

“New Trends and the Future of Asia”

NEW TRENDS AND THE FUTURE OF ASIA

EDITED BY Jeju Peace Institute

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International Peace Foundation and East Asia Foundation

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The 7th Jeju Forum for Peace & Prosperity

“New Trends and the Future of Asia”

Jeju Peace Institute

PREFACE

The 7th Jeju Forum for Peace and Prosperity took place from May 31 to June 2, 2012, under the theme of “New Trends and the Future of Asia.” In-depth discussions took place regarding the use of international cooperation to overcome crises and seek collective growth, with a particular spotlight on the future of Asia, a region that is steadily expanding in global importance.

Coming from across the world, political leaders and representatives from various academic and economic circles, cultural organizations, women's groups, and the IT industry, graced the event with their presence.

Launched in 2001, the Jeju Peace Forum has overcome myriad challenges in laying the foundation for the new annual Jeju Forum for Peace and Prosperity. This would not have been possible without the valued participation and contribution of a wide range of agencies and experts.

Each discussion is an important asset to the Jeju Forum, and serves as a vital contribution to a new order of harmony and cooperation that will help form an Asian Community.

At the center of these international exchanges, Jeju Special Self-Governing Province is committed to its role as a “hub of Asia” and a “Free International City.” Jeju also aims to develop the Jeju Forum into a leading international forum on a par with the Davos Forum.

For now, however, the Jeju Forum is in a period of transitional growth, with an urgent, ongoing need for more research and effort toward its own development. The Jeju Forum aims to transform itself through the discussion of topical issues and building a network of important leaders from around the world.

Over the coming year, the political and economic environment is expected to change drastically in Korea and across the world. Much of the world remains mired in crisis, and Europe's grave financial problems cannot be dismissed as a purely European problem.

Against this backdrop, the Jeju Forum is preparing topics of global importance for a comprehensive discussion at the 8th Jeju Forum, which will be held at the end of May next year.

I sincerely hope that the publication of this book for the 7th Jeju Forum for Peace and Prosperity will be useful in preserving the Forum's history and in its continued development. I express my deepest gratitude to the staff of the Jeju Peace Institute, who put their heart and soul into publishing this report.

The Jeju Forum wishes happiness to all the citizens of Jeju and everyone who admires the island. We look forward to your continued interest and support.

WOO Keun-min

Governor of Jeju Special Self-Governing Province
Chairman of the Organizing Committee
Jeju Forum for Peace & Prosperity

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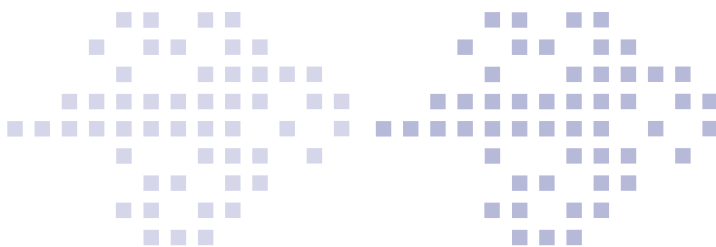
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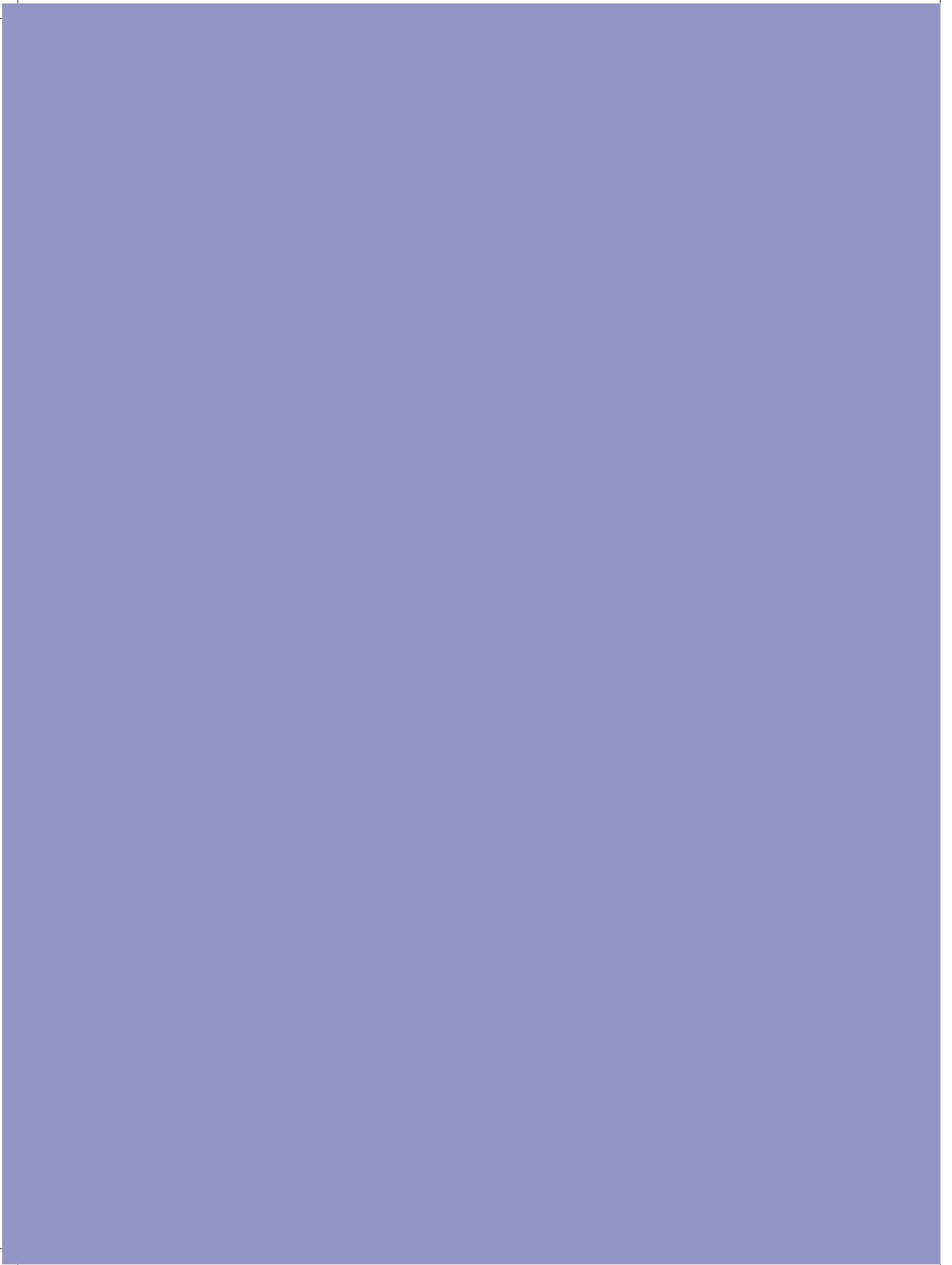




Part I

NEW TRENDS AND THE FUTURE OF ASIA





OPENING CEREMONY

East Asia is the most dynamic region in the world. Interdependence among the nations in the region is expanding and the recognition of common interest enhanced. The importance and leadership of East Asia in a rapidly changing world is growing. In the keynote speeches, leaders of the Asia-Pacific region presented their visions for the future of Asia, Asia's role in the international community and regional cooperation in Asia. There was an opportunity to hear about the European experience where regional cooperation has been successfully achieved. The views presented by the leaders became the basis for discussion in the following World Leaders' Session.

