance pipe, 1,827 kilometers (34.2 percent) drainage pipe, and 3,020 kilometers (56.5 percent) structure supply linkage pipe. Jeju accounts for 3 percent of the country's water pipage (173,014 kilometers). The history of Jeju waterworks began with the development of the Geumsan catchment area spring in 1953. The era of modern water supply started in the 1960s with the development of underground sources and the

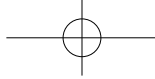


Eoseungsaeng catchment area. Construction of municipal waterworks for a locally balanced and stable water supply was done in three stages between 1996 and 2013. The Jeju government has 48 statutes in its legal code regulating the quality of drinking water, and 38 categories are subject to separate monitoring. This means some 96 areas of water quality were being maintained as of 2013.

Major waterworks facilities were built over widespread areas. The first stage of construction was in the eastern area between 1994 and 2000 with an investment of KRW 1.31 billion won. The second stage, in the western part of the island, lasted between 2000 and 2008 for KRW 99.6 billion. The third stage involving Eoseungsaeng Reservoir No.2 lasted from 2009 to February 2013 for KRW 45.875 billion (KRW 22.937 billion in national budget and KRW 22.937 billion in provincial funding). Other construction continues.

The province is working on a project to resolve water supply issues on sub-islets, as well as a development project for living water at farming villages to alleviate the disparity in water supplies between areas. Jeju is doing so by linking local categories of waterworks right down to the village level. It is also pursuing projects like the revamping of outdated pipage, pipe network block definition and leak inspection, and the replacement of old gauges to improve the leakage rate.

Together with environmental change, qualitative expansion has come with an increase in population, urbanization and industrialization. The waterworks project has evolved from being an expansionary effort to one of efficient operation and management and in which facilities are improved on. A certain level of development has also gone to reducing regional imbalance in response to the increase in tourists and large-scale development projects. One chronic problem in this context is leakage. The modernization of the network through the Smart Grid construction project, also known as the Smart Water Grid project, has resulted in massive development along the foothill areas, the use of chemical fertilizer in agriculture and widespread waste from livestock, which are all contributing to increases in



nitrate nitrogen.

One important task is maintaining water quality and involving the preservation of clean underground water. When using underground water as a primary water source, the cost of power goes up when water quality becomes more of a priority. Development gets concentrated in the area midway up the mountain, which demands more power. So reducing energy costs is all the more important.

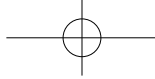
Jeju is so dependent on underground water that it is no exaggeration to say all Jeju water is from underground. Proper administration of waterworks to improve leakage rates and improvement of water quality are thus all about the efficient use and preservation of underground water. Our region has no supply of water that can replace underground water; as such, it is public property that everyone in the province must use together. We should determine appropriate usage rates to make underground water sustainable and use it efficiently to hand down this water of life to succeeding generations in a clean state.

Policy Implications

- Jeju Special Self-Governing Province depends on underground water so much that saying all of its water is underground water is no exaggeration. So efforts should continue toward proper administration of the waterworks to improve leakage rates and raising water quality.
- To implement innovative water management in island areas, a policy is needed for improved efficiency at facilities, utilization of multiple water resources, integration of water and energy management and optimal control of water demand and production.
- In island regions, Smart Water Grids must be actively adopted, introduced and studied since the model holds big potential as a smart and locally-tailored water management solution.

RAPPORTEUR

Mun Su-hyeong Section Manager, Jeju Special Self-Governing Province Development Corporation



CONSERVATION AND STRATEGIC USE OF WATER

Jeju Special Self-Governing Province Development Corporation

Rapid growth in the world's water market has raised the importance of conservation strategies and industrial usage. In this session participants explored conservation strategies for Jeju's underground water, a high-value resource, and suggested methods of industrial utilization. They presented ideas on building an advanced water management system for the province.

PRESENTER

Yoon Seong-Taek Professor,
Korea University

Koh Gi-Won Research
Center Director, Jeju Special
Self-Governing Province
Development Corp.

DISCUSSANTS

Lee Jae-Young Professor,
University Of Seoul

Park Chun-Pom Ph.D., US
Army Corps of Engineers

Kang Gi-Choon Ph.D., Jeju
National University

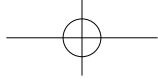
Hamm Se-Yeong Professor,
Pusan National University

Kim Yong-Je Korea Institute
of Geoscience and Mineral
Resources

Yun Seong-Taek (Professor, Korea University): According to my systematic and overall assessment of data from our water quality observation network for the province's underground water, the water contained a high level of dissolved silica (median 32 ppm) but was low in total dissolved ions (median 123 ppm) and fluorine concentration (median 0.1 ppm). This is consistent with the general characteristics of underground water in areas with volcanic rock.

The assessment also showed that most of the underground water remained clean. In certain areas, however, the underground water (approximately 22 percent of the total) was found to have a high concentration of nitrate nitrogen probably because of the excessive use of fertilizers at most farms. So to maintain the purity of Jeju's underground water, a proactive plan is needed for managing water quality that adjusts the amount of fertilizer used, among other things.

A comparative assessment was also done on the geochemistry (water quality) of bottled water from Jeju and other Korean and international brands. Jeju bottled water was found to have characteristically the alkali type Na-HCO₃, while other brands

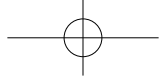


generally had the water quality type Ca-HCO₃. Among dissolved ingredients, Jeju bottled water characteristically had relatively high concentrations of dissolved silica and potassium (K) ions, and among micro elements, there was noticeably high level of vanadium (V) showed a lower level. Jeju bottled water was also cleaner with low levels of nitrate nitrogen and sulfate ions.

We also performed a wide-ranging comparative assessment of the water chemistry of approximately 4,000 bottled water brands around the world. We confirmed that the differentiating characteristic of Jeju bottled water was “cleanliness.” Jeju bottled water was measured to be in the top 20 percent in pH (median 7.8) and dissolved silica content (median approx. 30 ppm), and in the lowest 20 percent in nitrate nitrogen volume, which is a pollution indicator. Dissolved silica is known to be good for skeletal health and effective in preventing high blood pressure. The vanadium content (median 8–9 ppm) in Jeju bottled water’s analysis samples was found to be markedly high. Vanadium is considered helpful in treating diabetes since it modulates insulin.

Further studies are needed to determine how Jeju’s underground water differs in cleanliness and composition, and make the differences known. To this end, continued research and development will go into the characteristics and functionality of the water chemistry. Furthermore we need to develop and implement plans for optimal preservation of the quality of Jeju’s underground water based on data from scientific research.

Koh Gi-won (JPDC Director, Jeju Special Self-Governing Province Development): Jeju has roughly 10 important hydro-geological characteristics. It is volcanic rock that erupted between 20,000 and 1 million years ago and has a thin lava sequence. Average yearly rainfall is 2,061 millimeters. The volcanic rock is quite permeable so no streams run year round; daily average rainfall of at least 45 millimeters is needed for streams to appear. For this reason, Jeju has a higher groundwater recharge ratio (44–45 percent) than inland areas (14.4 percent). Underground water is found in four forms: basal, para-basal, high-level, perched and bedrock groundwater. Volcanic rock has an average porosity of 25

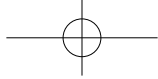


percent, so it boasts a high yield of 2,400 cubic meters daily per aquifer on average. Water quality shows alkaline characteristics, and high levels of ingredients such as vanadium, magnesium and bicarbonate are present. Underground water reflects the precipitation of the seasons, so that levels are high in the summer and lower in the winter. September and October have the highest water levels, and March and April see the lowest.

As of 2011, Jeju has developed water resources of 643 million cubic meters per year, 84 percent of which comes from underground. Usage is 28.3 percent of what is developed, or 493,000 cubic meters a day (180 million yearly). Usage is 28.3 percent or 493,000 cubic meters daily (180 million cubic meters yearly) of the amount developed and available

Among water sources, underground water amounts to 151 million cubic meters per year, or 84 percent, spring water (including from Eoseungsaeng) 17 million cubic meters and rainwater 8 million cubic meters. Since 2005, rainwater usage at golf courses has steadily increased, with 7 million cubic meters being used in 2012 alone. Underground water intake for use in products associated with Jeju bottled water was 704,000 cubic meters a year as of 2012, of which 0.3 percent was permitted intake for underground water.

Fresh water exhaustion and seawater permeation have become major issues for Jeju as a result of user's indiscriminate development of underground water resources prior to the December 1991 passage of what was called the Special Law on Jeju Provincial Development. In response, the Jeju government passed another special law to implement an organized system of preservation management. Jeju Special Self-Governing Province now defines underground water as a "public resource," and this is reflected in its diverse water management processes. The Jeju Special Self-Governing Province Comprehensive Water Resource Management Plan, which took effect on May 1, 2013, defines three major principles for underground water management: public management, optimum management and scientific management). To put this into practice, the island set up four policy directions: the strengthening of public management, integrated water



resource management, high-quality branding and advanced management of underground water. In all, the water plan has 111 items for implementation, and includes an estimated investment of KRW 2 trillion through to the year 2022 to make it all happen.

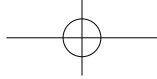
The ultimate goal of controlling the development and use of underground water, through legal and governmental means and investing a large proportion of budgetary funds, is the rational use of underground water by managing it as a sustainable resource. It is all about the legal framework and investment funds for maintaining a balance between conservation and use. Public perceptions of water are changing as time goes on. The predominant way of thinking used to be that water was inexhaustible and something that could be used however anyone pleased. But since the 1992 Dublin International Conference on Water and the Environment, water has been defined as part of the “economic good,” and in 1997, it began to be understood as part of the “social and economic good.” Water is the source of all life on earth and inseparable from humans and economic activity. But quantities are limited and there is no alternative. This is why water conversation is a matter of social and economic importance.

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Just as water changes shape and form depending on the container holding it or how it is handled, its economic value changes greatly depending on how it is used. When we estimated the economic value of the sustainable quantity of Jeju’s underground water (645 million cubic meters yearly) by applying six criteria, we calculated a worth between KRW 300 billion and 161 trillion. One percent of sustainable underground water (6.45 million cubic meters yearly) was found to be within the range of 5.8 billion and 1.6 trillion won in value. This says a lot about how Jeju’s underground water needs to be used strategically.

Improvements to managing our water have continued for around 20 years. The establishment of monitoring systems and continued research into underground water have allowed the implementation of a water management system consistent with the island’s characteristics. This has also resulted in a good degree of understanding of the characteristics of Jeju’s underground water. Based on this, we need to change the paradigm employed

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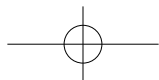
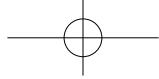
in water management. Managing it in a way that simultaneously satisfies the social and economic good will first require diverse forms of investment into guaranteeing a sustainable water supply, and the funds necessary for this, in turn, should be secured through the strategic use of this same supply. Put differently, the paradigm needed is “managing our underground water, using our underground water.”

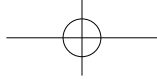
Policy Implications

- A plan for preserving water quality needs to be drafted and implemented through the continued discovery and public advertising of and research and development into the differentiating characteristics of Jeju’s underground water.
- Constant efforts over the last 20 years have led to the implementation of conservation management programs for Jeju’s underground water, and scholarly interest in the water has reached a mature level.

RAPPORTEUR

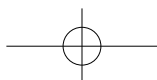
Mun Su-hyeong Section Manager, Jeju Special Self-Governing Province Development Corporation

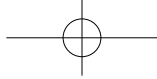




Part V

Cultural Exchange and Global Cooperation





EXCHANGE AND COOPERATION AMONG EAST ASIAN UNIVERSITIES THROUGH FORUMS

Jeju National University

The panel discussion in this session centered on measures to increase exchange and cooperation among universities in East Asia. International exchange experts from universities in Australia, China, Japan, and the US shared information on the current status of international exchanges among universities in their respective countries, and offered opinions on academic exchange agreements, exchange and cooperation programs for student and professors, and possibilities for the development of joint programs.

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MODERATOR

Kang Younghoon Director,
Center for International Affairs,
Jeju National University, Korea

PRESENTERS AND DISCUSSANTS

Genjima Fukumi Professor,
Nagasaki University
International Student Center,
Japan

Emi Tamba Director of
International Relations,
University of the Sunshine
Coast, Australia

Reed Way Dasenbrock Vice
Chancellor for Academic
Affairs, University of Hawai'i at
Mānoa, USA

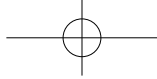
Zhang Chen Program Officer,
Office of International Affairs,
Wuhan University, China

Kang Younghoon Director,
Center for International Affairs,
Jeju National University, Korea

Measures to increase exchanges and cooperation among universities in East Asia

- Examination of the current status of international exchanges at Jeju National University, University of Hawai'i, Wuhan University, University of the Sunshine Coast, and Nagasaki University; the development of international exchange centers and their roles; and the direction for international exchanges at each university.
- The rising status of the English language due to increased international trade has led to active movements in East Asia that seek to internationalize higher education through the development of English programs.
- East Asia has seen a lively exchange of English and other languages, as well as various academic exchanges.
- Governments and universities of each country are actively increasing international exchanges.
- Efforts to achieve the mutual goal of internationalization: policies for internationalization of university campuses; achieving internationalization by connecting universities.
- Realizing internationalization through academic research and exchange programs for students and professors.

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- International exchange offices are responsible for internationalizing education.
- Importance of communication with the international exchange offices of other schools.
- Encouragement of participation in exchange programs, as well as scholarships, at various schools.

Question 1) Kang Younghoon The competition to attract more students is the biggest issue in international student exchange programs. Is it possible to replace the competition structure with mutually beneficial programs?

Answer 1) Reed Way Dasenbrock Finding the middle point between competition and cooperation is difficult. The programs at the University of Hawai'i look to give aid to developing nations, and the university has helped train 5% of Cambodia's lawyers. Our university strives to focus on education rather than competition. We are also interested in building a reputation and making a name in Asian countries. We are providing English language education in Mongolia.

Question 2) Kang Younghoon Please introduce the international exchange programs at the University of Hawai'i.

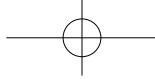
Answer 2) Reed Way Dasenbrock The University of Hawai'i at Mānoa and Tongji University in Shanghai offer a Dual Degree Track. It is a "3+2" system, through which students take their masters' course at the University of Hawai'i, and their doctorate course in China. Brunei is well-known as a rich country. The University of Brunei Darussalam is renowned for its exchange programs, wherein every student is sent abroad on an international exchange.

Question 3) Kang Younghoon What kinds of programs are available at Nagasaki University?

Answer 3) Genjima Fukumi The more classes taught in English, the more attractive a school seems to be. Strengthening English proficiency levels is a key issue in Japan, and some students pursue Dual Degree Tracks for that reason.

Question 4) Kang Younghoon Director Emi Tamba, do you have any suggestions?

Answer 4) Emi Tamba There are some differences between exchange programs in Asia and those in Australia and the US. In Western countries,



more exchange students come from foreign countries than are sent abroad. Jeju National University has an excellent system for offering scholarships. Students in Asian countries generally prefer to participate in an exchange program at a Western university. Ideally, every university would offer substantial financial assistance. Dual Degree Track programs are also beneficial to students.

Question 5) Kang Younghoon Wuhan University is among the top 10 universities in China. This is impressive. What are some of the strengths of Wuhan University?

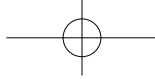
Answer 5) Zhang Chen Our school has always been among the top 10 universities in China. Wuhan University has been gaining on Peking University and Tsinghua University, the two most renowned universities in China. Wuhan University's greatest strength is its humanities program. Our technology-related departments have a competitive edge over our natural science departments. The university is globally recognized for research on various technologies, including global positioning systems (GPS).

Policy Implications

- Rather than competing to attract students, universities should work together to plan international exchange programs and set mutual goals, and to set policies and carry out programs as per their mutual agreement.
- Universities should develop and enrich international student exchange programs to increase the number of international students.
- Universities should develop mutually beneficial joint programs.

RAPPORTEUR
Choi Eun-young Jeju
 National University, Korea

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PEACE IN EAST ASIA AND UNIVERSITY EDUCATION

Jeju National University

In recent years, East Asia has been rife with conflicts and tension caused by ethnocentric interpretations of history and maritime territorial disputes rooted in nationalism. East Asian countries have failed to cooperate on regional stability and integration. East Asia cannot attain collective peace and prosperity without resolving tension and polarities. Educating young students to become future leaders who will value peace is one significant way to mitigate tensions in the region. In this session, the subject of peace in East Asia was approached from the perspective of university education. Professors from universities in major East Asian countries and experts on East Asian issues examined the current status of peace education at universities in major East Asian countries, and sought ways for peace education to aid in the peaceful resolution of conflicts and reconciliation with regard to history in the region.