OPENING REMARKS

WOO Keun-min Chairman, Organizing Committee of the Jeju Forum /
Governor, Jeju Special Self-Governing Province

WELCOMING REMARKS

GONG Ro-Myung Chairman, East Asia Foundation

KEYNOTE SPEECHES

KIM Hwang-sik Prime Minister, Republic of Korea

Omurbek BABANOV Prime Minister, Kyrgyz Republic

Lamberto ZANNIER Secretary General, OSCE

Paul John KEATING Former Prime Minister, Australia

OPENING REMARKS

WOO Keun-min Chairman, Organizing
Committee of the Jeju Forum
Governor, Jeju Special Self-Governing
Province

Greetings,

My name is WOO Keun-min, Chairman of the organizing committee of the Jeju Forum for Peace and Prosperity and Governor of Jeju Special Self-Governing Province.

I would like to thank Prime Minister KIM Hwang-sik of the Republic of Korea, Prime Minister Omurbek BABANOV of the Kyrgyz Republic, former Prime Minister of Australia Paul John Keating, Secretary General H.E. Lamberto ZANIER of the OSCE, representatives of various world organizations, governments, agencies, corporations, and NGOs, and all other distinguished guests from Korea and abroad, for taking precious time out of your busy schedules to participate in the 7th Jeju Forum for Peace and Prosperity.

Jeju Forum was established in 2001 to facilitate Jeju's cooperation with the rest of the world and realize its goal of taking on greater responsibility as a member of the global community. I would like to emphasize that while Jeju is a small island, its commitment to and passion for cooperating and sharing its visions with everyone on earth are anything but small.

With a spirit of reconciliation and coexistence, Jeju was able to overcome the tragedy of the 4.3 Incident 64 years ago, and has begun writing a new history as an "Island of World Peace." Jeju has evolved into a Free International City, a model of environmentally-friendly development, a symbol of reconciliation between the two Koreas, and a Special Self-Governing Province.

Starting with the UNEP Forum, the PATA Annual Conference, and the Annual Meeting of the Asian Development Bank in 2004, Jeju has hosted many international conferences, including the 2005 APEC Finance Ministerial Meeting, the 2009 ASEAN-Republic of Korea Commemorative Summit, and the 2010 China-Japan-South Korea trilateral summit. Jeju is presently preparing for the opening of the World Conservation Congress on September 6, an event in which more than 10,000 environmental leaders from 180 countries around the world take part. Jeju has risen to prominence as a site of discussions on current global issues.

Starting this year, the Jeju Forum will be held annually instead of biennially, and the discussion topics have been diversified to include the economy, the environment, and cultural issues, as well as peace and stability. In the peaceful and beautiful land of Jeju, we hope to start a creative search for the challenges and opportunities that lie ahead in the 21st century, building on the island's

experience hosting international conferences. The citizens of Jeju hope that in this process, Jeju will occupy a central position in the global community, and that the Jeju Forum will develop into a leading international forum on a par with the World Economic Forum.

Changes are happening rapidly in various environments throughout the world. This year, many political and economic changes in major advanced countries are raising hopes and concerns. Since the start of 2012, North Korea's political shift has become a major concern for people all over the world.

Since the Seoul Nuclear Security Summit in March of 2012, discussions about denuclearization are gaining momentum worldwide. After the Great East Japan Earthquake, the desire for peaceful application of nuclear energy has alerted the world to better use of energy. There have already been warnings in South Korea that electricity shortages will reach serious levels in the summertime.

The South Korea-United States Free Trade Agreement has come into effect, and FTA negotiations between China and South Korea, and talks for a trilateral FTA among China, Japan, and South Korea have started. There is great potential for groundbreaking changes around East Asia and the Trans-Pacific region. In order for us to coexist and plan a better future, topics such as the natural environment, climate change, energy, food, women's issues, trade, culture, information technology, finance, and tourism must all be addressed in conjunction with the issue of maintaining peace.

It is my sincere desire that through discussions on the challenges and opportunities of the 21st century at the 7th Jeju Forum, world leaders, government officials, experts in various fields, and entrepreneurs who are gathered here will be able to find solutions that allow all countries to enjoy peace and prosperity in the changing world. We have specially invited Steve WOZNIAK, co-founder of Apple Inc. to share his thoughts on overcoming various obstacles in the future of the IT industry, which has been bridging trade and national boundaries.

It is our honor to have celebrated guests share their insights at the Jeju Forum, and our sincere desire that the result of this forum will serve as a guiding light for the future of Asia and the world. I hope that you will also have a chance during the Forum to enjoy the natural beauty of Jeju's treasure island, and take with you an experience that will be long remembered.

Welcome.

WELCOMING REMARKS

GONG Ro-Myung

Chairman, East Asia Foundation

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The year 2012 marks the 11th anniversary of the Jeju Forum for Peace and Prosperity since its first opening in June 2001. I would like to extend my sincere welcoming greetings to all the guests who are joining us here today at the “7th Jeju Forum for Peace and Prosperity.” Especially, I like to express my deep appreciation to Prime Minister KIM Hwang Sik, former Prime Minister of Australia Paul John Keating, who is the 2nd Australian Prime Minister joining this Forum following Prime Minister John Howard, and also to Prime Minister of Kyrgyz Republic Omurbek BABANOV, the OSCE Secretary General Lamberto ZANNIER, for their joining us today despite their tight schedules.

The East Asia Foundation, where I have been with, is a private foundation for public good, established in January 2005 with the support of Hyundai Motors Group in pursuit of peace and prosperity in East Asia through human networks of government officials and intellectuals in the region. Since its establishment, the East Asia Foundation has considered the Jeju Forum as one of the foundation’s major activities and has been co-hosting the forum. The foundation also publishes a quarterly international policy journal, ‘Global Asia,’ which deals with various common issues in Asia.

Since the eruption of financial crisis in 2008, the U.S. economy is slowly getting back on track, while the European Union has yet to find ways to stabilize people’s daily lives at a crossroad between integration and segmentation of the E.U. On the other hand, East Asia is playing its role as the driving force behind global economic growth as its economy has been continuing to grow even amid world economic recession. Furthermore, there is a national and social consensus growing fast in the Asian region on opening an era of mutual cooperation geared toward coexistence and common prosperity, as the interdependence among Asian nations has continued to deepen via various types of free trade agreements.

At such an opportune time, the expectation is high for the 7th Jeju Forum for Peace and Prosperity to serve as a great opportunity to shed a new light on the fast-changing, dynamic Asia and to find ways to promote cooperation in a wide variety of subjects on Asia under the theme of “New Trends and the Future of Asia.” Furthermore, all concerned parties of the forum sincerely hope that the Jeju Forum will surely fulfill its role as the international forum, which contributes to bringing peace and prosperity beyond Asia to the world by serving as an arena of harmony and communication where participants discuss common values and future vision that Asian people will pursue.

I would like to end my welcoming remarks by expressing my deepest gratitude to those who have worked hard to make this “7th Jeju Forum for Peace and Prosperity” successful, especially to all institutions and officials who organized and sponsored this conference and the participants who are here with us now. Thank you very much.

KEYNOTE SPEECHES

KIM Hwang-sik

Prime Minister, Republic of Korea

Honorable Prime Minister Omurbek BABANOV of the Kyrgyz Republic, former Prime Minister of Australia Paul John KEATING, OSCE Secretary General Lamberto ZANIER, and distinguished guests from home and abroad,

It is with great pleasure that I welcome you to the 7th Jeju Forum for Peace and Prosperity on this beautiful island of natural bounty. I would like to extend my warmest welcome to all our guests who have travelled so far from all over the world.

As suggested by the theme of this forum, 'New Trends and the Future of Asia,' the world is undergoing major transitions. Firstly, Asia's rising status in the global political and economic order is a noteworthy change. In the first decade of the 21st Century, Asia achieved an average annual growth rate of 9.4%. Since the 2008 global financial crisis, the world has been focusing on Asia as the growth engine of the world economy. Some experts suggest an 'Asian Century' in the future, with Asia occupying over 50% of the world economy and taking on global leadership by 2050. The rising status of Asia means greater responsibilities, and to fulfill these responsibilities, mutual cooperation will become increasingly important.

The second major change is a mounting demand for a reformation of capitalism after a series of global financial crises. The 2008 global financial crisis exposed the flaws of market fundamentalism, which is caused by avarice for financial capital. The European financial crisis of 2011 was the cumulative result of European governments embracing unscrupulous populism. With the possibility of Greece leaving the eurozone, the world economy is headed for turmoil.

Third, global problems, such as climate change and energy security, are growing significantly. Global warming has caused rising sea levels, more frequent natural disasters, water shortages, decreased farm yields, and other serious problems. While fossil fuels such as petroleum and natural gas are being depleted, demand for natural resources among emerging nations is growing, and the resource war is becoming fiercer.

The fourth change is that the world is becoming one, with the rapid advancement of information and communication technology. Some 2.2 billion people around the world are connected by the Internet, and the number of Internet users is increasing rapidly in developing countries. The IT reform is moving beyond the age of the Internet and evolving into the Smart Age. This transformation will bring about much change in methods of regional cooperation.

Distinguished guests from home and abroad, Asia, with a combined population of 3.9 billion, has made great efforts to form diverse regional communities. There are many forms of cooperative partnership in Asia, including ASEAN, ASEAN+3, the East Asia Summit (EAS), and the China-Japan-South Korea Trilateral Cooperation in East Asia; the Shanghai Cooperation Organization (SCO) and the Conference on Interaction and Confidence-Building Measures in Asia (CICA) in Central Asia; and the South Asian Association For Regional Cooperation(SAARC) in West Asia. These cooperative partnerships are taking the initiative in promoting regional cooperation.

I will focus on East Asia, since the region is at the center of discussions at this forum. ASEAN+3 Summits have been central to regional cooperation in East Asia, carrying out specific cooperative projects in various fields, including crisis management, economic integration, and food security. The East Asia Summit is a forum for leaders not only from South Korea, China, Japan, and ASEAN countries, but also the USA, Russia, Australia, and India. It is an important cooperative framework that allows discussions on issues of regional security and economy. China-Japan-South Korea Trilateral Cooperation summits, held annually since the first summit in 2008, have provided a forum for lively dialogue among the three nations.

These various regional cooperative partnerships will continue to play complementary roles in building the East Asia community and promoting peace and prosperity within the region. However, there are more than a few challenges that East Asia must overcome in order to develop into a regional community of peace and prosperity and open the new chapter of the Asian Century.

The most pressing task is for nations with shared history in the region to overcome international conflicts and build mutual trust. In January of this year, President Obama of the USA released a strategic plan to rebalance military forces toward the Asia Pacific region, evidencing the increasing strategic importance of the region. However, conflicts persist in this region over the dominion of islands, among other issues, leading to further confrontations, accompanied by the build-up of armaments and increased military

As suggested by the theme of this forum, 'New Trends and the Future of Asia,' the world is undergoing major transitions.

training. We should keep in mind that nations must overcome such conflicts and build mutual trust, or peace and prosperity in East Asia will remain pie in the sky. In this sense, the success story of the Organization for Security and Co-operation in Europe (OSCE) offers a lesson for East Asia.

Despite the sharp conflict between NATO and the Warsaw Pact during the Cold War, the OSCE was able to generate detailed confidence-building measures in three dimensions—the politico-military dimension, the economic and environmental dimension, and the human dimension—that contributed greatly to increased security within Europe, and to the end of the Cold War. Multilateral security cooperation exists in East Asia, with the ASEAN Regional Forum and other organizations, but it lacks the level of systemization exemplified by the OSCE. I have great expectations that by improving security cooperation, East Asia will be able to realize cooperative security and common security in the region.

Distinguished guests of the forum,

One of the most significant variables in East Asian security is North Korea. Since the change of leadership in December of last year, North Korea fired a long-range rocket, defying warnings from the international community, and has not yet given up nuclear development. Recently, North Korea caused GPS interference, affecting South Korean aircraft and boats, and it continues to issue messages filled with slander and threats. North Korea's provocation is a huge threat to the peace and security of the Korean peninsula and the world. The oppressive political system of North Korea threatens the lives of its people and infringes upon their human rights. The South Korean government is hoping that North Korea will enter into sincere dialogue to solve these issues. The global community will have to demonstrate a unified position so that the new leadership of North Korea might move toward reform and opening up, as well as denuclearization.