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KEYNOTE SPEECH

Huh Hyangjin President, Jeju National University, Korea

MODERATOR

Ko Seong-Joon Director, Institute of Peace Studies, Jeju National University, Korea

PRESENTER

Kimiya Tadashi Professor, Tokyo University, Japan

Fang Xiuyu Professor, Fudan University, China

Kim Nam-Kook Professor, Korea University, Korea

Peter M. Beck Korea Representative, The Asia Foundation

Huh Hyangjin (President, Jeju National University, Korea): President Huh stated that the current situation in East Asia is one of uncertainty, where stability and instability coexist. He mentioned the phenomenon of the “Asia Paradox,” of growing economic codependence and weakening political and security cooperation. Managing and resolving mounting tensions from maritime territorial disputes and nationalistic interpretations of history should be the starting point of East Asia’s path to becoming a region of peace and prosperity.

Dr. Huh said that the Asia Paradox must not persist in the future, and emphasized the role of university education in leading East Asia on the path of cooperation, coexistence, and co-prosperity. He also stressed that university peace education is a key part of the major principles of education that were agreed to in

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a global consensus through UNESCO in 1995.

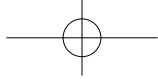
Dr. Huh argued that in order to bring peace to East Asia, universities should teach the “Culture of Peace.” The Culture of Peace is a concept that first appeared on July 1, 1989, at an international conference hosted by UNESCO in Yamoussoukro, the capital city of Côte d'Ivoire. The Culture of Peace was proposed at this conference as a set of values, attitudes, modes of behavior, and ways of life. It was strongly recommended that all curricula permanently include elements promoting peace and protecting human rights.

In order to expand the Culture of Peace, university peace education curriculums must steer away from nationalistic histories and research that promotes ethnocentric exclusivity, and work toward education aimed at world peace and universal humanistic values. Methodologically, rather than focusing on the capacities of individual universities and scholars, East Asia must systematize and increase exchanges and cooperation among universities and scholars in the region, so as to promote research and education aimed at upholding universal humanistic values.

Finally, Dr. Huh expressed his wish that professors and experts from Korea and abroad who participated in this session with the goal of promoting peace education at a university level will be able to form an intellectual network that will transcend national borders, and as a result discover an elegant model of research and education that will contribute to peace in East Asia.

Kimiya Tadashi (Professor, Tokyo University, Japan): Prof. Kimiya said that competition among universities in China, Japan, and Korea is intensifying due to the transnational diffusion of academic endeavors and free movement of researchers across borders. He stressed that, in keeping with such trends, the necessity of exchanges to ensure educational diversity and facilitate the advancement of research is expanding. He pointed out, however, that there are clear limitations to university exchanges.

In fields in which people demonstrate strong existential connectedness, Prof. Kimiya observed new phenomena, including



exclusive absolutism, which entails blind acceptance of the claims and logic of the preferred side, and relativism, a view that the truth depends on individual sets of values. In order to reject such phenomena, Prof. Kimiya claimed that communication and exchange, which facilitate mutual understanding, are necessary. He added that East Asian countries need the wisdom to recognize the differences in each nation's perception of East Asian history in order to increase the domain of shared knowledge.

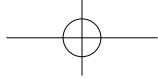
Prof. Kimiya pointed out that bilateral relationships among China, Japan, and Korea exist within a larger multinational relationship. Claiming that Korea's intermediary role has been significant in China-Japan relations, he stressed the importance of Korea's continuing role as an intermediary. Prof. Kimiya emphasized that territorial and historical issues must not strain multilateral relations, and proposed that trilateral cooperation among China, Japan, and Korea focus on mitigating bilateral conflicts.

Prof. Kimiya suggested that China, Japan, and Korea would benefit from focusing on joint research in fields in which existential connectedness is sparse, such as the natural sciences. On the other hand, the professor had a pessimistic view of joint research in fields with a high likelihood of existential connectedness, such as historical studies and political science. He attributed his negative view to people's tendencies to interpret shared history from biased perspectives. Therefore, Prof. Kimiya asserted, any joint historical research must follow carefully established principles.

Prof. Kimiya concluded that universities can contribute to peace in East Asia by increasing mutual understanding through broadened exchanges. Prof. Kimiya insisted that university education should not dwell on distorted, nationalistic interpretations of history, feeding exclusive, nationalistic world views, but rather encourage diverse, open-minded perspectives.

Fang Xiuyu (Professor, Fudan University, China): Prof. Fang began by stating that improving China-US relations are significant to stability and peace in East Asia, and pointed out that any US

University
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Regional integration should aim at building a system integrating democratic and patriotic individuals who are free from exclusive nationalism, and university education must contribute to achieving this goal.

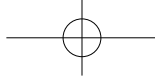
strategy to keep China in check could cause tensions in the region.

Prof. Fang pointed to the spread of separatism; territorial, frontier, and maritime disputes; the proliferation of weapons and military expansion; and the threat of terrorism to be the elements that endanger the security of East Asia. According to Prof. Fang, territorial disputes involving China, Japan, Korea, and Russia are particularly grave. She said that the proliferation of nuclear weapons, the arms race, and recent nuclear testing in North Korea are key factors aggravating stability on the Korean peninsula.

Prof. Fang stated that globalization is providing opportunities for university students to make world history. Because university affairs reflect world politics, international student exchanges are met with great enthusiasm, as the values of one country can influence the next generation of other nations. She added that international exchanges among universities are also important in that they facilitate a more precise understanding of the nature of universities and education in foreign countries. Prof. Fang listed specific examples of student exchange activities, cultural exchange programs, and cultural excursions for exchange students in universities in China, Japan, and Korea, and the roles of international students.

To conclude her speech, Prof. Fang proposed that the peaceful development of East Asia would require 1) a cooperation model that “pursues harmony while reserving the right to disagree (和而不同)” and “multicultural unity (多元一體),” 2) reciprocal and radial systems of cooperation, and 3) sustainable development through open regionalism.

Kim Nam-Kook (Professor, Korea University, Korea): Prof. Kim discussed the role of university education in regional integration, which he views as the framework for peace. Basing his argument on the European experience, Prof. Kim divided European integration into three elements: ideas, national interests, and international circumstances. According to Prof. Kim, ideas for integration were presented first, then national interests were negotiated. The movement for integration was lastly advanced by international circumstances.

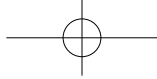


Prof. Kim criticized East Asia for not having reached a consensus on the purpose or the method of integration due to the abstractness of ideas on integration, asymmetric national interests, and hegemonic competition among the countries in the region. He stated that international circumstances have not been favorable for regional integration: China and Japan are in fierce competition, while the US is acting as a stabilizer, keeping China in check.

Based on his analysis, Prof. Kim listed several implications of European integration for the East Asian community. First, a functional approach to integration produces consumers that anticipate economic benefit rather than citizens of a political community. Second, integration is not always inherently good. Discourse on East Asian community integration without consensus could lead to integration for the sake of integration, and the resulting visionless community would be vulnerable to changes in circumstances. Third, there must be ample discussion of the purpose, the involved parties, and the means by which integration might be realized. Fourth, economic interests must be balanced with identity in regional integration, or East Asia will repeat the identity crisis currently facing Europe.

Prof. Kim reiterated that the asymmetry of power among East Asian states is significant, and that the region has yet to reach consensus on the ultimate goal of integration. He asserted the necessity of seeking postmodern solidarity as a way of moving away from an asymmetric, state-centered system. In highlighting the role of university education in regional integration, Prof. Kim emphasized the necessity for East Asian citizens who are motivated to participate in the autonomous government of the regional community.

Prof. Kim proposed that regional integration should be aimed at building a stable, peaceful system that integrates democratic and patriotic individuals who are free from exclusive nationalism, and that university education must contribute to achieving this goal. He argued that the focus of regional integration should be shifted beyond the “states of Asia” to the “people of Asia.”



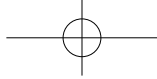
Peter M. Beck (Korea Representative, The Asia Foundation): Mr. Beck stated that the lessons of prominent peace activists such as Mahatma Gandhi and Martin Luther King Jr. are elemental for peace education. He lamented that prominent Korean peace activists such as Ham Seok-heon are rarely mentioned in classrooms. Mr. Beck stressed that the importance of peace education cannot be overly emphasized, and that non-governmental organizations such as Peace Boat also play important roles.

Mr. Beck stated that nationalism is intensifying historical and territorial disputes among China, Japan, and Korea, and expressed concern over Chinese nationalism in particular. Suggesting that differing views of history and territorial disputes are fundamentally difficult problems to solve, Mr. Beck cited the vestiges of the American Civil War. Although that war ended 150 years ago, there is still debate about whether it was an unjustified invasion, and conflicts continue over the flying of the Union and Confederate flags. Mr. Beck urged that East Asia focus on easing historical and territorial disputes rather than seek conclusive resolutions, and underscored the role of political leaders. Mr. Beck proposed a visit by the Japanese Emperor to Korea to make a formal apology as one way to relieve tension in East Asia.

Policy Implications

- The participants of this session formed a consensus on peace in East Asia and the importance of university education. The key topics discussed were largely divided between “macroeconomic direction for stability and peace in East Asia” and the “role of universities in promoting stability and peace in East Asia.”
- Historical and territorial disputes among China, Japan, and Korea have been intensifying due to nationalistic sentiments. In order to achieve peace in East Asia, the nations in the region must curb nationalism as well as separatism, which threaten regional security, ease territorial, frontier, and maritime disputes, and control the proliferation of weapons and

New Waves in Asia



military expansion. To this end, systems of reciprocal cooperation and open regionalism are necessary.

- Asymmetry of power among East Asian states is significant, and the region has yet to form a consensus on the ultimate goal of integration. Postmodern solidarity is necessary to move away from the asymmetric, state-centered system. To achieve this goal, East Asia must focus on creating citizens which are motivated to participate in the autonomous government of the regional community.
- Korea's intermediary role has been significant in stabilizing trilateral relations among China, Japan, and Korea. Korea's continuing role as an intermediary will be necessary in building a trilateral relationship that can mitigate bilateral conflicts.
- In order to achieve stability and peace in East Asia and to overcome the "Asia Paradox," peace education is imperative in universities. The "Culture of Peace" should be taught in classrooms.
- Research exchanges among East Asian universities should be expanded and broadened in academic fields in which existential connectedness is sparse. On the other hand, any joint research in fields with strong existential connectedness must be based on mutual understanding and follow carefully established principles.
- University education can contribute to building a stable, peaceful system by bringing together democratic, patriotic individuals free from exclusive nationalism. The focus of integration should shift beyond the "states of Asia" to the "people of Asia."
- In order for peace to take root in East Asia, college education should aim to create the next generation of leaders who will understand different nations and their people. Peace education in universities can curb confrontations arising from different perspectives on history and excessive nationalism, and help form a social foundation for a unified East Asian community.
- It is necessary to expand and deepen academic and research exchanges among East Asian universities, extend programs such as the Asia Campus program, and encourage East Asian universities to conduct joint research on peace. The Jeju Forum can serve as a cradle for numerous cooperative agreements and programs for peace education in the future.

RAPPORTEUR

Ko Kyung Min Research
Professor, Jeju National
University



THE CURRENT STATUS AND PROSPECTS OF CULTURAL EXCHANGE IN ASIA

Cheju Halla University

Asian countries, particularly China, Japan, and Korea, have a long history of cultural exchanges. While sharing a common cultural background, each country has developed unique cultural characteristics. In this session, participants examined the flow of cultural exchanges among Asian countries in the area of traditional and modern arts and the distinguishing traits of these exchanges. It also discussed measures to enhance cultural exchanges among nations in this era of the global village.

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MODERATOR

Han Hee-Joo Professor, Cheju Halla University, Korea

PRESENTER

Park Yang-Woo Professor, Chung-Ang University, Korea

DISCUSSANTS

Kwon Oh-Suk Executive Director, KBS Global Strategy Center, Korea

Liu Bo Professor, Nankai University, China

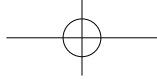
Michigami Hisashi Minister and Director of Public Information & Cultural Center, Embassy of Japan

Lee Jiyeon Founding Director, SUUM P&A, Korea

Park Yang-Woo (Professor, Chung-Ang University, Korea): Prof. Park stated that this new era might be called “The Era of Culture and Tourism,” for the rapidly growing demand for culture. According to Prof. Park, creative industries outside the past industrial framework are dominant in the market, and advancement of information technologies is demanding a variety of content. After citing the four key administrative goals of the newly launched government of Korea—economic revival, happiness of the people, cultural renaissance, and laying the foundation for peaceful unification of the Korean peninsula—the professor pointed out the current government’s emphasis on culture. He said that each of the goals must be achieved through cultural advancement. He stressed that cultural exchange is key to cultural enrichment.

Citing Psy’s Gangnam Style as an example, Prof. Park asserted that the importance of content is growing with the convergence of broadcasting and communications, and the advancement of information technology. He projected that exchange will increase more in cultural industries than in fine arts, and that private-level cultural exchange will grow steadily.

| New Waves in Asia |



Prof. Park said that although China, Japan, and Korea have been maintaining close association, as key economic partners, nationalistic dissension still exists among these nations. Therefore, he claimed, increasing understanding among the nations and resolving conflict are the key challenges in the exchange of art and culture. He said that this exchange, both at private and government levels, should focus on reciprocity, or two-way exchanges, diversification of locales, and cultural content. To ensure a healthy cultural exchange, Prof. Park argued, nations must cooperate to provide institutional support, handle copyright issues, and build a network of artists. He suggested that the Ministers of Culture in China, Japan, and Korea hold regular meetings and fulfill their agendas, and asserted that they would need to construct a cooperative system to discover new items for exchanges and cooperation.

Kwon Oh-Suk (Executive Director, KBS Global Strategy Center, Korea): Mr. Kwon stated that Korean culture began to spread rapidly through the export of TV dramas starting in 1997, and that the “Korean Wave” led to an increase in its value-added products. Mr. Kwon explained that as the Korean Wave, which was initially centered on video content, expanded to include popular music, the rate of distribution and consumption of Korean content accelerated.

Mr. Kwon claimed that key factors in the success of the Korean Wave include the increased production capacity of broadcast companies, the synergy between K-Pop stars and TV dramas, the diversification of export genres, customized global marketing strategies, real-time overseas broadcasting, and the construction of New Media platforms that implement smart technologies.

Mr. Kwon said that in order to maintain reciprocity in cultural exchanges with other countries, Korea must address key issues, such as one-way cultural exchanges, excessive commercialization, and heavy concentration in select markets.

Liu Bo (Professor, Nankai University, China) Michigami Hisashi Minister and Director of Public Information & Cultural Center, Embassy of Japan): Prof. Liu explained that exchanges of art and

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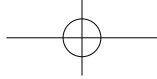
culture between Korea and China began in ancient times, and ancient Korean culture was heavily influenced by the written language, folklore, architecture, and paintings of the Qin Dynasty. Korea developed an original and creative civilization, while continuing to adopt elements of foreign, and in recent years Western, culture. Prof. Liu added that Goguryeo, Baekje, and Silla respectively adopted various elements of Buddhist art from different regions at different times, giving birth to distinct new styles of Buddhist art.

Prof. Liu stated that the world-renowned artist Nam June Paik had a deep understanding of Eastern civilization, as well as a profound knowledge of the artistic language and expressive styles of the West. His art was influential world-wide, inspiring artists in many countries. Prof. Liu argued that Paik's most well-known piece, TV Buddha, is simple yet forceful in technique, communicating to the world the rich and profound nature of Zen Buddhism, the fruit of Eastern wisdom. Prof. Liu claimed that TV Buddha is representative of the development of Korea's modern and contemporary culture and society.

Prof. Liu pointed out that the excellence of contemporary Korean culture is being spread throughout the world through TV dramas, popular music, and consumer electronics. However, this affects the indigenous cultural traditions of Korea and China. Prof. Liu asserted that within an environment of economic development and social stability, the two countries must work together to propagate their excellent cultural traditions.

Michigami Hisashi (Minister and Director of Public Information & Cultural Center, Embassy of Japan): Mr. Michigami stated that international communication and understanding of different cultures in East Asia might seem relatively simple. However, he said, assertions such as “We are similar in appearance,” and “We are all Asians,” sometimes get in the way of communication. When people think little of the barriers presented by the different values and customs of different countries, the frustration they experience from an inability to communicate their ideas is often intensified. Mr. Michigami said that it is desirable for people of different cultural backgrounds to start their interactions by

Korea and China must work together to propagate their excellent cultural traditions within an environment of economic development and social stability.



recognizing that they naturally have differences.