Secondly, in order to ensure the common prosperity of East Asia, polarization within and among nations must first be addressed. Each country must promote inclusive growth that alleviates the imbalance of domestic income distribution. We must replace market fundamentalism with efforts toward collective development and kind, modest capitalism based on the values of ethical management and capital responsibility. Furthermore, the wisdom of collective development must be applied to narrowing the development gap among countries within the region. A widening development gap among nations threatens security and peace, and hinders continued growth in the region.

At the High Level Forum on Aid Effectiveness, held in Busan in November of 2011, we confirmed the urgency of eradicating poverty and promoting sustainable development in developing countries, and laid the foundation for inclusive partnerships, in which emerging economies and private entities can participate as main agents, breaking from the conventional framework of aid from developed to developing nations. New inclusive partnerships are expected

to contribute greatly to enhancing international cooperation in development assistance. South Korea will actively share with developing nations knowledge gained from the experience of growing from one of the poorest countries to the world's ninth-largest trading nation. To support this cause, South Korea plans to increase its overseas development assistance (ODA) to 0.25% of its gross national income (GNI) by 2015.

Third, in order to sustain prosperity in East Asia, we must respond aggressively to climate change and pursue low-carbon green growth. No country is immune to the calamities caused by climate change, such as the 2011 Thailand floods that sent shockwaves around the world. Rapid growth of new economies is causing a great imbalance of supply and demand for petroleum, natural gas, and other energy sources. In order to solve these problems, each nation must take urgent action to prepare environmentally friendly growth strategies to reduce the use of fossil fuels and increase the use of renewable energy.

South Korea announced its national strategy for green growth in 2008, and prepared institutional arrangements such as the Framework Act on Low Carbon, Green Growth and the emissions trading scheme. South Korea is investing 2% of its GDP annually in green technology and industries. In order to share its experience in green growth with developing nations, South Korea launched the Global Green Growth Institute (GGGI) in June of 2010. The GGGI will be converted into a full-fledged international organization in October of this year.

Distinguished guests from home and abroad,

The rapid economic growth of Asian nations is attracting the world's attention. In order to realize the Asian Century, all Asian nations must cooperate to promote security within the region and achieve collective prosperity and sustainable growth. Asia will have to work toward becoming an open community that makes great contributions to world peace and prosperity.

It is my sincere hope that this forum will provide an opportunity for constructive and lively discussions that will lead to the creation

China's support for the peaceful reunification of the Korean peninsula was a condition of the establishment of diplomatic ties between China and Korea, and that China remains committed to this position.

of a peaceful and prosperous Asian community. I would like to emphasize that the Jeju Forum has been reorganized this year from a biennial event into an annual event. I anticipate that the Jeju Forum will play a pivotal role in making the 21st Century a true Asian Century.

At present, the International Exposition in Yeosu is in full swing. For the first time in the event's history, the ocean and the environment were chosen as the central theme. It is a green exposition organized to seek measures for sustainable maritime development. I hope that many of you will be able to take the time to visit Yeosu to take part in the green vision of the exposition, and take away memorable experiences from Korea.

Thank you.

Kim Hwang-sik assumed office as the 41st Prime Minister of the Republic of Korea on 1 October 2010. Before his appointment, Prime Minister Kim served as Chairman of the Korean Board of Audit and Inspection from 2008. During his term as Chairman, he also held the position as Chair of the UN/INTOSAI Platform on Public Accountability INTOSAI (International Organization of Supreme Audit Institutions), Secretary General of ASOSAI (Asian Organization of Supreme Audit Institutions) and was a member of the Governing Board of ASOSAI and INTOSAI. During his post, he is considered to have contributed to the improvement of the audit system in the Asian region by adopting best practices of transparency through more active exchanges among Asian audit institutions. As a leading member of the Korean judiciary, Prime Minister Kim served as Justice of the Supreme Court from 2005 to 2008 and as Vice Minister of the National Court Administration in 2005. Prior to that, he served as a Judge for over 30 years in various major courts including the Gwangju District Court, the Seoul High Court, and the Seoul Criminal Court since starting his legal career in 1974. Prime Minister Kim received his Bachelor's degree in Law from Seoul National University (1971) and also studied at Philipps University of Marburg in Germany(1978-79). He is the coauthor of *The Interpretation of Civil Law (Vol.1~19)*⁹⁾. Prime Minister Kim was born in Korea on 9 August 1948 and is married with 2 children.

KEYNOTE SPEECHES

Omurbek BABANOV

Prime Minister, Kyrgyz Republic

Dear Prime-Minister Mr. KIM Hwang Sik, dear organizers of the Forum, ladies and gentlemen,

It is an honor to speak here today in front of you in this audience on this incredibly beautiful island. First of all, I would like to thank the organizers of the Forum for the invitation and excellent organization of this event.

Jeju Peace Forum, which started 11 years ago as a platform to discuss peace initiatives, the prospects for peaceful coexistence in the 21st century in North East Asia, is now turning into an international authoritative body.

The value of the Forum cannot be overestimated especially at these globalized times. In this regard, I would like to emphasize the critical importance of the peace initiatives of the Republic of Korea in the lead of its leadership for their tireless commitment to sustainable peaceful development and prosperity of the Asian region.

Taking the opportunity I would like to congratulate you, Mr. Prime Minister for the successful holding the Nuclear Summit and the Summit on the Global Green Growth.

Ladies and gentlemen,

Sustainable development and prosperity is possible only when there is a peace. Peace in the family home, town, country, region, continent on earth, harmony with nature, with your soul. Unfortunately, no one on earth is safe from various cataclysms. In this age of high technology the world is fragile as never. Tensions erupt in different parts of the globe.

Kyrgyzstan at the end of the last century, been treacherously attacked by international terrorist gangs. Over the past seven years, people of my country tired of government of president's family corruption regimes, twice expelled them from the country. The last upspring of the people darkened with tragic victims among the civilian population.

But as the result in 2010 the people of Kyrgyzstan on the basis of the referendum has chosen the path of democratic development, and became the only parliamentary republic among the CIS countries. Currently, the country stands firmly and is very optimistic about the future.

It should be emphasized that in all the years of our independence, Kyrgyzstan has always sought for steady development and attainment its place in the international community. In this way, we had to overcome many hardships, both economic and political.

Today, Kyrgyzstan is firmly focused on real partnership not only with neighboring countries, but also to all members of world community who are engaged in a friendly policy toward my country. In this context, I would like to thank the leadership and people of the Republic of Korea for their sincere assistance and political support to Kyrgyzstan in all the years of our cooperation.

In this regard, I would like to emphasize that such mutual cordial relationship between our two peoples is not accidental. Indeed, historically, common roots of our people are the prerequisites for a successful cooperation. We are much closer to each other than we seem, we bring together a common history, similar culture and customs.

Ladies and gentlemen,

Kyrgyzstan, despite that it is a young republic, has big experience in peace-building. During the civil war in neighboring Tajikistan it is the Kyrgyz Republic in the result of the successful mediation of intervention and the allocation of its territory for negotiations between the warring parties, marked the beginning of the process of peaceful settlement. This successful experience was used by us and other CIS countries in the conflict between Armenia and Azerbaijan over Nagorno-Karabakh issue.

It is Kyrgyzstan who brought forward the declaration of the Central Asia as a zone free of nuclear weapons, which was successfully supported, raised by the neighboring countries on the regular UN General Assembly, and ended up with a signing in 2006 the Treaty on the zone free of nuclear weapons.

We are concerned about the situation in Afghanistan, whose people for several generations do not see anything other than weapons and bitter bereavement. Since 2001, our country is the base of the international antiterrorist coalition to support the military operation "Enduring Freedom" and the International Security Assistance Force in Afghanistan. Kyrgyzstan has provided for this purpose civilian airport to accommodate international forces.

Ladies and gentlemen,

In conclusion, I would like to emphasize that the chosen topics for

I would like to thank the leadership and people of the Republic of Korea for their sincere assistance and political support to Kyrgyzstan in all the years of our cooperation.

discussion as never clearly outline the ‘impact’ area for discussion during the Forum. Topics of diplomacy, economic integration, environmental protection and education have now become of particular relevance.

Expressing once again my sincere appreciations to the hospitable people of Republic of Korea and wish success to all participants of the Forum, and peace and prosperity to all nations!

Thank you for your attention.

Omurbek Toktogulovich BABANOV is a Kyrgyz politician who has served as Prime Minister of Kyrgyzstan since 1 December 2011. Before his appointment as Prime Minister, he was Deputy Prime Minister in the Government of Almazbek Atambayev. He was also acting Prime Minister from 23 September 2011 until 14 November 2011, as the Prime Minister Atambayev was a candidate in the presidential election.[1] He again became acting Prime Minister on 1 December 2011 when Atambayev took office as President. He was confirmed by Parliament on 23 December 2011.

KEYNOTE SPEECHES

Lamberto ZANNIER

Secretary General, OSCE

Excellencies, Ambassadors, distinguished participants,

I wish to thank the Jeju Forum for its gracious hospitality and for the invitation to speak. In particular I would like to thank the Chairman of the Executive Committee, Mr. HAN Tae Kyu and his colleagues for their initiative to bring me here today.

This is my first trip to Korea. But Korea's engagement with the OSCE has an illustrious history. UN Secretary General Ban Ki-Moon was Korea's Ambassador to the OSCE. The current Foreign Minister also held that post. So there is something about the OSCE that works well in Korea!

Today I will give you a brief outline of the OSCE as a regional model of co-operative security. Firstly what is the OSCE? Secondly, how has the OSCE developed into what it is today? Thirdly, how do we work? Finally, I want to speak about Partnership. The work the OSCE does in Central Asia embodies the notion of Partnership. It includes the elements of co-operation between OSCE participating States, especially those in Central Asia, with the Government of a Partner for Co-operation, Afghanistan. It also engages other organizations operating in the region: the UN, NATO, the EU, CICA, CSTO and others.

I am not an expert on the security issues of North-East Asia. I do not intend to offer you policy recommendations for how you may cope with the challenges you face. Instead, as with the relations between us and all our partners, your interest in the OSCE should be 'demand-driven'. Where you see a relevance to your situation, to your hopes for the future, we are ready to respond.

OSCE Heads of State and Government, at the 2010 Summit in Astana, reaffirmed their dedication to realizing a "free, democratic, common and indivisible Euro-Atlantic and Eurasian security community stretching from Vancouver to Vladivostok, rooted in agreed principles, shared commitments and common goals".

This vision underpins everything we do. Overall political responsibility lies with the Chairperson-in-Office, the Foreign Minister of the country holding the OSCE Chairmanship, which rotates annually. Currently it is Ireland. The Chairmanship is supported by the previous and succeeding Chairmanships, who together form the OSCE Troika. In turn, the Chairmanship and Troika are supported by me and my staff.

The OSCE offers a forum for high-level political dialogue on a wide range of security issues. It is

also a platform for practical work to improve the lives of individuals and communities. The OSCE is inclusive, all the States in its region are participating States.

The range of issues that the OSCE addresses is broad. It includes the elements of the conflict cycle: early warning, conflict prevention, crisis management and post-conflict rehabilitation. It also encompasses arms control, terrorism, good governance, energy security, human trafficking, democratization, media freedom and minority rights.

The reason for this is the idea at the heart of the OSCE—a comprehensive definition of security including what we call the three dimensions of security—the politico-military, the economic and environmental, and the human dimension. Let me explain briefly each of these elements.

The OSCE seeks to enhance military security by promoting greater openness, transparency and co-operation. Under its auspices, its participating States have developed the world's most advanced regime of arms control and confidence-building measures. At the same time, we take a broad approach to the politico-military dimension of security, focusing on, among other issues, defense reform, policing and the safe storage and destruction of small arms and light weapons and conventional ammunition.

Economic prosperity is a cornerstone of security. The OSCE is dedicated to promoting economic co-operation and good governance in a region that includes most of the northern hemisphere. Moreover, the OSCE considers environmental issues as a key factor of security. We work with participating States to ensure that hazardous waste is soundly managed, to promote environmental awareness and to foster co-operation over shared natural resources.

Lasting security is not possible without respect for human rights and fundamental freedoms. The OSCE helps its participating States build democratic institutions; hold free, fair and transparent elections; promote gender equality; ensure respect for human rights, media freedom, minority rights and the rule of law; and promote tolerance and non-discrimination.

As you know, all security issues do not fall neatly into such definitions. The OSCE therefore seeks to connect these three dimensions. This makes us especially effective in addressing “cross-dimensional” security challenges – transnational threats including terrorism, organized crime, cyber crime and trafficking in drugs, arms and human beings – which require joined-up, sustainable responses.

The comprehensive definition of security was born in the Helsinki Final Act, signed in 1975. Thereafter the OSCE acquis developed from the experience of the OSCE project as it evolved from the early 1970s (when it was still a Conference, rather than an Organization) until now. In many ways, this experience is *sui generis*. I do not want to suggest that the political forces at work at that time can necessarily be replicated in other eras, or other regions. That said, I would highlight the following points from the OSCE experience that have been vital for keeping momentum going.