Mr. Michigami said that in public diplomacy, criticisms based on narrow views and a sense of justice founded on prejudice and stereotypes are extremely dangerous. He stressed the necessity of international communication skills, understanding of other cultures, and humility.

Lee Jiyeon (President, SUUM P&A, Korea): Ms. Lee spoke of the strategies and methods of global exchanges of contemporary art and proposed a future direction for contemporary Korean art.

Ms. Lee explained that the international exchange of contemporary art takes the form of academic exchanges, exhibitions, and international cultural exchanges. She said that since the 1988 Summer Olympics in Seoul, Korean culture and contemporary art have become known throughout the world through various events in Korea and abroad, and the role of creative industries is growing.

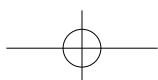
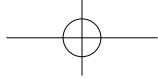
Ms. Lee said that in order to promote creative cultural exchanges, the government must set constructive policies in cultural diplomacy, accompanied by new strategies based on past experiences of cultural exchanges. Ms. Lee stressed that the most urgent tasks in ensuring the nation's long-term cultural development include building new cultural platforms, such as various cultural projects and festivals, which garner government support for Korea's cultural market to strive for and achieve global competitiveness, as well as improve the educational environment.

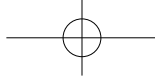
Policy Implications

- To ensure healthy cultural exchanges, nations must cooperate to provide institutional support, handle copyright issues, and build a network of artists.
- Ministers of Culture of China, Japan, and Korea should hold regular meetings and fulfill their agendas, construct a system of cooperation, and discover new items for exchanges and cooperation.
- The most urgent tasks in ensuring the nation's long-term cultural development include building new cultural platforms, garnering government support for Korea's culture market to strive for and attain global competitiveness, and improving the educational environment.

RAPPORTEUR

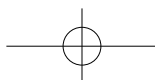
Lee Junho Dept. of Planning & Management, Cheju Halla University, Korea

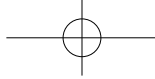




Part VI

Empowering Women through International Cooperation





SPECIAL SESSION II

21ST CENTURY, THE ASIAN CENTURY AND WOMEN'S CENTURY: ACHIEVING FULL ECONOMIC POTENTIAL THROUGH GENDER EQUALITY

Jeju Peace Institute / International Federation of Business and Professional Women

The 21st century has been called the “Asian Century” for the rapid economic development of the region, and the “Women’s Century” for the empowerment of women that has taken place. In gender equality, however, Asia is ranked low in reports by the Organization for Economic Cooperation and Development (OECD), the World Economic Forum (Davos), and the Asia Society. Achieving the full potential of women is not a personal task, but a matter of national competitiveness, a significant challenge facing Asia, and a magnificent opportunity to improve Asia’s global competitiveness. In this session, Freda Miriklis, president of the International Federation of Business and Professional Women (BPW), and Professor Cho Dong-sung of Seoul National University discussed achieving the full potential of women by promoting gender equality.

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MODERATOR

Lim Jong Ryung Associate Professor, Seoul University of Foreign Studies, Graduate School of Interpretation and Translation

KEYNOTE SPEAKER

Freda Miriklis International President, BPW International

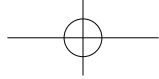
DIALOGUE

Freda Miriklis International President, BPW International

Cho Dong-Sung Professor, Seoul National University

Freda Miriklis (International President, BPW International):
In the 21st century, many countries must strengthen women’s competitiveness in order to achieve economic growth. Through equal partnerships between men and women, enterprises and national economies can grow. A new perspective on women in the workforce is necessary today. As international circumstances have changed, the potential of women has expanded, and companies which do not utilize this potential will be sure to fall behind. Enterprises must pay attention to women’s issues not only for ethical reasons, but also for profit. Increasing women’s participation in economic activities will enhance economic growth. When women are guaranteed economic activities, their

| New Waves in Asia |



quality of life will improve at least 85%.

Women's rights have gone through many changes and developments in the past 80 years. However, women have always been excluded from the many decision-making processes of enterprises. One emerging market that has been marginalized in the Asian economy is women.

Women's participation in decision-making processes and the strengthened capacity of women entrepreneurs are prerequisites to realizing full economic potential through gender equality. BPW has launched three key projects to realize these goals: 1) Women's Empowerment Principles (WEP), 2) Equal Payday Campaigns, and 3) the Global Platform for Action on Sourcing from Women Vendors. In addition, it is necessary to increase the number of businesses owned by women. Achieving this goal will require political support, such as setting quotas for corporate procurement from women vendors. Another important challenge is increasing the number of companies participating in the WEP program. Some 200 companies have signed an agreement to practice WEP, and BPW aims to collect signatures from 10,000 enterprises.

Dialogue

Question 1) Cho Dong-Sung The 2014 BPW International Congress will be held in Jeju. Why did you choose Jeju to host the event?

Answer 1) Freda Miriklis We chose Jeju for the 2014 BPW International Congress because Jeju is home to great women CEO's such as Kim Man-deok, and the island has a long history of strong women.

Question 2) Cho Dong-Sung You mentioned Kim Man-deok three times in your presentation. Please share your thoughts on Kim Man-deok.

Answer 2) Freda Miriklis Kim Man-deok's life embodies the philosophy of BPW. She was a successful woman CEO and an active philanthropist who dedicated her life to the people of her island and her nation.

Question 3) Cho Dong-Sung I was deeply moved by your mention of Kim Man-deok. Two lessons in the story of Kim Man-deok are that business and social responsibility must go hand in hand, and that social responsibility was important for businesses in the past, as it is today. I think that gender



equality is linked to the process of modernization. Could you tell us about the modernization process of your home country, Australia? Please tell us about a model example of gender equality.

Answer 3) Freda Miriklis Norway addresses women's employment issues by setting quotas for women executives. Australia has a gender diversity policy for the stock exchange, requiring enterprises to report their employment rates for women and the percentage of women executives each quarter along with their financial reports. A company lacking women executives has to provide reasons. Since this policy was introduced, we have seen significant improvement in the employment of women, and the percentage of women executives has increased significantly. Korea would benefit from such a policy.

Q&A

Question 1) Lee Myeong-hee, English Instructor, Pyoseon High School What can you suggest for the education sector with respect to gender equality?

Answer 1) Freda Miriklis The green economy is an important talking point of the 21st century. More participation by women is wanted in the fields of engineering and mathematics.

Policy Implications

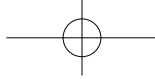
- Economic potential can be realized by increasing gender equality, which can only be accomplished through institutional support, not through empty slogans advocating change.
- Korea should consider benchmarking Australia's stock exchange gender diversity policy and adopt it to the circumstances in Korea.
- Organizers should consider creating a Kim Man-deok Award for the 2014 BPW International Congress. The award could introduce the spirit of Kim Man-deok and the potential of Korean women to the world.

RAPPORTEUR

Park Cheongyeul

Professor, Seoul School of Integrated Sciences and Technologies

| New Waves in Asia |



WOMEN'S LEADERSHIP: COMPETITIVENESS AND THE FUTURE

Jeju Special Self-Governing Province / Jeju Women Governance Forum

The 21st century is the era of “dream societies.” It is the century of women. The empathy, tenderness, and delicacy of women’s leadership will be key forces that move the world. Women will exhibit alternative leadership styles with their delicacy, meticulousness, sensitivity, flexibility, affinity for relationships, and communication skills which are characteristics befitting leaders in the era of information and technology. Women comprise half of humanity. A nation’s competitiveness in the future will be determined by the representation of women in its workforce and the institutional framework to facilitate talented women’s entry into the workforce. This session provided an opportunity to consider such trends and examine the competitiveness of women in leadership and their prospects, with meaningful discussions on increasing women’s participation in society and achieving greater social and economic competitiveness.

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MODERATOR

Kim Jeongsook Chairperson,
Jeju Women Governance
Forum

PRESENTERS

Irene M. Santiago Chair
Emerita and CEO, Mindanao
Commission on Women

Kim Sung Eun Professor,
Kyunghee University

DISCUSSANTS

Kim Keun-Hwa President,
Human Resources Bank

Park Young-Hai Emeritus
Professor, Sookmyung
Women’s University

Ten Qualities of an Empowered Woman

Irene M. Santiago (Chair Emerita and CEO, Mindanao Commission on Women): Beyond “participation,” women are now calling for “influence.” Such women leaders as Hillary Clinton, for example, have used their considerable powers to transform the public arena, where decisions are made that have the widest impact on people. However, popular myths about women’s leadership still prevail. Any woman leader that aspires to transformative leadership must take a long hard look at her own socialization, her values and principles. To increase the number of such transformative leaders among women, it is important to look at three barriers: conceptual, technical, and political. Each of these barriers must then be overcome.

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Park Myung-hee Professor,
Dongguk University

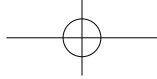
Yoon Jung Woong Managing
Editor, Jemin Daily

Lee Jung Rim Chairman,
JoKyuHyeon HyeonChang
Memorial Association (Japan)

Kim Kweesoon Professor,
Pusan University of Foreign
Studies

I think that as we discuss women's leadership and governance in this conference, it is good to remind ourselves that leadership and governance are about power: who wields it, yes, but more importantly, how it is exercised and for what ends. Allow me to list the 10 qualities of an empowered woman.

- 1) An empowered woman lifts up other women. Sometimes women tend to fight for a little piece of the pond. I say: Enlarge the pond so that we can ALL play!
- 2) An empowered woman inspires other women and mentors young women.
- 3) An empowered woman never feels guilty. Guilt has been used against women for so long, going back to the original sin! Women are made to feel guilty that they are neglecting their families because they go out to work. An empowered woman knows what is right and wrong. She sharpens her moral compass, and after she has decided on a course of action and she knows it is right, she does not allow others to make her feel guilty.
- 4) An empowered woman does not try to be a superwoman.
- 5) An empowered woman lives the truth of the saying: Don't agonize, organize!
- 6) An empowered woman honors diversity.
- 7) An empowered woman has the capacity for "intelligent rage." An empowered woman feels a sense of outrage against injustice and oppression, a sense of outrage that leads to political action.
- 8) An empowered woman knows and claims her rights, not just her obligations.
- 9) An empowered woman claims power. Power has always had negative connotations that women rejected, so I felt the need to redefine "power." It is important to name what we want or don't want. One of the most powerful phrases of the women's movement is "Personal is political." Such issues as domestic violence and rape are not private, domestic issues, but issues of public policy and accountability.
- 10) An empowered woman says: No more waiting!



Transformation is about changing power relations, whether in the home, the community, or the country. In order for women to claim power, we have had to come up with a new definition. Power is the potency to act for what is good. Women and men in positions of leadership must seek this kind of power to make the world a better place.

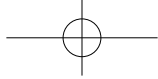
Kim Sung Eun (Professor, Kyunghee University): There are seven countries in the world with populations of over 50 million and per capita incomes of USD\$20,000 or higher. The fact that Korea is one of these seven countries is proof of the nation's rapid growth and wealth. Korea is ranked seventh in the world in exports and fifteenth in GDP. How did Korea grow so rapidly? The government led the rapid growth of a small number of corporations. Benefiting from large capital investments, a small number of conglomerates formed monopolies and oligopolies. Government regulations on sale prices to support exports and seek price stability led to collusive practices between politicians and businessmen.

Of the 25 countries surveyed by the Organization for Economic Cooperation and Development (OECD) in 2010, Korea ranked the lowest in technology trade balance, the ratio of value of exports to value of imports, at 0.33. This figure is far behind Japan's trade balance ratio of 4.6. Korea's trade deficit with Japan is USD\$30 billion, which cancels out Korea's trade surplus with other countries.

Fortunately, Korea has been able to balance its deficit through trade with China. To maintain this trade surplus with China, Korea must continuously develop new technologies, but its research and development is insufficient. The number of researchers in China is five times that in Korea, and its research funds are double. China's industrial structure has transformed greatly between 2000 and 2012. Over the last decade, China has shifted its focus from the textile industry to computers and shipbuilding, demonstrating strengthened technological competitiveness. This is the result of China's heavy investment in research and development.

There is a catchphrase about technology in the field of R&D:

To increase the number of transformative leaders among women, it is important to overcome conceptual, technical, and political barriers.



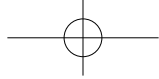
“Imitate to win.” In Korea, small and medium-sized companies develop technologies to feed the “patent monster.” This is because the research and development of SME’s often does not connect to production. Korea is in need of economic democracy.

Korea’s economic growth is inhibited when problematic customs in trade practices results in a poor reputation. These include forced supplier cost reductions, requests for provisional statements of accounts, demands for entertainment such as golf or drinks, and reprisals against companies for doing media interviews. “Shared growth of SME’s and large corporations” has been the slogan for major government projects under many presidents. The “People’s Government” of Kim Dae-jung presented “five principles and three supplementary projects,” and the Lee Myung-bak administration introduced “four values, five project directions, eight key projects, and 80 practical tasks.” The differences in the plans of the two governments were insignificant. These promises have merely been hollow echoes of the demand for shared growth. Large corporations such as Samsung and Hyundai reap as much as 40% of the fruit of economic growth. Some companies recorded thirty-fold growth worth over KRW 30 trillion in a decade. This is a consequence of rampant insider trading. This situation has had negative effects on various aspects of society. Most job-seekers aspire to work for large corporations rather than troubled SME’s, but there are not enough jobs to go around. Korea recorded its highest youth unemployment rate in 30 years, and the average age of first marriages is rising year after year.

Economist Joseph Alois Schumpeter predicted that the success of capitalism will not last. He said that the system will collapse from within, and that socialism will rise through revolutions demanding universal welfare. The bureaucratization of organizations, the concentration of wealth, the fall of entrepreneurship, the downfall of traders, and the rage among intellectuals against the above factors could result in the rise of socialism, wrote Schumpeter. In order to achieve economic democracy, society must establish fair trade practices, strengthen government’s role as a regulator, and curb abuse of market power.

The entrepreneurship demonstrated by Steve Jobs must live

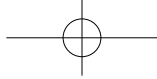
The higher women’s participation in decision-making positions, the more transparent business transactions will become, leading to a prosperous society based on trust.



on and new legends must be created. Korea has accumulated considerable wealth. Some estimates put the value of all real estate in Korea at six times that of Canada. Korea's competitiveness is considered lower than Singapore's, because Korea's perceived level of corruption is high. Unbefitting the nation's otherwise lofty national status, Korea ranked 27th in the Corruption Perceptions Index. According to statistics, 87% of Korean citizens consider the country to be corrupt. Korea's underground economy is bigger than that of Greece, and the transparency of Korea is worse than that of developing countries. Korea must clear itself of its infamy as a country of lavish entertainments, sex favors, rape, and underground economy. The Wall Street Journal's Evan Ramstad asks whether Korea's "room salon culture" has made it difficult for Korean women to participate in the workforce. The economic participation rate of Korean women is below the average of OECD countries. There are still some men who think that "Korean women should be happy to stay at home." Many public officials and other decision-makers mistakenly think that their spouses represent all Korean women, but in fact there are many households with annual incomes under 10 million won. Korea ranked 116th in the "economic participation and opportunity" category of the 2012 Global Gender Gap Index, compiled by the World Economic Forum. Korea is the world's best at many things, but there are many areas which Korea is ranked the lowest. We must create a society built on trust, where opportunities and dreams are protected by transparent systems.

Women naturally have high levels of oxytocin, the "nurturing hormone." The higher women's participation in decision-making positions, the more transparent business transactions will become, leading to a prosperous society based on trust. Only by becoming a transparent, trusting society can Korea become a major player in the world economy. Women's participation in society is the expressway to a high-trust society. By taking this path, Korea can become a G2 power.

Kim Keun-Hwa (President, Human Resources Bank): Ms. Irene Santiago said that beyond "participation," women are now calling for "influence." Leadership is about having influence, and this

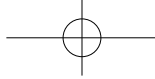


In order to tap women's capabilities, discriminatory practices should be eliminated. It is important to build a system to discover and train talented women for administrative positions.

requires that a person first develop one's personal leadership skills to then apply them in public leadership roles. People who have developed personal leadership skills, which resemble a mother's leadership, always reach their goals and make their dreams come true. People with personal leadership skills are consistent in their abilities, whether they are awake or asleep, sitting or standing. Fretting over trivial matters will prevent leaders from achieving larger goals.