The participating States of the OSCE agreed first on a compass—a list of principles that would guide their interaction and behavior. They remained committed to respecting these even as geopolitical circumstances evolved. Next, the participating States agreed the comprehensive

concept of security I mentioned above. Taking this concept forward over time allowed for balanced progress toward security, taking account of the interests of all. Finally, the OSCE provided a platform for permanent dialogue among the participating States—to air differences, to exchange best practices and assist each other in fulfilling commitments, and to adapt those commitments and their common support structures to new challenges. This function has proven vital in good and bad times.

Excellencies, ladies and gentlemen,

I have given you an overview of the OSCE's central idea, comprehensive security and its broad application. Now let me give you a few examples of co-operative security in practice. This will only be a small sample of the work we do.

Most of the OSCE's staff and resources are deployed in the OSCE's field operations in South-Eastern Europe, Eastern Europe, the South Caucasus and Central Asia. These operations are established at the invitation of the respective host countries, and their mandates are agreed through a consensus decision of the participating States.

The OSCE's field operations enable the OSCE to tackle crises as they arise, and to play a critical post-conflict role, helping to restore trust among affected communities. More broadly, they foster the capacity of their host countries through concrete projects that respond to the needs of participating States and their societies. These include initiatives to support law enforcement, minority rights, legislative reform, the rule of law and media freedom.

Let me provide you with some specific examples of how OSCE makes the difference at root level through a network of activities that directly impact people's life. Just to mention a few:

- Water projects in Georgia
- Melange Projects in Ukraine
- OSCE Academy in Bishkek
- Border Management Staff College in Dushanbe
- Monitoring of elections throughout the OSCE region
- Community Security Initiative in Kyrgyzstan

Excellencies, ladies and gentlemen,

In Astana, our leaders acknowledged that security in neighboring regions is “inextricably linked” with security in the OSCE area. Last year, we saw developments in the Southern Mediterranean that underscore the truth of this statement.

There is a strong Asian dimension to our Partnership. Our Asian Partners for Co-operation include Korea, Japan, Afghanistan, Thailand, Australia and Mongolia. The last of these is actively pursuing becoming a participating State of the OSCE. But the area where I would like to focus your attention is on Afghanistan.

A key added value that the OSCE brings to the international efforts to assist Afghanistan is the Organization's ability to engage with Afghanistan in the broader setting of the wider Central Asian region. Many of the activities I mentioned a moment precisely build on that unique capacity.

In a few days I will join Secretary General BAN Ki-Moon at a retreat he has organized for the leaders of regional organizations. I believe strongly that the OSCE, as a Chapter VIII organization under the UN Charter, is well placed to support both the efforts of the UN. In our region, and where our region touches others, the idea of comprehensive security has many benefits. Some have said that the OSCE is itself a kind of Confidence-Building Measure. I would like to go beyond that point, and stress that the work the OSCE does on the ground is helping to assist both States and their citizens, and in doing so, contributing to their collective security.

Thank you for your attention.

Lamberto Zannier is an Italian diplomat who currently serves as Secretary General of OSCE(Organization for Security and Co-operation in Europe). Before his appointment as Secretary General of OSCE, He has served as the United Nations Special Representative for Kosovo and Head of the United Nations Interim Administration Mission in Kosovo (UNMIK), with the rank of UN Undersecretary-General. Zannier has served for the Foreign Service of Italy for more than 30 years.

KEYNOTE SPEECHES

Paul John KEATING

Former Prime Minister, Australia

We live in a world today which is truly a global system.

In all periods of history up until the last quarter of the twentieth century, the world had been run in regions. Now for the first time in human history, the whole of the world is run in real time.

But the globalisation of countries has run ahead of the globalisation of strategy. Trade, investment and financial globalisation along with efficient communications, accelerated the globalisation of nations while divisions in strategic power militated against an overarching global strategy.

The failure of the West, especially the United States, to conceive a new global order at the end of the Cold War, when the 20th century world was capable of being remade, lives with us today. The absence of leadership in the West and the failure to recognise the dispersal of global power, including the bloom of post-colonialism, has cost the West the opportunity of its hitherto unchallenged global leadership. For three hundred years the world has been run from the Atlantic; this is no longer the case. Questions as to the resolution of American political leadership and the effective limitation in the global role of Europe must mean that power in the world will become less concentrated and more diffuse.

The emergence of China and India alone, 33% of the world's population, means that the centre of gravity in world affairs will migrate from the Atlantic to the Pacific. This will not mean that the Atlantic will not remain important but it does mean that its supremacy is over.

In this construct, Europe remains a strategic client of the United States. Former community commitments to the national states of Europe have weakened as nations surrender important parts of their sovereignty to the idea of a European Community.

Old Europe, as Donald Rumsfeld once called it, is looking older by the year. The bifurcation of its economic performance between the North and the South, the current account imbalances between the centre and the periphery, the ageing of its population and the weakening of the pan-European ideal, the European identity, must mean that Europe will deny itself the ability to think and act as a unified major power. The notion of 'The West' therefore, which broadly has a North American and European locus, an Atlantic centre, turns on the resilience of the United States.

How the United States renews its economic infrastructure, how its polity resolves national

problems, how it restores its public accounts, whether it returns to the egalitarianism of its social compact, how it constructs its foreign policy, will determine whether America is in secular decline or whether it is able to balance off the accretion of global power in the East.

At the beginning of the twentieth century, Europe stood at the pinnacle of global power – a vast British empire and a German one. Within forty years it had self-destructed fighting two World Wars over the status of Germany. Europe demonstrated it was unable to assimilate and adjust to the rise of a new and major power. The mere presence of Bismarck's creation was an affront to it. Now, a century later, the United States has to comprehend the rise of a major power – China. Just as Britain and France had to comprehend the rise of a power with a larger population and a larger GDP, the United States now has to comprehend the influences of a power with four times its own population and probably twice its GDP.

Even if China's income per capita grows to just half of US incomes per capita, the size of the population will ensure that its GDP is equal to that of the United States and Europe combined. In 1907 when Britain joined the entente with France and Russia, it had come to the view that German capabilities and not simply German conduct, was incompatible with its interests. That view and that decision led to the bipolarity, the formation of which led to the First World War.

In the 19th and 20th centuries, military and economic power, more or less synchronised. In the twentieth century, the use of military force made the traditional recourse to war less and less likely and problematic. Today, military force is less and less useful in the conduct of foreign policy. We have to act on the basis that most problems are not soluble through strategic competition. The United States remains the most ideological major society on earth. It believes, as a nation and a system, it has the democratic formula and the universal values – which it is committed to propagate.