I would like to speak about the third wave of the women's movement. The first and second waves of the women's movement were centered on a narrow definition of feminism, emphasizing the life of the average woman. Jobless women, whose marriages defined their lives, tried to enter the workforce and discuss family-friendly workplaces, guaranteeing and improving standard working conditions, and the right to choose their own professions. However, the first women to enter the workforce played ancillary rather than principal roles, in jobs classified "Other Clerical Support Workers" by the International Labor Organization (ILO). The women's movement is not over! We have elected women into top leadership positions, and people praise the success of feminist movements. However, we need to get on board with the third wave of the women's movement to make a true difference in the world.

Kim Kweesoon (Professor, Pusan University of Foreign Studies): The status of women is quite low in the Asia Pacific region, and the percentage of women migrant workers is very high. Solidarity among these women is necessary, as are regional movements and new policies. I would like to suggest several ways to increase women's governance in Korea. There are many tasks ahead for women, such as valuing women's nonmarket labor. Women must lead in realizing eco-governance to expand the green economy through new and renewable energy, green transportation, organic farming, slow food, and resource circulation. Women's leadership in the development of new technology and new and renewable energy will lead to a horizontal distribution of power and the creation of millions of jobs. Women must become involved in community planning in each region.



Park Myung-hee (Professor, Dongguk University): Ms. Santiago and Prof. Kim both stressed the importance of women's actions. Women's participation in the workforce is increasing, but the percentage of women in influential positions is very low. To address this issue, what we must do is strategically create positions of influence. From my experience heading a public organization, I have learned that each organization has boundaries that cannot be broken without a revolution. Even a person with great leadership skills cannot make lasting changes without continuous effort. Women leaders in public organizations must persevere in order to make a lasting difference.

Yoon Jung-Woong (Managing Editor, Jemin Daily): Even though we have elected a woman president, there are areas in obvious and urgent need of institutional improvement. In order to utilize women's capabilities, practices of unequal treatment between men and women must be eliminated. It is important that a system be built, forcibly if necessary, to discover and train talented women for administrative positions. Some examples would be requiring a proportional representation of women in political nominations, and introducing a gender quota system in employment practices. A nation's economic power is evaluated in terms of quality and quantity. I hope that the women of this country will organize, as urged by Ms. Santiago, and use their "intelligent rage" for political actions to increase women's participation in the workforce.

Park Young-Hai (Emeritus Professor, Sookmyung Women's University): The Women's Empowerment Principles (WEP) is guidelines that make it easier for corporations to enhance women's working environment. WEP urge companies to take the lead in serving local communities, and to set goals and publicize their progress. Getting CEO's to commit to practicing WEP through BPW's signature drive will contribute greatly to the women's movement. Korea ranked 116th on the Gender Gap Index because there is a large wage gap between men and women. To address this problem, the International Federation of Business and Professional Women (BPW) started an Equal Pay Day campaign



in Germany and other European countries. I agree with Ms. Irene Santiago that “an empowered woman never feels guilty.” Women often feel hurt and blame themselves for problems, whether they are at fault or not. Women must overcome this. The ability to manage one’s emotions is prerequisite to becoming a leader. A leader needs many colleagues, friends, and supporters. At the time of the World Conference on Women in Beijing, Ms. Santiago, who was the Executive Director of the NGO Forum on Women, worked with a chairwoman from Thailand to raise funds to help disabled women participate in the conference. Ms. Santiago showed through her actions that “an empowered woman lifts up other women.”

Lee Jung Rim (Chairman, JoKyuHyouun HyeonChang Memorial Association (Japan)): The predominant corporate culture has been to treat women as mere “flowers of the workplace.” This bias has kept companies from utilizing women’s full potential. In the future, a company’s growth will be determined by its ability to utilize women’s capabilities.

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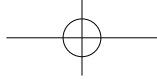
Question 1) Lee Insil, Senior Partner, Lee & Park Patent & Law Office
 Professor Kim Sung-un said that Korea has underdeveloped intellectual property rights. I do not agree. Korea’s recent technological development has improved its ability to evaluate intellectual property rights. Korea is leading the world in terms of intellectual property and technology levels.

Answer 1) Kim Sung Eun Various indexes would show the contrary. Many research centers are moving abroad. Korea should make efforts to keep high-level valued-added research in the country.

RAPPOREUR

Im AeDuck Secretary-General,
 Jeju Women Governance Forum

| New Waves in Asia |



THE VISION OF ASIA-PACIFIC WOMEN

Korean Institute for Gender Equality Promotion and Education

In this era of change and innovation, the power of women is influencing financial, political, and academic circles around the world. “Women’s Leadership” has become a key topic, and nurturing and utilizing women in the workforce in order to enhance national competitiveness has become imperative. With this in mind, this session commemorated the changes and growth in women’s roles in society, and sought measures to increase the capacity of women through the insights of contemporary women leaders.

MODERATOR

Kim Jeongsook, Chairperson,
Jeju Women Governance
Forum

OPENING PERFORMANCE

Park Ji-hae, Violinist

WELCOMING ADDRESS

Moon Sook Kyung, President,
Korean Institute for Gender
Equality Promotion and
Education

PRESENTERS

Kim Kum-lae, Former
Minister, Ministry of Gender
Equality and Family

Randi Davis, Director,
United Nations Development
Programme Gender Team

Miriam Chung, Don Retiree
Psychologist, Oxford University

Kim Kum-lae (Former Minister, Ministry of Gender Equality and Family): In my early days (1950s–1960s), when Korea was suffering from social and economic difficulties after the war, male dominance and a preference for sons were still prevalent in society, and gender discrimination was legally justified. Gender stereotypes prevented women from participating in public life, except for those who had to earn a living for their families or those who were engaged in traditionally ‘feminine’ jobs. Despite such a social atmosphere, my parents supported me without any discrimination, and I was able to grow up with self-esteem in a democratic home.

When I reached adulthood, I was convinced that I should contribute to society. When I was in my twenties, industrialization led to changes in the workforce, allowing more women to step into the labor market. However, discrimination in the workplace was in the spotlight as a new issue, and women were often considered temporary workers who would only work until they got married. I was discontented with this prejudice and joined a feminist club. Along with other members, I identified women’s issues, discussed the problems of the social structure, and studied various topics such as history, economics, politics, and women’s studies, to



initiate social change. As a part of our activities to eradicate gender discrimination in society, I submitted an article to a newspaper insisting that newlywed couples should not only bow to the groom's family, but also to the bride's parents, in the *pyebaek* ceremony. The article sparked a lot of controversy at the time.

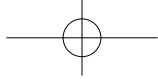
In my thirties, I was full of passion for the feminist movement, and I started to deal with general issues such as enhancing women's rights and expanding women's social participation. After the foundation of the Korean Women's Development Institute (KWDI), I was enlisted in the National Council of Women and promoted a media monitoring project.

In my forties, the scope of women's policies started to expand and an international women's movement began. The Presidential Commission on Women's Affairs was established in the National Assembly, and the World Conference on Women was held in Beijing. It was a time when women's direct participation in politics was called for and interest by women in politics rapidly increased.

In my fifties, I gained valuable experience while trying to introduce a gender quota system in the National Assembly, whereby women must account for 50 percent of candidates. During my years as a member of the Assembly, I became more interested in recruiting and training talented women and promoting them to higher government posts. I also conferred with other government departments to set up a women's network, and tried to expand female employment. Throughout my career, from a local government member to a government minister, I have put my best efforts into women's empowerment. It is imperative that participation by women in politics, administration, and economy be encouraged and expanded in order to strengthen Korean society, but women are still facing difficulties in reality. It is time that we exert every possible effort to enhance our quality of life by supporting the harmonious coexistence of work and family.

Randi Davis (Director, United Nations Development Programme Gender Team): The United Nations Development Programme (UNDP) is a UN global development agency that strives to eradicate poverty and reduce inequality and exclusion. UNDP supports

We need to exert every possible effort to enhance our quality of life by supporting the harmonious coexistence of work and family.



a wide range of development initiatives that are environmentally sustainable and respectful of economic, social, cultural, civic, and political rights. Our research has found that increasing the social participation of women and girls and eliminating gender inequality have a positive effect on a nation's development.

For example, countries that provide equal opportunity to both genders in elementary and secondary education attain better results in reducing famine, improving children's health, and lowering maternal mortality. In addition, women's economic participation directly influences productivity and economic growth.

From 2000 to 2010, the rise in economic participation by women in developing countries contributed greatly to their nations' global development. Giving women the same access as men to agricultural resources could raise total production in developing countries by 2.5% to 4%. I would like to share a few statistics that demonstrate the progress being made toward the UN's Millennium Development Goals (MDG's).

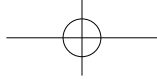
Gender disparity in education has decreased considerably, but there are still serious gender gaps in certain countries. The percentage of women in parliaments worldwide is just 20.4%, far below the target of 30% agreed to by the MDG's and the Beijing Platform for Action. Given the current number, it will be very difficult to reach the designated goal before the year 2025.

There are also continuing issues with women's participation in the labor market, because many women are still working in unsafe conditions, for low wages, and without social protections. Maternal mortality rates are rapidly increasing, with 40% of deaths taking place in the Asia-Pacific region. Gender inequality is also increasing women's risk of HIV exposure. Women are vulnerable to sexual violence, and such violence occurs more frequently during times of economic and social crisis. In order to achieve gender equality, not only national but global laws and policies should be developed.

Let me introduce three tasks that UNDP would like to accomplish with its partners:

First, the legal rights of women should be guaranteed. The Committee on the Elimination of Discrimination against Women (CEDAW) has been playing a significant role in many countries

Increasing social participation of women and girls and eliminating gender inequality have a positive effect on a nation's development.



Leadership by women is essential in all sectors of society, but we are still facing multiple challenges.

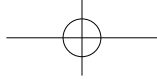
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by reforming civil and criminal laws. UNDP has been helping countries translate international normative frameworks into domestic legislation and practices, constructing international treaty systems, and collaborating with each country in expanding the scope of women's rights. We are especially focusing on the elimination of sexual violence, by constituting related laws, mainstreaming a gender perspective in laws and judicial systems, and promoting women's access to justice.

Second, women's economic rights should be reinforced. Women should be provided with increased, and better paying, job opportunities. For example, women in the Asia-Pacific region earn only 72% as much as their male counterparts. Moreover, women still encounter continuous discrimination in having access to and control over resources, assets, credit, and financial services. Equal access to agricultural resources by women could increase overall agricultural production in developing countries. Considering the existing obstacles, it is important to make economic policy decisions that reflect the reality of women's lives.

UNDP has developed a joint training program with the Korean International Cooperation Agency (KOICA) and the Korean Institute for Gender Equality Promotion and Education (KIGEPE), through which policy makers can obtain expertise in specific issues, such as gender budgets, gender-sensitive tax regimes, gender-sensitive trade, and unpaid work.

Finally, it is important that women have an equal opportunity to participate in decision making. Cambodia is urging political parties to nominate a certain percentage of female candidates to expand women's political participation, and Pakistan is supporting a women's parliamentary caucus. However, it is important for women to also take part in fields other than politics. In order to increase the proportion of women in top positions, UNDP has set out to examine the general laws and systems of countries around the world. More women should hold leading positions in the private sector. Women should also actively engage in local communities, councils, and civil society organizations. In India, women's organizations such as the Self Employed Women's Association have been founded, and represent a large number of poor women.



Leadership by women is essential in all sectors of society, but we are still facing multiple challenges. We must be aware that expanding women's leadership and promoting the legal and economic status of women are not separate goals; they should be pursued simultaneously. We should acknowledge that achieving gender equality and increasing women's social participation are the most effective strategies for national development.

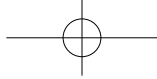
Miriam Chung (Don Retiree Psychologist, Oxford University):

Professor Chung suggested educational directions for training future leaders.

If we look at developments in women's status and rights from the past to the present, we can see that modern women's education started in Poland in 1777. Poland eventually produced the first female Nobel Prize winner, Madame Marie Curie, who is representative of the success of modern women's education.

The history of the Nobel Prize goes back to 1895. The number of female winners to date is 43, only 5% of winners. The first and only Asian woman to win a Nobel Prize is Aung San Suu Kyi, a politician and leader of the non-violent movement for democracy in Burma. Suu Kyi obtained a B.A. degree in Philosophy, Politics and Economics from Oxford University, and has been struggling to bring peace and democracy to Burma. Out of the 43 female Nobel Laureates, 12 have won the Prize in literature. Brain science has shown that women often excel in language activities, which explains the high proportion of literature prizes among female Nobel Laureates. Currently, there are a few female political leaders in the Asia-Pacific region, including Quentin Bryce (Governor-General of Australia), Park Geun-hye (President of Korea), and Yingluck Shinawatra (Prime Minister of Thailand).

In order to become a successful leader, one needs to build leadership by cultivating "habitual abilities" from one's teenage years. Children grow and mature into adults between the ages of 10 and 16, and they need to develop a wide range of abilities, from doing easy chores to accomplishing difficult tasks such as reading technical books, so that they will be able to find a career that matches their aptitudes and abilities in the future. One's teenage years, in terms of cognitive

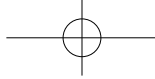


psychology, is the period during which time perception develops. If youngsters learn to manage their time wisely in this period, when they can obtain the ability to make plans for the future, they will be equipped with the qualities of a leader. This is also a time when one can maximize one's social development. If teenagers make constant efforts to improve themselves in this development stage, their habits will turn into abilities. In other words, habitual abilities mean habitually developing one's leadership abilities in daily life. We can expect teenagers to eventually become successful leaders if they manage to gain expertise, knowledge, and culture.

Policy Implications

- The presentation of former Minister Kim Kum-ae highlighted women leaders' roles from the past to the present. Randi Davis, the Director of the UNDP Gender Team, emphasized the importance of the empowerment of women in the Asia-Pacific region and proposed tasks to increase and secure women's participation. Finally, Professor Miriam Chung underlined that developing habitual abilities in teenagers is the most significant factor in fostering future leaders. The session provided an opportunity to seek ways to expand women's empowerment by examining changes in leaders' roles in the past, present, and future. The presenters all agreed that guaranteeing and promoting the social roles of women will facilitate national development.
- The social participation of women in Korea has improved considerably since the 1950s, but there are remaining challenges for the advancement and empowerment of women in the workplace. We should develop policies to increase women's social participation, and encourage the

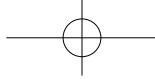
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society and corporate culture in general, to accept the coexistence of work and family. Thus, employment policies are required to ensure that women obtain high-ranking positions and take part in various fields. More specifically, women should be provided with flexible working environments—such as telecommuting—and maternity leave should be guaranteed by law so that the increased need for substitute workers will provide more job opportunities for women.

- The various UNDP roles discussed and the statistics shown in the presentation of UNDP Director Randi Davis illustrated that gender equality and women’s social participation can contribute immensely to national development strategy, and efforts should be made not only at the national level, but also in the private sector. Thus, countries in the Asia-Pacific region, including Korea, should consistently cooperate with various international organizations, such as UNDP, to develop law enforcement systems that will enhance women’s social status. Many countries in this region do not guarantee women’s rights or provide legal protection, and there are even women who are deprived of their right to live. UNDP should help these countries implement systems and policies for women. For example, experts in development cooperation and policy makers should be dispatched to developing countries to provide education, disseminate gender equality and promote related policies. On-site experts will have a great effect on the implementation of the tasks that UNDP has suggested to improve the legal and economic rights of women.
- Various activities can help develop teenage girls’ habitual abilities: reading books, doing exercise, and meeting friends. Girls usually prefer sedentary activities. Many girls devote their time to reading for their cultural and intellectual development, though they often have little time to read. In order to become leaders of groups, girls must cultivate communication and leadership skills. Research is needed to determine the most effective activities for teaching teenage girls to overcome the fear of facing an audience and to lead. Korean teenagers often exhibit their talents in club activities, festivals, and various competitions. However, the burden of exams has deprived them of opportunities to develop their physical abilities and other talents. Thus, we should provide education programs that will help teenagers identify strengths other than their studies, and offer in-depth training that will enhance teenagers’ dynamic abilities as well as their sedentary interests.

RAPPEUR
Song Hyein, Kim Soo Jeong
KIGEPE



STRENGTHENING WOMEN'S POWER IN THE 21TH CENTURY

Seoul School of Integrated Sciences and Technologies

Members of BPW International, a global association of professional women, led the presentations on promoting the social and economic activities of women in the 21st century. Women's participation in society, including economic activities, is an essential factor in strong national competitiveness. Thus, countries around the world are making great efforts to increase the number of women in the workforce. The speakers discussed measures by the International Federation of BPW for the promulgation of the Women's Empowerment Principles (WEP) developed by the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the UN Global Compact, the strengthening of women's power in the 21st century, and the realization of equal and fair corporate culture for both genders, as pursued by the WEP. This session provided an opportunity to discuss the present state and the future of women's participation in various aspects of society, including economics, diplomacy, and national defense.