On the other hand, China's historical view is not rooted in universal ideological aspiration. It sees its legitimacy coming from its ethnic one-ness and bulk and its geopolitical pre-eminence on the Asian mainland. The United States will have to adjust to

The failure of the West, especially the United States, to conceive a new global order at the end of the Cold War, when the 20th century world was capable of being remade, lives with us today.

the reality of China, deciding which characteristics of China are inimical to US interests and pose a threat and which is simply a product of China's scale and economic rise and which can be accommodated, however glumly. In other words, the United States has to decide where its vital interests lay in its relations with China and China's role in the world and which interests are otherwise tradable.

After United States wars in Korea, Vietnam, Iraq and Afghanistan it has to accept that war on the Asian mainland is unwinnable and that the shape of Asia cannot be cast by a non-Asian power-particularly by the application of US military force.

The promotion of economic and strategic cooperation between Asian powers is the key to Asian stability-not resort to strategic blocks or military arrangements with non-Asian powers like India and if we regard Japan as offshore Asian, Japan.

The key question remains: is the United States capable of renewal? Can it overcome its debilitating political gridlock; can it regain its sense of magnanimity and mission; can it rebuild its productive base and more equitably divide its wealth. Can it renew the enthusiasm of its middle and working classes for the national story and can it redress the growth in its budget imbalance and national debt?

For if it fails on these fronts it will forfeit its global pre-eminence and regard, as it will its ability to fund its military outreach. It is in all of Asia's interests, including Australia's, that the United States remains engaged with its traditional partners and allies – Japan, South Korea and the Philippines. It is desirable that the United States improves relations with India and Indonesia but not cajole them into an alliance structure with military undertones.

The same can be said for Singapore, Malaysia and Vietnam. Indeed, the American military presence in Japan should be valuable to the Chinese, permitting the United States to coordinate and facilitate reconciliation between the two countries. Fifty seven years after the Pacific War, historical enmities still obtain.

The same is true of South Korea. The United States military presence in Japan and in South Korea is important to those two countries in finding greater military cooperation between them. Indeed, the US military presence in Japan remains central to the value of US military guarantees to South Korea—guarantees which are crucial while ever the peninsula remains divided.

And if we are looking for virtuous circles, the US presence in Japan and in South Korea and its potential for positive outcomes for China could be enhanced by the Chinese joining in to encourage the North Koreans into a peaceful reunification with the South.

Closer US political and commercial links with the countries of the region should help establish a web of self-reinforcing, cooperative ties which over time, should assuage Chinese concerns that a structure is being built with the express purpose of Chinese strategic containment. Indeed, such a cooperative structure should encourage China to participate in the region rather than seek to dominate it.

We want a region which allows China to participate but not dominate. Australia, for its part, should be actively involved in the development of such structures, while being wary of being caught up in a policy by the United States should it come to the conclusion that the rise of China is broadly incompatible with its strategic interests. When strategic blocs become bipolar—once they become rigid, even small events become magnified.

In 1914, an Archduke was assassinated in a relatively remote Balkan city, but that event, was event enough to see the whole world go to war. The management of violence during the Cold War has made many sanguine that the great and developing forces within the post-Cold War world can be similarly managed. We should recognise that the Cold War structure was quite stable but very brittle, whereas this new system is much less stable but more flexible. This is because a much greater range of interests cross the economic divide—more players and a variety of interests. We need flexibility when the structure is under pressure and in this emerging structure, there should be scope to find some hope.

Paul John KEATING is a former Australian politician who served as the 24th Prime Minister of Australia from 1991 to 1996. KEATING was first elected to the House of Representatives at the 1969 election as the Labor member for Blaxland in New South Wales. He came to prominence as the reformist Treasurer of the government of Bob Hawke, which came to power at the 1983 election. In 1991, KEATING defeated Hawke for the Labor leadership in a party room ballot and became prime minister. He went on to lead Labor to a record fifth consecutive victory at the 1993 election against the Liberal-National coalition led by John Hewson.

KEATING is currently a Visiting Professor of Public Policy at the University of New South Wales. He has been awarded honorary doctorates in law from Keio University in Tokyo, the National University of Singapore, and the University of New South Wales.

WORLD LEADERS' SESSION

NEW TRENDS AND THE FUTURE OF ASIA

Jeju Peace Institute

With the views presented by the world leaders in their keynote speeches at the Opening Ceremony, the theme of the 7th Jeju Forum was discussed among the leaders of the Asia Pacific region. The participants provided the views on the historic trends of the world and the future of East Asia. This was an opportunity to review what should be done for the peace and prosperity of Asia. Various approaches of cooperation in the region was discussed, such as the vitalization of regional cooperation, promotion of economic cooperation and free trade, expansion of cultural exchange, and promotion of mutual understanding, among others.

MODERATOR

PARK Jin former Chairman, Foreign Affairs, Trade and Unification Committee / Member of National Assembly

PRESENTERS & DISCUSSANTS

HAN Seung-soo former Prime Minister, Republic of Korea

Paul John KEATING former Prime Minister, Australia

What Would Be Considered a Desirable Relationship Between China and the USA?

Moderator PARK Jin, National Assemblyman emphasized that former Prime Minister of Australia Paul John KEATING's participation is meaningful to the Forum, acknowledging former Prime Minister KEATING's key role in the establishment of Asia-Pacific Economic Cooperation during his term as prime minister.

Mr. PARK asked former Prime Minister KEATING for his opinion on China-USA relations, which is an important variable when discussing the big picture of Asia's future.

Former Prime Minister KEATING said that the Obama Administration's announcement indicating that the United States would be rebalancing its foreign policies toward Asia is an indication that the administration intends to solidify its relationships in Asia, and is a step toward adapting to China's rise. Former Prime Minister KEATING said that the United States and China should seek to strengthen cooperation and minimize conflict, and said, "What we need is a cooperative

structure in Asia, one that China can emerge in but not dominate.”

Former Prime Minister KEATING said that the future of the complex China-USA relationship is dictated by various risk factors, as a Princeton professor pointed out, that manifest as heightened tension in economic relations, namely energy conflicts, hegemonic competition within the region, and involvement in territorial disputes.

Former Prime Minister KEATING emphasized that China is a country regaining power. China has not been in a position of preeminence in Asia for the past 200 years, since the Industrial Revolution. He said that the United States should adjust its relations with China within a cooperative framework, accepting China’s return to power in Asia. The United States and other nations need to view China’s rise as “legitimate and positive,” and from there pursue strategic cooperation. Former Prime Minister KEATING said that they must work toward a cooperative structure, rather than seeking a balance of power as in the past. According to Former Prime Minister KEATING, the cooperative structure should include South Korea and North Korea, ASEAN countries, Australia, and the United States. He said that the United States has played an important strategic role in maintaining a balance of power in Asia, and that the two countries should avoid polarization by pursuing a cooperative structure.