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MODERATOR

Lee Insil Senior Partner, Lee & Park Patent & Law Office/
Managing Director, BPW Korea

PRESENTERS

Freda Miriklis President, BPW International

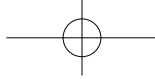
Pak Hui-Cha President, BPW Korea

Heo Beom-Do Chair Professor, Pusan National University

Kim Il Sup President, Seoul School of Integrated Sciences and Technologies

Pak Hui-Cha (President, BPW Korea): BPW is continuing efforts to change the lives of women across the globe by protecting women's rights and interests, and increasing the status of women. Furthermore, BPW is attending and contributing to activities of the UN and its affiliations, and presenting points of view on current women's issues. BPW Korea led the movement to urge Korea to sign and ratify the UN Convention on the Elimination of All Forms of Discrimination against Women. The federation is committed to nurturing the next generation of women leaders. Under the new banner for 2011-2014, "Empowered Women Leading Business," BPW Korea is focusing on increasing women's leadership and empowering women entrepreneurs to create many women

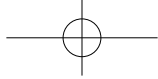
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executives with decision-making power. Although the importance of diversity is growing in the global economy, women account for merely 1% of all executives in Korean companies. The utilization of women's sensibilities and creativity in the making of policy decisions will undoubtedly boost corporate competitiveness. The 28th BPW International Congress will be held in Jeju in May 2014. Kim Man-deok was a woman whose life embodied the true spirit of BPW. As a symbol, Kim Man-deok will add great meaning to the BPW International Congress. The BPW International Congress will be a wonderful opportunity for women from around the world to share their experiences.

Nina Ahn Principal
Representative, Cuningham
Group Architecture, Inc.

Freda Miriklis (President, BPW International): I am inspired by the spirit of Jeju's Kim Man -deok, the culture of women divers, and the legend of Seolmundae, all of which show the power of women. These examples are proof that the energy and spirit of women can change the world. The 21st century will be the era when women will claim their rights and demonstrate leadership in business. Professional development of women will benefit the global, regional, national, and local economies. BPW policies focus on Women's Empowerment Principles, the Equal Pay Day campaign to promote nondiscrimination, and supporting women executives through the economic empowerment of women. In order to bring the voice of women to business, BPW must form strategic partnerships with various organizations, including the International Trade Centre (ITC), the UN Global Compact Office, and the International Organization of Employers (IOE). In the past, women's rights were not protected due to social constraints, but this wall must now be torn down. When gender equality is realized in workplaces and regional communities, breaking the grip of male chauvinism, men and women will finally be able to advance shoulder to shoulder and contribute to the growth of regional communities and the world. Women must secure their economic rights in order to contribute to society. Since the foundation of BPW in 1930, the missions and visions of the International Federation of BPW have played a key role in the development of the women's movement. The 2014 BPW



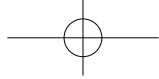
International Congress will be held on the beautiful island of Jeju, opening a forum for lively discussions on women's leadership in the 21st century.

Heo Beom-Do (Chair Professor, Pusan National University):

We are gathered here at the 2013 Jeju Forum to examine how the lives of Korean women have changed through history and discuss future tasks for policy on women's issues. Korean women were at the foundation of Korea's development and prosperity, and they continue to be a powerful force driving the nation. The sphere of women's activities has been broadened through the processes of industrialization and democratization, and women's devotion and contribution to the workforce steered the Korean economy to magnificent growth. Since the late 1980s, the women's movement has evolved through policies on women's issues and the activities of women's organizations. I believe that the election of a woman president in 2013 will serve as a significant turning point for women's policies. At present, women in Korea have a higher life expectancy and education level than men, while women's participation in economic activities is lower than the average for OECD countries. A graph of Korean women in the workforce continues to show an "M-Curve," reflecting career interruptions following childbirth and infant care. Although the number of women in technical professions is growing, the public sector is still lacking women. In the 21st century, the need for women to participate in economic activities is growing with the changing social environment. The issue of expanding women's participation in society should be at the core of future policies. We must overcome the illusion of gender equality, and be wary of hidden discrimination in the form of practices such as glass ceilings. More political support and interest is needed to improve the quality of life of more women. Korea must prioritize policies that encourage men and enterprises to participate in efforts to balance work and family life. Policies must direct efforts toward improving women's health and welfare and expanding women's participation in decision-making processes.

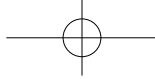
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Nina Ahn (Principal Representative, Cunningham Group Architecture, Inc.): Quality of life in the 21st century lies in entertainment. My profession is in planning entertainment facilities such as Disneyland and Universal Studios. I would like to stress that tourism and entertainment are emerging across the world as industries with high profits and added value. In the 1970s, women did not have a high social status in Korea, and I went to study in the US to follow my dream and to make that dream come true. I am very happy with my current position as a maker of policy decisions. It is important that women find ways to become truly empowered rather than seek superficial rises in the ranks. Participating in world affairs and steeping oneself in the world's diversity is the true path to empowerment. Contributing to society without being tied to conventional ways of thinking, garnering the respect of others, and realizing one's dreams are certainly praiseworthy goals. However, the most important goal for women is to gain economic power. Finding oneself is as important as winning in competition. Women must learn their value and listen to their own voices. This is the only way many women's issues will be resolved.

Kim Il Sup (President, Seoul School of Integrated Sciences and Technologies): We live in an era where women have great power, as exemplified by Korean golfer Se Ri Pak, the late British Prime Minister Margaret Thatcher, German Chancellor Angela Merkel, and former Chilean President Michelle Bachelet. Women show great power by overcoming states of crisis through sensitivity. This is the source of the charisma exhibited by Kim Yuna and Pak Se Ri. Even though Korea has elected a woman president, men account for 55% of executives in the financial sector, while women account for only 1%. The strength of women's leadership comes from the cooperative, magnanimous, integrative characteristics of women. Women's leadership is often harmonious, considerate, and empathetic. A professional woman is someone who serves society through her profession, who achieves specialization through formal education, rigorous training, and continuous self-development and management,



and who makes few mistakes at work. Queen Elizabeth I of England is a prime example of a woman with great leadership. She was a great monarch whose character encompassed virtuousness and probity, foresight and insight, love and care, high moral values, willpower, devotion, intelligence, competitive spirit, and a sense of responsibility. I would like to advise women who want to become successful leaders to cultivate ambition, enthusiasm, focus, professionalism, and skills of communication. Women must develop tenacious leadership to defend the members of their organizations in order to become truly great leaders.

Park Young-Hai: At the Jeju forum, I realized once again the importance of discussing women's issues and the role of BPW. I hope that this forum will create opportunities to make policy decisions based on the collective voice of women. As former Japanese Prime Minister Hatoyama Yukio said, women must play active roles in promoting peace, stability, and prosperity in the region. I hope to hear the voice of women grow louder for one Asia.

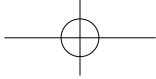
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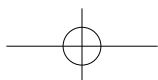
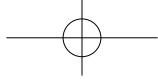
Choa Hye Kyung: As a researcher of women sea divers, I would like to congratulate Jeju on being selected to host the 2014 BPW International Congress. Jeju women sea divers are acclaimed worldwide for their knowledge and technical skills. Because the number of women sea divers has dropped dramatically, much effort is being made to add Jeju sea divers to the UNESCO Representative List of Intangible Cultural Heritage of Humanity. The women sea divers have realized gender equality through marine economic activities. They are model women whose lives reflect BPW ideologies. I would like to request the opportunity to introduce Jeju women sea divers to participants of the 2014 BPW International Congress. I hope to introduce the culture of women sea divers as an example of sustainable women's culture.

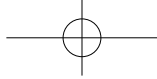
RAPPORTEUR

Ko Young-lim Head of International Relations, BPW Jeju Club

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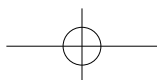






Part VII

The Future Vision of Jeju





THE FUTURE STRATEGY OF THE NATION AND THE ROLE OF JEJU

Jeju Free International City Development Institute

The participants of this session contemplated the future direction of national strategies and the desirable roles of regional communities in overcoming the financial crisis and creating new opportunities in today's complex global environment. The discussions highlighted the key elements and values of the future strategy of the new government launched this year, and sought creative development strategies for Jeju to attain global competitiveness. In light of the theme of the 2013 Jeju Forum, "New Waves in Asia," this session provided an opportunity for in-depth discussions on the national vision and the roles of regional communities.

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MODERATOR

Yang Young-oh President, Jeju Development Institute

DISCUSSANTS

Choi Byung-Il President and CEO, Korea Economic Research Institute

Lee Seung- Jong President, Korea Research Institute for Local Administration

Park Kwang Moo President, Korea Culture & Tourism Institute

Lee Byung-Wook President, Korea Environment Institute

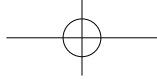
Choe, Byongho President, Korea Institute for Health and Social Affairs

Park Kwang Moo (President, Korea Culture & Tourism Institute): Jeju Island is not only a tourist paradise for Koreans, but it is also popular among people from around the world. Our goal this year is to attract 10 million tourists to Jeju. In order to find ways to increase the global competitiveness of Jeju's tourism industry, it is necessary for the residents and government of Jeju to come together and form a consensus on what elements Jeju should protect and develop, do away with, or create anew.

Although increasing global competitiveness is an important task, we must first focus on increasing the satisfaction of domestic tourists. I believe that bringing happiness to all of the nation's citizens who visit Jeju will be a shortcut to attaining global competitiveness.

Tourism is a vessel with infinite possibilities in what it can contain, with the inherent potential for creation and transformation. As an important industry of Jeju, tourism must lead the island's development. In order for Jeju tourism to become

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a vessel of development, the province must think ahead and make an effort to discover benchmarks, and seek alternative solutions to problems. Enterprises in Jeju must direct their efforts toward turning local industries into tourism resources through transformations in production processes and management.

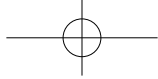
Lee Byung-Wook (President, Korea Environment Institute): Jeju hosted the IUCN World Conservation Congress in 2012, which set Jeju on a trajectory to become an environmental capital of the world. Before making resolutions for this goal, Jeju must first clarify the meaning of environmental capital. A detailed conceptual blueprint must be prepared, explaining the qualities of an environmental capital. To begin strategizing, it is necessary to determine whether Jeju would aim to become the only capital, or one of many such capitals, of the world. While the former might be desirable, it is neither feasible nor logical. Jeju's various environmental initiatives, including its efforts to maintain the natural assets that led to Jeju's designation as a UNESCO Biosphere Reserve, its response to climate change, and the promotion of Jeju as a model city for environmental education, do not suffice for the island to be recognized as the sole environmental capital of the world. Thus, Jeju should approach its goal with the understanding that there would be multiple environmental capitals in the world.

In order to strategize for the promotion of Jeju as a world environmental capital, it is important to first establish Jeju's vision. To this end, we must identify what has already been accomplished, and analyze business opportunities and the expected results of proposed projects in the short, medium, and long term. In terms of hardware, Jeju must apply an aggregate management of natural assets to its provincial administration in order to solidify Jeju's competitive advantage, and make concerted efforts toward the designation of Gotjawal Forest as an "ecosystem and landscape conservation area" to increase the environmental capacity of Jeju. To this end, Jeju must seek increased financial support from the central government.

In terms of software, Jeju requires think tanks that can lead discussions on sustainability at the global level, and an organic system that can create synergy in its functions, including planning, research, and education.

We can thereby create a strategy to become an environmental capital of the world, combining the national agenda for green growth and creative economy. Assembling a budget and human resources accordingly, Jeju will be able to move toward its anticipated goals.

Lee Seung Jong (President, Korea Research Institute for Local Administration): The Park Geun-hye administration's regional development policy has not yet revealed a definitive form, but a general direction can be inferred from major government projects and current



issues. The new administration is expected to champion a strategy of indigenous regional development, which is a departure from the strategy of the previous administration. The central-to-local direction of the previous regional development policy will be reversed. Stepping away from a state-centered model, the new administration will support a model in which the happiness of the nation follows the happiness of the people. Policy enforcement measures are also expected to change to support indigenous development, strengthening cooperation among central government offices and increasing the autonomy of local government bodies.

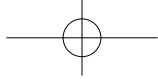
The prospect that the Park administration's regional development policy will promote endogenous development led by each region presents a favorable outlook for Jeju Special Self-Governing Province. The government's decentralization policy will allow Jeju to accelerate development. Endogenous regional development refers to development driven by local communities according to local values and priorities. The abundance of resources within the region gives Jeju a competitive advantage in resource utilization and development. It is important for Jeju to adopt a creative and innovative strategy that will add value to its bountiful resources.

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Choi Byung-II (President and CEO, Korea Economic Research Institute): The basic direction of the Park Geun-hye administration's path to creative economy is to bring happiness to citizens through the creation of quality jobs. A wellspring of creativity is found in R&D and information and communication technologies, and in the convergence of technologies. Through the convergence of technologies and industries, an industrial ecosystem can be formed, centering on small and medium-sized companies.

Jeju Island boasts an abundance of natural tourist attractions. Jeju has obtained UNESCO designations as a Biosphere Reserve, World Natural Heritage Site, and member of the Global Geopark Network, and was chosen as one of the New7Wonders of Nature. The island aims to attract 10 million tourists

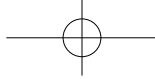
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this year. Jeju is promoting medicine, education, and MICE (Meetings, Incentives, Conventions, and Exhibitions) industries as key industries to form a free international city. In order to harness the new administration's vision of creative economy as a springboard for Jeju's development, the province must create high value-added industries through the innovative convergence of various industries, including education, environment, leisure, art, agriculture, and ICT (Information and Communications Technology). Jeju should promote the convergence of medicine and tourism, lodging and cultural products, MICE industries and educational services, and explore other combinations of industries with business prospects. Increased investment in R&D is necessary to support a continuous stream of alternative designs and innovative ideas, which will increase the success rate of convergence. Industry-academic cooperation systems and knowledge communities should be formed to expand the basis of joint research and spur the convergence of ideas.

Tchoe Byongho (President, Korea Institute for Health and Social Affairs): The era of centenarians signifies 1) the realization of humanity's desire for health and longevity, 2) the establishment of markets and social infrastructure that support healthy living, 3) significant changes in life patterns, and 4) the formation of population structures that can sustain the era of centenarians.

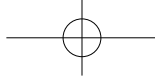
Welfare protects people throughout their lives from various hardships, from poverty to illness, childbirth, childcare, disability, old age, and death. It is a social safety network that steps in to resolve problems that the market cannot handle. Welfare helps people who have failed to get back on their feet. It is a public good and a type of social security. In a broader sense, welfare improves quality of life in many ways. Sustainable welfare must continuously improve quality of life, be financially sustainable, respond flexibly to crises such as a low birthrate and an aging population, adapt to technological advancements, and be creative in utilizing technological innovations.



Policy Implications

- To increase the global competitiveness of Jeju's tourism, Jeju must seek quantitative growth as well as qualitative sophistication through the development of specialized tourist products. Possible areas for development include themed custom tours, and marine tourism utilizing beaches and underwater resources (e.g. marine parks, underwater expeditions, cruises).
- In order to strategize for the promotion of Jeju as a world environmental capital, it is important to first establish Jeju's vision. To this end, we must identify what has already been accomplished, and analyze business opportunities and the expected results of proposed projects in the short, medium, and long term.
- The new administration's regional development policy is expected to shift from state-centered development to decentralized development to increase the happiness of the people. The government will push strategies to promote "endogenous regional development" led by local communities.
- In order to establish industrial policies to promote a creative economy, harmonious integration of Jeju's industries will be necessary (e.g. expansion of the service and R&D industries, establishment of cooperation between industries and academic and research institutions). Increased oversight and strengthened regulations on public servant liability are warranted.
- In order to establish a sustainable welfare model for the coming era of centenarians, Jeju must create a healthy ecosystem and become an island of health and longevity. Jeju Special Self-Governing Province should customize its employment and welfare system to embody the welfare model of the new administration.

RAPPORTEUR
Jung Ji-hyung Research
 Fellow, Jeju Development
 Institute



VISIONS FOR THE FUTURE OF SCIENCE AND TECHNOLOGY PARKS

Jeju Free International City Development Center

Science and technology parks have led the economic growth of many countries through advances in science and technology, and they have been viewed as a gauge of national competitiveness. In the knowledge-based economy of the 21st century, these parks are transforming into cradles of innovation that facilitate the creation and sustainable development of industries. In the future, science and technology parks must not merely remain a means for advancing science and technology and enhancing national competitiveness, but they must morph into strategic points of innovation to promote the peaceful coexistence of all humanity through elite global networks. In this session, a panel of science park representatives from around the world shared their views on strategies and development measures for the future of science and technology parks.

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MODERATOR

David Fuller Science Park
Administrator, University of
Wollongong, NSW Australia

PRESENTERS AND DISCUSSANTS

Helen Chung Senior Manager,
Hong Kong Science &
Technology Parks Corporation

Chang RaeWoong President,
Gyeongbuk Techno Park

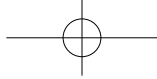
Kuai Nai-chih Researcher,
Southern Taiwan Science Park
Administration

Jung Su-yeon Professor, Jeju
National University

Discussion on the various definitions of science park

Helen Chung (Senior Manager, Hong Kong Science & Technology Parks Corporation): Establishing science parks is elemental in laying a foundation for a nation's future, and warrants generous support at a national level. In order for science parks to function as a cornerstone of national development, they must secure three basic elements: scientific development, human resource development, and market demand. What follows the primary, secondary, and tertiary industries, are knowledge-based industries such as information technology and biotechnology. These future industries are innovative industries that create value out of nothing. Nations must adapt to the changing times, embrace these new industries, and nurture them actively. Development of

Jeju Forum for Peace & Prosperity 2013



innovative industries centering on science parks is not a final destination, but a path to yet another future.

Future Vision for Jeju's Science and Technology Park

Chang RaeWoong (President, Gyeongbuk Techno Park): Despite being the world's eighth largest trading nation, South Korea's exports exceed its imports in technology. South Korea lacks fundamental research despite its high R&D spending, which is ranked second in the world. To resolve this issue, great efforts at the national level will be necessary. I believe that Jeju can lead the nation in setting directions for improving fundamental research. Many companies have already moved to Jeju for the island's unique merits. An effective strategy is necessary to capitalize on these merits to attract leading scholars and companies from around the world. Jeju offers all the amenities people might desire, and Jeju's natural surroundings promise a high quality of life. Promotion of Jeju's merits will help invigorate science parks around the nation and enhance the quality of the research.

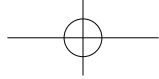
Future Visions and Possible Paths for Science Parks

David Fuller (Science Park Administrator, University of Wollongong, NSW Australia): Government support and future forecasts are necessary to facilitate the enhancement of science parks. Support at the national level can help attract companies and promote their growth, retain tenant companies, and create an ecosystem wherein science parks contribute to and cooperate with regional communities.

Future science parks will be shaped by the following elements: 1) the future of human work; 2) E-science and research; 3) amplified collaboration and virtual clusters; 4) talent attraction and retention; 5) community and belonging. Through strategic planning, in step with the rapid development of science, and the attraction and retention of a skilled workforce, nations will be able to envision a clearer future for science parks.

Jeju's Potential as a Venue for the Agglomeration of Knowledge-based Industries

Jung Su-yeon (Professor, Jeju National University): Jeju's population has increased steadily over the past three years. Despite high logistics costs due to Jeju's geographical location, many companies are moving to Jeju. This phenomenon does not correspond to the economic theory that companies strive to reduce their basic



spending by seeking low logistics and labor costs. Manufacturing represents only 3% of Jeju's gross regional domestic product. However, IT and BT industries have few logistics requirements, and leading IT companies such as Nexon Co. Ltd. and Daum Communications Corp. are both moving their headquarters to Jeju. To explain why companies are moving to Jeju despite these drawbacks, it is important to examine the need effects (location-based factors required by companies) and the network effects (the tendency of companies to agglomerate in the same geographical area for easier exchanges of information). Jeju can transform into a knowledge-based industrial hub by focusing on network effects. If its network effects intensify, Jeju Island will see dramatic growth. Jeju's science park has grown to the critical size required for industrial agglomeration, and Jeju now possesses the required force to form an international hub city. Establishment of policy is urgent to facilitate the network effects of knowledge-based firms, which will help Jeju transform into a true free international city.

Southern Taiwan Science Park Administration's Strategies: the Case of the Medical Device Industry

Kuai Nai-chih (Researcher, Southern Taiwan Science Park Administration):

A successful science park comprises harmonious industrial clusters, sound infrastructure, and high-quality living amenities. To encourage the growth of new companies, we provide creative teams with services, including customized offices, prototyping, mentoring, legal consultants, and funding resources.

Out of the 55 biotech companies in STSP, 38 are medical device manufacturers. This is the reason STSP is focusing on the growth of medical device manufacturers. In order for a science park to be successful, it must market its know-how and products, nurture talent, and enhance its brand power, seeking the longevity of the entire park rather than individual companies.

Question 1) David Fuller What efforts are necessary for the development of science parks?

Answer 1-1) Helen Chung Hong Kong's science park is relatively small. However, size is not the sole determinant of the development direction and success of science parks. Every



company can grow through their networks and government support. When we can provide infrastructure and support companies based on their needs, we can expect the growth of companies as well as science parks.

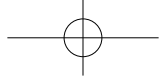
Answer 1-2) Chang RaeWoong Gyeongbuk Techno Park is also relatively small. Therefore, maintaining an active network among companies is key. To facilitate innovation, we group companies by business type and encourage companies in each group to share knowledge. In addition, we are cooperating with science parks and related organizations in other areas to encourage the exchange of logistics and knowledge. For example, we have made a cooperation agreement with a science and technology park in Beijing to help companies form business ties. Other efforts include planning large business events (exhibitions) to allow our companies to form networks with tenants of leading science parks overseas.

Answer 1-3) Kuai Nai-chih We prioritize membership to reputable organizations, such as the Asian Science Park Association (ASPA) and the International Association of Science Parks and Areas of Innovation (IASP), so as to utilize their extensive networks and seek exchanges with other member companies. Because of our high concentration of manufacturers of medical devices, Southern Taiwan Science Park tries to enhance the quality of the industry through business agreements with Stanford University and other universities that have made great accomplishments in medicine.

Question 2) David Fuller We have heard that utilization of networks is important for the growth of science parks. How do you think networks of science park tenants will evolve over the next decade?

Answer 2-1) Jung Su-yeon Over the last decade, I have closely observed the establishment and development of 88 tenant companies of Jeju Science Park. In my experience, park-led networking among companies can be a double-edged sword from an individual company's perspective. Requests for participation in business matching and other activities can be burdensome for small companies with few employees (e.g. frequent requests for support and other requirements that can hinder business). It is important to assess the specific needs of individual companies and to provide practical assistance to companies that need support.

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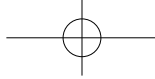
Answer 2-2) David Fuller To add to your comment, the development of industries, from IT to BT and medical devices, must follow endless contemplation on which industries will become future growth engines of science parks. Science parks must maintain close relationships with surrounding communities and seek their full support. The resulting synergistic effect is one of the most important elements that determines the future direction of science parks.

Answer 2-3) Jukka Viitanen, CEO, Hubconcepts, Inc. So far, the location of most science parks is determined by the cost of real estate, but I think this could be a hindrance to the growth of science parks. Inexpensive sites come at the cost of inadequate infrastructure and low quality of life for employees working in the parks, inhibiting the qualitative growth of industries. From the initial stages, science parks should put workers first, creating an environment with solid urban planning in order to lure the best companies and ensure successful operation.

Policy Implications

- Support at the national level is crucial to the success of science parks. Benefits and amenities for tenants should be enhanced through institutional reform. Corporate tax and income tax exemptions and financial support for human resources development are also necessary.
- Science parks should strive to enhance social overhead capital (SOC) and the surrounding environment. Science parks should seek synergistic effects through the establishment of national research institutes and university research centers, and focus on expansion and improvement of basic infrastructure, such as roads.
- Science park administrators must accurately assess the needs of tenant companies and open a channel of communication to continuously provide practical support. Companies should form networks by utilizing business agreements with companies in similar science parks and related academic associations, and cooperating with academic and research institutions (e.g. attracting investment and increasing technology exchange through joint research and business matching).
- Science parks should promote future growth engines through endless contemplation and research. Companies within science parks should form networks among themselves and maintain relationships with surrounding communities. Companies can utilize these networks to discover business opportunities based on regional characteristics.

RAPPORTEUR
Andy Park Assistant
 Manager, JDC



THE IMPORTANCE OF INFORMAL AND INTERDISCIPLINARY EDUCATION IN 21ST CENTURY MUSEUMS

Jeju Free International City Development Center

Museums have long served a role in informal education in various spheres. There are over 80 museums on Jeju Island, including the Aerospace Museum currently under construction. Yet the value and role of these museums require more study. Through an in-depth discussion on the educational value and role of museums, the participants of this session sought new development directions and objectives for 21st century museums in Jeju and around the nation.

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MODERATOR

Choi Yong-bok Professor, Jeju National University

PRESENTER

Carole Neves Former Director, Office of Policy and Analysis, Smithsonian Institution

DISCUSSANTS

Alan Knezevich Former Manager, Smithsonian Museum

Lee Seogu Deputy Chief, Division of International and Public Relations, Korea Astronomy and Space Science Institute

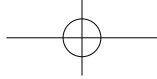
Hong Sung-Hwa Professor, Jeju National University

Boo Soyoung Professor, George Washington University

Carole Neves (Former Director, Office of Policy and Analysis, Smithsonian Institution): In the 21st Century, a diverse approach to museum education based on interdisciplinary connections and creativity is necessary. A museum is an important place where informal education occurs. In the United States, museum education is closely linked to school education programs. One discipline cannot explain all the complex and interconnected phenomena. An interdisciplinary approach will be necessary and easily applied to the Jeju Aerospace Museum. Science and art, and aviation and ornithology, are examples of disciplines that are combined to great effect. Anthropology is one of the most integrative disciplines. The Smithsonian Institution finds interdisciplinary connections through knowledge amassed in an interdisciplinary system comprised of nine research centers and 19 museums.

In Jeju, astronomical research institute can be linked to a museum. In the United States, museums are offering interdisciplinary programs to increase immigrants' understanding

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of American society. (E.g. programs which aid Hispanic or other races understand and adapt to American society)

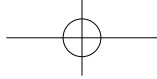
The term interdisciplinary connection refers to linking two or more academic, scientific, or artistic areas of knowledge. TED lectures are a prime example of an interdisciplinary approach to learning. Museums are by nature interdisciplinary. Jeju Aerospace Museum's educational function will be important in that it will open the eyes of local students to new ideas and connected disciplines. Nam June Paik was a creative interdisciplinary Korean artist who combined imaging technology with visual art. Paik's work, Electronic Superhighway, is on permanent display at the Smithsonian American Art Museum. Art, humanities, and technology can be combined to great effect. Jeju Aerospace museum should become a venue for creative, interdisciplinary integration.

Each year, 30 million people visit the Smithsonian museums, and 200 million people visit the museums' websites. Most visitors to the Smithsonian consider the museums as educational institutes rather than museums, and many come for more than a day. Bringing children to a museum has great educational value. Museums must provide history, information, education, and entertainment to fulfill the various purposes of a museum visit, and offer interactive elements to satisfy active children.

Creativity begins at the point where disciplines meet, as in a creative economy. Creation at an interdisciplinary junction might seem unlikely at first, but that is where it must begin. Jeju's museums, such as the Spirited Garden and the Stone Museum, are taking creative approaches to new fields and showing great potential. Tackling new challenges in this way is important.

Lee Seogu (Deputy Chief, Division of International and Public Relations, Korea Astronomy and Space Science Institute): In the past, I thought of science halls and museums as two separate concepts, but today's museums seem to be combining the two. Interdisciplinary integration is already happening in many fields. The planners of the Jeju Aerospace Museum must take into account the fact that people of different ages have different

Museums are by nature interdisciplinary. Jeju Aerospace Museum's educational function will be important in that it will open the eyes of local students to new ideas and connected disciplines.

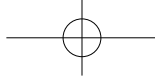


interests. Daejeon Observatory, the first observatory in Korea to open to the public, started to put on free music concerts to add entertainment value to evening celestial viewings. Over 500 weekend concerts have been held over the last decade. Reservations for the concerts, played by local musicians, are usually all filled by 2 p.m. Visitors to the observatory welcome the combination of music, science, and astronomy. Science museums must design programs that can stimulate and inspire the young generation. The Jeju Aerospace Museum must fill this important role.

Hong Sung Hwa (Professor, Jeju National University): Museums are being established left and right, and Jeju is home to more than 80 museums, and that number grows to over 100 when including unregistered museums. The difficulties these museums are facing in operation and management can perhaps be explained in terms of an interdisciplinary connection. To the following few questions, I would like to hear answers based on the experience of the Smithsonian. First, what are some solutions to clashes among disciplines in interdisciplinary education? Second, what is your opinion on the heavy concentration of interdisciplinary research in specific fields in Korea, especially the heavy focus of museums related to IT? Third, considering that interdisciplinary research often pioneers new fields of study, how can we meet the challenges of interdisciplinary research with stability? Fourth, what are some model cases Jeju museums can learn from in order to overcome difficulties in museum operations through creative tourism? I would be grateful if you could answer these questions based on the Smithsonian experience.

Boo Soyung (Professor, George Washington University): Interdisciplinary connection is a trend found in museums throughout the world. Integration of various disciplines attracts visitors, and the resulting new connections lead to repeat visitors. The operation of the Smithsonian is evolving. For example, it has set up a department to organize musical performances for visitors waiting to enter the museum. The museum also holds

Science museums must design programs that can stimulate and inspire the young generation.



Museums must tell diverse multidimensional stories, through which they can provide a rich experience.

events throughout the year to collect donations from political and financial circles in Washington D.C. Combining various disciplines and planning events to add an element of enjoyment are essential for a contemporary museum. These strategies should also be considered by the Jeju Aerospace Museum.

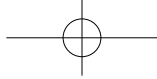
Alan Knezevich (Former Manager, Smithsonian Museum): A museum should be a resource that inspires visitors to connect biology, history, and art. A museum must provide true and factual stories. The reason museums are developing interdisciplinary exhibitions and programs is that visitors show interest in these elements. In contemporary society, where people react to everything in real time through smart devices, museums must move away from one-way communication and focus on two-way communication.

Museums must tell diverse multidimensional stories, through which they can provide a rich experience. A recent textiles exhibition showed that the world of textiles extends beyond our imagination. One popular media art installation transformed research findings on cosmic dust into visual art. Based on this installation, a space-themed academic exhibition was organized. In another case, a microbiologist researching a disease applied origami to his research and discovered the molecular structure of the disease, contributing to the field of physiology.

Museums' functions of collection, restoration, and preservation of artifacts are linked to various disciplines, including physics and physiology. Creative interdisciplinary processes can move the minds of the public. For example, the TV show CSI captured its audience by combining science and creativity.

Choi Yong-bok (Professor, Jeju National University): Dr. Carole Neves brought up an important issue regarding the way Jeju Aerospace Museum must be approached. Mr. Knezevich and Mr. Lee emphasized efficiency in museum management and operation, and the element of entertainment in museums. Prof. Boo gave us examples of events that increase the enjoyment of visitors.

Everyone agreed on the importance of reinforcing



the educational and creative roles of museums through an interdisciplinary approach, and considering the element of entertainment and enjoyment.

Question 1) Kim Dae-sung, Jeju YMCA I would like to direct my question to Mr. Alan Knezevich. While interdisciplinary connections can offer an alternative museum experience, I question whether the topic of this discussion implies a rather European approach to museums. In your opinion, how can the Jeju Aerospace Museum embody the characteristics of Jeju, free from a Western perspective?

Answer 1) Alan Knezevich I agree with your statement. The Jeju Aerospace Museum has great potential for introducing new methods of operation. The most important principle in museum operations—and this is not limited to Korea—is the absolute necessity of leadership in planning, management, and operation. A museum must present its vision, and interact constantly with the local community, visitors, and employees. A new program should not be created out of thin air, but through communication and connection with the local community. Museum administrators show leadership, and continually consider what visitors are ultimately pursuing.

Answer 2) Carole Neves Performing sufficient demand analysis prior to opening a museum is crucial. After opening, a museum's many events must be followed by thorough analysis for the continued success of the museum's operations.

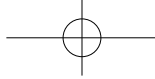
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Policy Implications

- A museum should be approached not as a simple tourist destination, but a place of interdisciplinary education. It should be understood as a realm of interdisciplinary creativity.
- It is important for a museum to attempt combinations of diverse disciplines in its planning. It should strive to explore new fields that arouse visitors' interests.
- Jeju Aerospace Museum is an attempt to explore new disciplines, and the planners must be thorough in considering the perspectives of prospective customers.

RAPPORTEUR
Pak JaiMo Director of
 the Aerospace Museum
 Department, JDC

New Waves in Asia



IN SEARCH OF NEW POLICY DIRECTIONS FOR FOREIGN RESIDENTS IN RESPONSE TO GLOBALIZATION

Jeju Special Self-Governing Province

The world is becoming smaller with innovations in information and communication technologies and transportation, and national borders are becoming increasingly blurred. With this trend in mind, this session was prepared to seek new directions for policies on foreign residents regarding work migration, permanent residency, visa requirements, and more. The panel examined the effects of current policies through examples, and shared ideas for a new model of foreign resident support policy applicable to Jeju Special Self-Governing Province.

MODERATOR

Marsha Bogolin Member,
Foreign Advisory Committee

WELCOMING ADDRESS

Chung Dal-ho Chairperson,
Foreign Advisory Committee

KEYNOTE SPEAKER

Han Hyo-keun Deputy Director,
International Organization for
Migration, Migration Research
and Training Centre

PRESENTERS

Steven McKinney Head, Seoul
Global Center

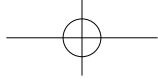
Lee Sun-Hwa Council Member,
Jeju Provincial Council

Beverley von Zielonka Head,
Middle and Senior School of
Branksome Hall Asia

Marsha Bogolin (Member, Foreign Advisory Committee):

Jeju is an island with great development potential. In 2005, Jeju was designated an Island of World Peace by the South Korean government, and it is working toward earning a designation as a world environmental capital by the year 2020. In order to shape a free international city, Jeju is seeking to increase diversity and find new approaches to foreign resident policy. Realizing such a magnanimous vision requires full support at home and abroad. The presenters will discuss South Korea's foreign resident policy, and future tasks and directions for development.

Han Hyo-keun (Deputy Director, International Organization for Migration, Migration Research and Training Centre): In 2008, the Ministry of Justice led a committee of members of central administrative agencies and local self-government bodies to establish the First Basic Plan for Immigration Policy. Under the vision "Progressive Korea, living in harmony with foreign



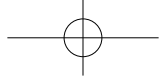
residents,” the Plan was implemented until 2012 with four policy objectives: enhancing national competitiveness with a proactive openness policy, pursuing quality social integration, maintaining orderly border control, and protecting the human rights of foreign residents. Some limitations and issues that surfaced in implementing the First Basic Plan for Immigration Policy include a disproportionate increase of unskilled workers, inordinate social benefits for immigrant spouses, mismanagement of foreign residents, and a lack of multicultural understanding. As global competition to attract skilled workers and tourists intensified, and many European countries admitted the failure of multiculturalism in their respective countries, the government’s role with regard to immigration policy increased. At the same time some people were calling to increase national profit by opening the country, others were voicing concerns about side effects, such as crimes by foreigners. People demanded an open-door policy and integration policy on the premise of establishing social security networks. Therefore, the Second Basic Plan for Immigration Policy was established in the beginning of 2013 to create the foundation of a system wherein immigrants can fulfill their role and contribute to society. Under the vision “Vibrant Korea, growing with immigrants,” and the five policy goals of “openness, social integration, human rights, public safety, and cooperation,” the new plan is divided into five Action Plans: to support economic stimulus and attract human resources from overseas, to promote social integration that respects shared Korean values, to prevent discrimination and respect cultural diversity, to ensure a safe society for Koreans and non-Koreans alike, and to promote co-prosperity with the international community.

Steven McKinney (Head, Seoul Global Center): Founded by the Seoul Metropolitan Government in 2008, Seoul Global Center is a comprehensive support center for Seoul’s 520,000 foreign residents. Foreign residents work at Seoul Global Center as regular employees, providing counseling to foreign residents in 10 languages, including English, Chinese, Tagalog, and Uzbek. We offer practical assistance to foreign residents in various activities, from obtaining visas and

Harold Dale English Teacher,
Jeju POE EPIK

Dean Brown Member, Foreign
Advisory Committee

Jeju’s immigration policy should be differentiated from its multiculturalism policy.

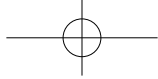


other immigration issues to consumer conflicts, driver's license acquisition, buying and using mobile phone services, and banking. In response to an increase in foreign direct investment, Seoul Global Center provides help in four languages to entrepreneurs who are starting business in Korea. We also provide opportunities for cultural exchange through flea markets, volunteer activities, and global concerts. We organize volunteer activities and visits to nursing homes and orphanages to provide opportunities for foreign residents to give back to local communities. We also have free education programs, including business start-up classes and Korean language classes. I hope that a comprehensive support center for foreign residents like Seoul Global Center will be established in Jeju, so that foreigners can exercise their rights as freely as Korean citizens, as befits a true free international city.

Lee Sun-Hwa (Council Member, Jeju Provincial Council): Jeju's immigration policy should be differentiated from its multiculturalism policy. It has been 13 years since the provincial government initiated the free international city project. Jeju has been pushing globalization policy under the slogan "The World Comes to Jeju, and Jeju Goes to the World." However, Jeju's immigration and globalization policies have shown no clear direction. Jeju needs its own globalization policy that can satisfy the demands of foreign residents. The Jeju Foreign Advisory Committee must lead in globalizing Jeju's brand. The cities of Seoul and Ansan hire civil servants of foreign nationalities. As one step toward becoming a free international city, Jeju should consider hiring foreign residents as civil servants, though they may be contract positions. For policy decisions, the province must consult expatriate professionals and opinion leaders, such as the members of the Foreign Advisory Committee. Jeju must form global networks at home and abroad to become a true free international city.

Harold Dale (English Teacher, Jeju POE EPIK): The greatest challenge as a foreigner living in Jeju is the language barrier. Native English teachers complain because most Korean classes conflict

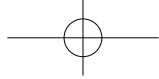
Regular meetings with the Foreign Advisory Committee should be held to communicate with expatriate residents in Jeju.



with the schedule of the majority of English teachers. Legal documents and contracts for tax and banking purposes are all in Korean, and foreigners who misunderstand the terms often end up with fines or even face deportation. Bus schedules should also be posted in English. Having access to bilingual liaisons would be very helpful. I hope that Jeju Free International City will support native English teachers in resolving these issues so that we can focus on our responsibilities.

Dean Brown (Member, Foreign Advisory Committee): I would like to speak of the positive and negative aspects of Jeju's policies on foreign tourists and residents, which the provincial government has set forth as steps toward becoming a free international city. One excellent policy is making Jeju a visa-free zone. Such policies are important for attracting foreign tourists. A second great policy is offering news programs in English and Chinese on KCTV, disseminating helpful information to foreigners. Finally, simple tax codes, multilingual road signs, and the recently installed D-10 visa, which allows foreigners to remain in the country in between jobs after a contract period, are great policies. I would like to suggest the following for improvement. Jeju provincial officials should hold regular meetings with the Foreign Advisory Committee to communicate with expatriate residents. Current policies on foreign residents focus on accommodating foreigners from wealthy western nations, but exclude immigrant laborers and foreign wives from developing nations around Asia. In order for Jeju to become a free international city, policies must be improved to represent the demographic diversity. It is necessary to operate late-night buses for tourists, and bus routes should be posted in English. Multilingual road signs should be translated and edited accurately.

Beverley von Zielonka (Head, Middle and Senior School of Branksome Hall Asia): It is important for governments and local residents to work together to form a community environment that welcomes and embraces immigrants. This can help minimize culture shock for new immigrants in the initial phase of settling and help them adjust to the local community. New immigrants can experience a diminishing sense of purpose when language barrier is compounded by cultural barriers. Recognition of and proper responses to culture shock are essential



to the adjustment and growth of immigrants, as is sufficient time for immigrants to adapt. New immigrants with sophisticated skills and diverse interests can contribute greatly to Jeju society. A nation that respects diversity must think about the contributions of foreign residents to its communities. Community programs that encourage exchanges with local residents play an important role in helping new immigrants adapt to local communities. Recognizing and responding to the process needed for immigrants to adapt to a new culture and adjust to Jeju society is a shortcut to increasing their productivity and contribution to society.

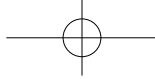


Policy Implications

- Establishment of a comprehensive support center for foreign residents: Jeju needs a comprehensive support center like Seoul Global Center for foreign residents, with counselors who can hear complaints and help foreigners work through problems.
- Working with foreign residents in the provincial administration: Jeju should consider hiring foreign residents as civil servants, though they may be contract positions. The province must consult expatriate professionals and opinion leaders on policy decisions and form global networks.
- Korean language instruction for foreigners: In addition to Korean language classes conducted in Korean for multicultural families, Korean language classes conducted in foreign languages are necessary. Various class times should be scheduled following demand assessment to accommodate native language instructors and other foreign residents' work schedules.
- Increasing multilingual signs on public transportation: Multilingual information is necessary on public transportation systems, including bus routes and schedules. Multilingual road signs should be edited by native speakers of each language to ensure accurate translation.
- The necessity of programs to reduce culture shock: Government and local residents should work together to create exchange and volunteer programs. Social integration programs can minimize culture shock and help immigrants adjust.

RAPPORTEUR

Kim Mihyeong Researcher,
Center for Interpretation &
Translation Jeju National
University



THE OPERATION STRATEGY OF JEJU HEALTHCARE TOWN AND THE FUTURE OF THE MEDICAL INDUSTRY

Jeju Free International City Development Center

From medical tourism to the medical industry: The medical tourism industry is in the spotlight in Korea and abroad. The presenters in this session discussed the future of Jeju Healthcare Town, which will provide the global medical infrastructure for Jeju Free International City. The prospects of the medical industry were examined with respect to Jeju Healthcare Town's goals of sustainable management and creation of innovative medical clusters. In addition, future tasks and management strategies were proposed based on analysis of successful cases and research on advanced medical businesses.

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MODERATOR

Boo Wonkyun General Director, Jeju Healthcare Town Project, JDC

PRESENTERS

Jukka Viitanen CEO, Hubconcepts, Inc.

Raymond King Director of Business Development, International Hospital for Sick Children

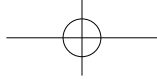
Sakamoto Shuji Executive Director, Healthful Forest Group

Oh Eunsan Albert Manager, Jeju Healthcare Town Project, JDC

Raymond King (Director of Business Development, SickKids International Hospital for Sick Children): SickKids International Hospital for Sick Children in Canada is the oldest hospital specializing in pediatric healthcare in the world. The hospital is leading the province, the nation, and the world in improving the health of children through the development and integration of medical care, research, and education. The hospital attracts talented individuals through its connections with numerous universities in Canada, and endeavors to improve education in medicine and related fields. The hospital comprises about 650 physicians, 5,200 hospital staff, and 1,100 research and development staff. This demographic shows the institution's heavy focus on research and development.

Our research institute was founded in 1954. It is one of the oldest pediatric research institutes in Canada and the world. The research institute has enabled SickKids Hospital to grow into one of the largest children's hospitals in the world. The institute boasts highly cited, world-class research, and is one of the biggest centers for biomedical

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Various aspects of healthcare used to be scattered across many facilities, which need to be brought back together in one place.

research in North America. The research institute houses a great number of Ph.D. researchers, and receives 1,000 research trainees a year from over 40 countries.

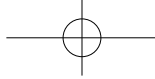
Since its foundation in 1875, continuous research and innovation by SickKids have produced a number of groundbreaking results. Our scientists are dedicated to research in many fields, including genetics, molecular structure, and cell biology, and endeavor to improve the quality of treatment and care.

I hope that Jeju Healthcare Town will follow the principles of SickKids and become an important research headquarters. In the past, various aspects of healthcare were scattered across many facilities. In order to elicit cooperation and facilitate development, however, it is important bring all aspects of healthcare back together in one place. Jeju Healthcare Town should become a magnet that attracts the best medical teams and experts.

In 1919, SickKids Hospital pioneered blood transfusion. The SickKids Research Institute was established in 1954. The Research Institute has since invented a high frequency oscillator to treat lung damage, and developed treatment for various childhood conditions, including congenital dysplasia of the hip, cystic fibrosis, and cyanosis of newborn infants. The Institute has discovered the causes of various hereditary diseases, and it is exploring new possibilities for stem cell therapy through genetics and stem cell research.

Such accomplishments would be meaningless if they stopped at the discovery phase. The newly acquired knowledge must be disseminated and applied. Research results are delivered to universities and partner companies so that they can be used in medical treatments and research into new methods.

A hospital alone cannot bring success to Jeju Healthcare Town. It must operate along with a research center or complex. The ability to accurately diagnose various diseases and develop treatment methods is essential to facilitate speedy discovery, management, and prevention of threats to children's health. Today's healthy children will become tomorrow's healthy adults,



the strong backbone of an economy and society. The SickKids Research Institute nurtures highly skilled researchers who can find permanent solutions to new health issues. SickKids maintains an integrated health science center and attracts the world's foremost clinicians to provide world-class treatment.

Effective partnership is also very important for a healthcare center. Local, national, and international partnerships can complement and enhance the quality of research, avoid unnecessary overlap in infrastructure, and maximize commercialization opportunities for new innovations.

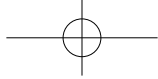
Care must be taken in the evaluation of results, regardless of differences in format among institutions. At SickKids, we provide treatment for serious pediatric illnesses as well as general care. We monitor every case continuously, taking everything into account in our evaluations, including the treatment period and quality of treatment.

Healthcare centers should operate an integrated system in which education plays an important part. Research facilities are essential in building a sustainable healthcare system. Bringing together research, clinical care, and education allows for the identification of innovations that improve care, and accelerates the pace of change for patients.

Impact on health leadership is another important element in building a sustainable healthcare center. Healthcare centers must strive to translate research into practice. Integrating research with clinical and educational activities speeds the process of putting discoveries into practice so as to enhance clinical outcomes. A healthcare center must create a learning environment that attracts world-class practitioners looking to further their knowledge, and become a training site for researchers and fellows from around the world who seek to advance children's health. A healthcare center should influence industry standards and public policy. A reputation for quality research can allow an institution to have an impact on domestic and global policy, advancing outcomes for patients.

By following the above guidelines, Jeju Healthcare Town will be able to set new standards for healthcare centers around the world.

Jeju Healthcare Town will be able to develop specialized products and programs utilizing its beautiful natural environment, clean groundwater, and abundant agricultural and marine products.



Sakamoto Shuji (Executive Director, Healthful Forest Group): Located in the city of Aso, in Kumamoto Prefecture of Kyushu, Japan, Aso Farm Land has utilized the surrounding nature and local resources to develop unique programs and products related to healing and treatment. Since its opening in 1997, Aso Farm Land has attracted 4 million visitors each year for the last 20 years. Through various methods designed to provide quality healthcare and safe foods, visitors to Aso Farm Land can boost their immune systems to obtain a healthier body and mind.

Aso Farm Land facilities are divided into six service areas: meals, exercise, healing, lodging, hands-on experience, and shopping. In each activity, visitors can learn more about a healthy lifestyle. Aso Farm Land has formed an academic committee that works with healthcare specialists to develop facilities and products. Aso Farm Land is a reliable health center, recognized by the Ministry of Health, Labour and Welfare (equivalent to Korea's Ministry of Health and Welfare) and other public institutions for its contribution to improving the health of Japanese citizens. Aso Farm Land is engaged in joint research through partnerships with various universities and institutions, including Kyushu University.

In contemporary society, health has become a very important issue. Aso Farm Land focuses on enhanced immunity and tries to increase people's health through nutrition. Vegetables and herbs are produced on the property, and mushrooms are cultivated as a food ingredient in a sterile facility. Aso Farm Land operates health food restaurants that use ingredients grown and processed in in-house-developed, patented dome structures, and develops health food products that are later sold. The walls of the processing plant are transparent so that visitors can view the manufacturing process and be assured of the safety of our foods.

Our lodgings are composed of dome houses which are also developed in-house. These buildings have many advantages, including insulation and durability. Most significantly, they require no supporting pillars and have curved ceilings, giving occupants a sense of spatial stability. The growing facilities utilize the same dome structures, which are made of expanded polystyrene, to ensure the safety and commercial feasibility of our food products.



The dome structures used for lodging and farming are simple to install, regardless of location.

Aso Farm Land offers exercise and hands-on experience programs for all ages. Children and senior citizens alike can improve their health while enjoying themselves. Our programs are so popular that people have to make reservations well in advance. Our various facilities and services provide healing and care. We continue to work with experts to develop new programs for our customers' enjoyment and health.

I believe that Jeju Healthcare Town will be able to develop specialized products and programs utilizing local resources, including its beautiful natural environment, clean groundwater, and abundant agricultural and marine products.

Jeju Healthcare Town can seek continuous growth by differentiating itself through unique health-related products and cooperating with the local community. I hope that Aso Farm Land and Jeju Healthcare Town will be able to form a lasting, cooperative relationship in the years to come.

Jeju Healthcare
Town should
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programs
and create an
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companies can
work freely.

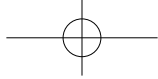
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Jukka Viitanen (CEO, Hubconcepts, Inc.): Hubconcepts was established to facilitate innovation. We are currently researching ways Jeju Healthcare Town can become a healthcare destination. I would like to make general suggestions on how private companies can participate in the Jeju Healthcare Town project.

Trends in global healthcare and wellness are changing. These can be summarized by the following six points:

- 1) Demographic Challenges: Increase in the number of elderly and changes in family structures
- 2) Healthcare Effectiveness: Avoidance of complicated treatment processes, expenses, and oversight
- 3) Use of New Technologies: Continuing advancement of medicine with the development of new technologies and the appearance of IT devices, including cellular phones, high-tech sensors and monitors, imaging equipment, and robots
- 4) Focus on Self-Care and Prevention: Growing interest in self-treatment and preventative treatment in addition to clinical

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A need has arisen to view the medical industry more broadly in order to develop it as the medical infrastructure of the free international city.

- and disease treatment, spurring preventative medicine and self-monitoring of health
- 5) Promoting Wellness and Fitness: Health perceived as a lifestyle; changes in food and fitness activities are influencing healthcare.
 - 6) Mental Health and Healing: Mental health and healing is attracting much attention. Demand is rising for healthcare environments that can provide comprehensive care not only for patients but also healthy individuals.

Treatment facilities, as well as healthcare facilities, must become pleasant places for their customers to visit. Solutions for both the sick and the healthy can be merged to target comprehensive wellness for all. Attractive medical environments and attractive healthcare environments are inherently different. Jeju Healthcare Town's potential target customers can be expanded by encompassing a broad spectrum of healthcare topics, including healthcare programs for companies and workers, medical and healthcare tourism, and sports and coaching programs. I believe that Jeju Healthcare Town will be able to provide comprehensive healthcare for a better future. To this end, Jeju Healthcare Town must take a comprehensive approach.

Private companies can approach Jeju Healthcare Town as partners or as end-users. New opportunities are opening up in the field of healthcare for a broad range of private companies. Interest is growing among big companies and SME's that have not been involved previously in health markets. Big companies are waking up to the business of healthcare and wellness. As partners of Jeju Healthcare Town, companies can participate in the development of the Health Care Town site and infrastructure, the development of key clusters, and the provision of attractive wellness services.

Companies can become end-users of Jeju Healthcare Town. As end-users, companies can manage human and material risks by providing their employees with healthcare, regular physical exams, and recreation, to reduce stress. They can improve employee welfare and reduce occupational diseases through healthcare. Healthcare tourism can be realized by providing services for both the sick and the healthy, offering treatments and rehabilitation, as well as



healthy lifestyle choices. Jeju Healthcare Town can also consider providing physical fitness tests and training programs, fostering fitness coaches, and organizing sports activities.

Taking into account changing trends, the Jeju Healthcare Town project is divided into four key clusters: medical care, wellness, sports, and nutrition. Each of these clusters will provide customized services. I can think of many ideas. This cluster system will give the project a unique identity, and Jeju Healthcare Town will thereby become a unique healthcare and wellness destination.

When all of these trends are considered, Jeju Healthcare Town will emerge as a health destination with a beautiful natural setting, where Jeju residents and medical tourists alike can receive quality healthcare and enjoy a variety of services. Jeju Healthcare Town should develop healthcare programs and create an environment where companies can compete freely, satisfying customers and corporate partners, at the same time working towards the future of the healthcare industry. These are the characteristics of a true healthcare town.

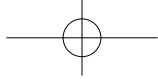
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Oh Eunsan Albert (Manager, Jeju Healthcare Town Project, JDC):
Jeju's natural environment is ideal for recovery and healing, and so the Jeju Healthcare Town project was born. As many countries around the world are focusing on the medical industry as a new growth engine, fierce competition is expected. A need has arisen to view the project more broadly in order to sustain it and develop the medical infrastructure of the free international city.

The medical industry has many facets beside medical tourism, and thereby should be viewed from a broad perspective. Medical tourism is a combination of medicine and tourism, and it entails aspects of hospitals, tour companies, and various sectors of tourism. In addition to tourism, healthcare can be linked to information technology and R&D, broadening the scope of the medical industry.

The target market of the medical industry is increasing as the industry focuses on not only the sick, but also the healthy. Expansion of the customer base means development of a wider selection of products and services to satisfy every customer. Hospitals and rehabilitation facilities are open to cooperation with private companies and the

| New Waves in Asia |



utilization of state-of-the-art technology.

The scope of cooperation with the local community will increase. The medical industry can elicit active community involvement, cooperating with residents and utilizing local resources to develop health foods and services, and provide various sports programs.

Through innovation, the medical industry can offer a broader range of services, as opposed to concentrating heavily on aspects of tourism. With the help of an outside consultant, the Jeju Healthcare Town project is planning an operations system composed of four key clusters: medical care, wellness, sports, and nutrition. Through this system, Jeju Healthcare Town aims to create an identity with unique values. This system will attract various projects and companies, creating a “medical science park” that fosters healthcare businesses based on research and development.

Ultimately, Jeju Healthcare Town must develop creative programs and management strategies. With an alternative operation strategy, Jeju Healthcare Town seeks harmony with its surrounding environment to promote substantial growth and create an ecosystem of sustained development.

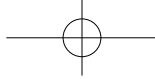
Question 1) Marsha Bogolin, Spiritual Leadership Service International

You proposed a business direction utilizing local resources and cooperating with residents. I presume that organic farms are included in your strategy. What are some of your specific plans to engage them?

Answer 1) Oh Eunsan Albert We have not made specific plans to cooperate with residents or utilize local resources. We have been consulting with Aso Farm Land of Japan on product and program development. We plan to cooperate with experts and Jeju residents to share ideas and discuss the direction of development of Jeju Healthcare Town.

RAPPORTEUR

Kim Young-ah Manager,
Jeju Healthcare Town,
JDC



GLOBALIZING EDUCATION IN ASIA: NEW WAVES AND IMPLICATIONS FOR JEJU

Jeju Free International City Development Center

Top universities around the world have been active in establishing overseas campuses, in keeping with the trend of expanding global education services and international higher education.

Many Asian countries are inviting prestigious foreign universities as a means to foster a quality native workforce. A national project has been launched to form a “Global Education City” in Jeju, as part of the educational infrastructure of the Free International City. Jeju is seeking to attract branch campuses of outstanding foreign universities so as to provide higher education as well as primary and secondary education in the Global Education City, completing its quest to form a city of international education.

The participants of this session discussed current trends in globalizing education in Asian countries and examined various cases where top universities established campuses overseas. The panel discussed implications, policy tasks, and promotion strategies for international education in Jeju Global Education City.

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MODERATOR

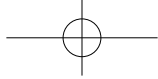
Moon Chung-in Professor of Political Science, Yonsei University

PRESENTERS AND DISCUSSANTS

Matteo Legrenzi Chair of International Relations and Gulf Studies, School of International Relations, Ca' Foscari University of Venice

Lee Sung-ho (Head of Edu-City Department, JDC): Jeju's Global Education City project can be largely divided into three basic directions: forming a high quality, low cost educational environment to absorb the demand for overseas education and language exchanges; forming a settlement for English immersion, where education and daily life are conducted in English; and securing the city's self-reliance and sustainability by creating profit models for residence, commerce, and education. The educational facilities of the Global Education City will be comprised of the International School Zone, housing prestigious schools from around the world; the University Zone for reputable universities

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Hori Yoshito President, GLOBIS University

Chong Tow Chong Provost, Singapore University of Technology and Design

Lee Sung-ho Head of Edu-City Department, JDC

offering degree courses in specialized fields such as education, tourism, and art; and the English Education Center for training English teachers and civil servants.

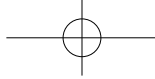
Currently, North London Collegiate School Jeju, a prestigious private UK academy, Korea International School Jeju, a public international school, and Branksome Hall Asia, a Canadian girls' high school, have successfully moved into the Global Education City. In November of last year, St. Johnsbury Academy, a reputable American private academy, signed a formal agreement to establish an international school in the Global Education City. The opening is scheduled for September of 2015.

The vision of Jeju Global Education City is “the creation of a South Korean educational center and an educational hub in Northeast Asia.” To realize this vision, the city must be able to accommodate all levels of education, from elementary to higher education. International schools are providing elementary, middle, and high school education. For higher education, Jeju must attract reputable universities from overseas.

Many benefits can be expected if Jeju Global Education Center can attract foreign universities and provide globally competitive higher education services. By absorbing the domestic demand for overseas education, diversion of foreign currency can be reduced. Jeju will be able to attract students from non-English countries who hope to enter reputable universities abroad. Finally, the graduates of international schools will be able to complete their college education in the Global Education City. These benefits will create synergy and enliven the city.

The renewed project development strategy of the Global Education City addresses the need to place various forms of universities. Under this plan, the University Zone of the Global Education City will be composed of foreign university campuses, domestic and foreign colleges, and corporate universities.

Various limitations and issues remain in attracting foreign universities. Jeju Global Education City is limited by a lack of infrastructure, including school buildings, and the geographical constraints of Jeju. Regulations against the establishment of for-profit universities, obstacles in transferring surplus funds



between accounts, and an inadequate legal system for incentives also pose problems.

Jeju Global Education City will focus first on attracting the top 200-ranked universities and graduate schools in the world that offer courses in fields relevant to the development strategies of Jeju's prominent industries, including social science, education, tourism, hotel management, and engineering. In the meantime, Jeju Global Education City will prioritize the establishment of the most favorable type of universities: corporate-led universities. Corporate universities will draw the best talent in each field through job connections and scholarships. Corporations already possess technology and research facilities, and have a network advantage in supplying an overseas workforce. The financial burden of establishing corporate universities is relatively small compared to attracting reputable foreign universities.

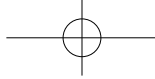
Hori Yoshito (President, GLOBIS University): Founded in 1992, GLOBIS University is the largest graduate school of business administration in Japan, with campuses in Tokyo, Osaka, Nagoya, Sendai, and Fukuoka. It has over 1,000 students.

Thanks to its quality programs, GLOBIS was accredited in 2003 to offer MBA courses. GLOBIS Business Schools offer a full-time MBA course in English, and part-time MBA courses in Japanese and English. The average age of students in the regular MBA program is 30, and 92% of students are foreign nationals. According to Nikkei Newspaper, GLOBIS is ranked at the top in student preference in East Japan, and second in West Japan.

I would like to advise Jeju Global Education City to also look at Harvard Business School, which offers the most competitive MBA course in the world. Harvard has unique characteristics, namely powerful communication skills and the loyalty of its students that allow its MBA program to record an annual profit of US\$350 million.

Considering these facts, Jeju Global Education City must recognize that the most crucial element in attracting foreign universities is the passion to make it happen.

It is necessary to consider placing various forms of universities.



Chong Tow Chong (Provost, Singapore University of Technology and Design): I believe that the secret to Singapore's success in globalizing higher education was its daring experiments. There are several trends observed in the globalization of higher education. First, the mobility of students and educational institutions is increasing. Second, the number of students enrolled in Massive Open Online Courses (MOOC) is increasing. Third, the correlation between research and economic goals is increasing.

These trends offer several implications for universities. International cooperation is very important in education and research. Also, connection to industries and responsiveness to economic needs are essential. It is important for top research universities to build credibility and a good reputation. Finally, securing sustainable financing and attracting quality students and professors are key elements of success.

Singapore University of Technology and Design was created through collaboration with Massachusetts Institute of Technology and Zhejiang University. The university has an integrated multi-disciplinary curriculum wherein every student is required to participate in research. Students receive quality education and are given opportunities to study in China and the US. The university boasts professors of diverse nationalities from Asia, the US, and Europe. Students can widen their visions through exchange programs with MIT, Zhejiang University, and other leading universities around the world.

Globalization of higher education is expected to continue. Singapore is making various attempts to globalize its higher education. Being the second year since the university's foundation, it is too early to discuss the success of Singapore University of Technology and Design, but I believe that the university has made remarkable progress.

The case of Singapore University of Technology and Design, which was created through collaboration with universities in different countries, could serve as a useful model for foreign universities in the Global Education City.

Jeju Global Education City must recognize that the most crucial element in attracting foreign universities is the passion to make it happen.



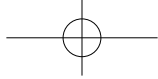
Matteo Legrenzi (Chair of International Relations and Gulf Studies, School of International Relations, Ca' Foscari University of Venice): I would like to speak of the growing interest in globalizing education in nations such as Saudi Arabia, Kuwait, Oman, and Qatar.

The members of the Gulf Cooperation Council (GCC) have seen the fastest increase in the number of high-income earners, though their combined economies account for only a small portion of the world's economy. These countries have been recording annual population growth of 2–3%, and have a high proportion of young people. GCC is a hub of international education, which has adopted three different methods of globalizing education. NYU Abu Dhabi in the Education City in Qatar is an example of importing an entire institution from a foreign country. The other methods are fostering local institutions for international education, and adding international programs to existing educational facilities, as at Qatar University.

Brand awareness and quality of education are the advantages of establishing foreign educational institutions, but this method is expensive. Fostering local institutions for international education allows local sourcing of faculty with foreign education, but this method takes a long time to increase brand awareness. The method of globalizing existing educational institutions utilizes existing facilities and reduces cost, but the introduction of international programs can face opposition from current faculty members.

There is no one perfect model for globalizing higher education. Each region should follow a model that best suits the market. As in the case of Italy, the success of globalizing higher education comes with high investment costs and long-term commitment.

Considering the above example, the framework of the Jeju Global Education City project seems quite realistic. I am especially impressed by the significant time allocated to attracting foreign universities.



Question 1) Moon Chung-in Do you believe that Jeju Global Education City will be able to attract institutions of higher education?

Answer 1) Chong Tow Chong I believe so. Providing higher education is important for every region. However, it is important for Jeju Global Education City not to attract second- or third-rate institutions. Various attempts should be made to attract foreign institutions. For example, Jeju can attempt to globalize higher education by creating programs taught by foreign professors for foreign students within existing universities.

Question 2) Moon Chung-in Jeju Special Self-Governing Province lacks infrastructure, and its population is small. Do you think Jeju will be able to attract universities despite these conditions?

Answer 2) Hori Yoshito If JDC has the passion to bring about the Global Education City by attracting foreign universities, it will succeed.

Question 3) Moon Chung-in JDC is a business incubator. Can a business incubator have passion?

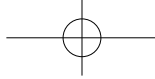
Answer 3) Lee Sung-ho If JDC lacks passion, the Global Education City project cannot be successful. JDC has shown great passion in establishing international schools in the Global Education City.

Question 4) Moon Chung-in We can think about globalizing Jeju National University, but JDC aims to found an even better university. What advice could you give on this plan?

Answer 4) Matteo Legrenzi I would like to recommend globalizing Jeju universities in addition to creating joint programs. In this way, autonomy is given to individual departments or colleges to begin globalization. Sooner or later, globalization will spread throughout the entire university.

Question 5) Moon Chung-in Please give one last word of advice to JDC.

Answer 5-1) Matteo Legrenzi With a limited budget, a partnership model is most appropriate. Utilizing the beautiful natural environment



of Jeju, start small with one foreign university program.

Answer 5-2) Hori Yoshito Making various creative attempts will be important. For example, Global Education City could consider leasing space in the University Zone free of charge for three years.

Answer 5-3) Chong Tow Chong The Global Education City should target niche markets, utilizing the unique merits of Jeju Special Self-Governing Province. JDC must set clear goals regarding where the students of foreign universities in Jeju Global Education City will go after graduation, and how the universities will contribute to Jeju. I would like to see the project to attract universities be carried out with sufficient time and consideration.

Policy Implications

- Various attempts to attract foreign universities will be necessary to create a new paradigm for higher education.
- Planners of the Jeju Global Education City project must contemplate how best to combine public and private institutions.
- Jeju Global Education City should find a clear target in the niche market of foreign universities.
- Legal and institutional reform will be necessary to attract foreign universities.

RAPPORTEUR

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