What we need is a cooperative structure in Asia, one that China can emerge in but not dominate.

Will Economic Integration of Asia Be Possible?

Assemblyman PARK mentioned that while China is negotiating bilateral Free Trade Agreements (FTA) with Korea, Japan, and various ASEAN countries, the US is negotiating a Trans-Pacific Partnership (TPP), a multilateral economic partnership whose members include ASEAN countries as well as Central and South American countries. These two forms of partnership represent opposing trends in trade networks. Mr. PARK asked HAN Seung-soo, former Prime Minister of Republic of Korea, for his opinion on how these trends will affect the Asia-Pacific region, whether they will manifest as competition between the USA and China, or as a large-scale integrated economy.

Former Prime Minister HAN said that international economic integration is intensifying in Asia. Already over a hundred FTAs have been concluded in the region, half of them between Asian nations. Former Prime Minister Han said that Asia accounts for 25% of the world’s GDP, and projected that this figure will increase to as much as 50% by 2040. Former Prime Minister HAN said that considering these facts, Asian economic integration will be meaningful not only to Asia, but also to the global economy. He added that before Asia can achieve economic integration, many conflicts and differences of opinion will surface, but Asia will be able to overcome those challenges, having learned its lesson from the case of the EU. Former Prime Minister HAN sees

Asian economic integration will be meaningful to the global economy as well as to Asia.

a successful Asia in the future, joined through economic and political integration. The systemization of the ASEAN+3 and the China-Japan-South Korea summits are the beginning of Asia's success, and the next generation will live in a more integrated Asia.

What is South Korea's Role in Combating Climate Change?

The panel discussed solutions to environmental problems, which would emerge as alternatives to the Kyoto Protocol. Pointing out that green growth could be a solution to climate change, the moderator asked HAN Seung-soo, Chair of GGGI, for his opinion on South Korea's role in green growth.

Former Prime Minister HAN said that South Korea had had a lukewarm attitude toward climate change until the current administration's aggressive pursuit of green growth policies. South Korean leaders clarified their commitment to addressing climate change at the 2008 G8 Summit. Pointing out that energy is essential to economic growth, former Prime Minister HAN elucidated that Asia accounts for more than 40% of global carbon dioxide emissions due to rapid economic growth. Former Prime Minister HAN predicted that this figure will rise to as much as 50% by 2030. He asserted that the growth paradigm must shift toward green growth. He mentioned Denmark as a model example, saying that Denmark has been able to achieve economic growth while lowering energy demand.

Former Prime Minister HAN said that in the past, South Korea sought compressed growth that focused on manufacturing through labor-intensive and capital-intensive production. He said that economic policies focused on growth cannot be sustained. On the other hand, green growth strategies are concerned with new technology and ideas that are environmentally sound.

Former Prime Minister HAN said that the Global Green Growth Institute, founded in Korea, will become an international organization in October, and will work with developing nations, including Brazil and Cambodia, as well as advanced nations, to explore the possibilities of green growth. He said that South Korea will share its technology and experience in green growth with other

countries. Former Prime Minister HAN explained that the Presidential Committee on Green Growth was established in order to build a system to institutionalize green growth and strategize cooperation. He added that the ruling and opposition parties came to an agreement and passed a bill to introduce an emissions trading scheme at the last National Assembly session. He said that South Korea has institutionalized important green growth measures before other countries, and emphasized that South Korea should seek to achieve green growth through cooperation with neighboring countries, not independently.

Former Australian Prime Minister Paul John KEATING said that Australia is also very interested in green growth. This week, Australia announced a carbon tax bill levying USD 24 per ton of carbon emissions. He asserted that assigning an appropriate cost to carbon emissions is necessary to pursue effective green growth and regulate the use of fossil fuels.

He explained that from an international perspective, carbon emissions are directly related to economic growth for some countries, but at the expense of other countries that suffer long-term damage, such as soil loss due to climate change. Therefore, former Prime Minister KEATING emphasized, establishing an appropriate system of indemnity and cooperation is necessary. He said that Australia has played a leading role in implementing such measures, and South Korea is at the forefront of climate change solutions, with a strong government commitment to implementing policies.

Increasing the Safety of Nuclear Energy and Developing Alternative Energy

Mr. PARK Jin said that nuclear power accounts for 30% of South Korea's power generation, and mentioned that France also has a high dependency on nuclear energy. In the wake of the Fukushima nuclear disaster, which caused great damage in Japan and its neighboring countries, Japan has taken the route of phasing out its nuclear power plants. Australia had proposed building 25 additional nuclear power plants by 2050 in order to supply a third of its base load power. Australia is responsible for a third of the world's uranium production. Mr. PARK asked former Prime Minister KEATING to elaborate on Australia's nuclear policies after the Fukushima nuclear accident.

Former Prime Minister KEATING pointed out that Australia has no plans to build additional nuclear power plants. The country has abundant fossil fuels, including coal, and is focusing on environmentally friendly wind and solar energy, rather than increasing its dependence on nuclear power. He said that it is true that Australia has much of the world's uranium deposits, and mining development is an active industry. However, under the circumstances, with nations around the world cancelling additional construction of nuclear power plants, the future of the uranium mining industry is dim. About the prime minister of Japan's call for restarting Japan's nuclear plants, former Prime Minister KEATING said that the socioeconomic impact of a nuclear disaster is too huge for an island nation, and that Japan should consider closing down its nuclear

plants permanently. He said a nuclear disaster affecting Tokyo would have a dramatic economic impact, and from a public safety point of view, it would be wise for Japan to either close down or downsize its nuclear power plants.

Former Prime Minister KEATING said that because nuclear power plants are constructed in close proximity to big cities in order to maximize the efficiency of power transmission, a nuclear accident can be catastrophic. Citing the accidents at Three Mile Island in the USA and Chernobyl in Russia, former Prime Minister KEATING warned of possible nuclear calamities.

Former Prime Minister HAN said that the issue is not nuclear power itself, but a problem of how safety can be guaranteed. According to nuclear technology experts, he said, small and medium-sized reactors

with capacities of 120-200 MW are safer than those with capacities of 1,000 MW or higher. Shale gas, discovered in China and the USA, is emerging as a new alternative energy source. Energy demand will grow until 2050 along with Asia's economic growth. Due to their high price and carbon emissions, fossil fuels can no longer

Korea is at the forefront of climate change solutions, with a strong government commitment to implementing policies.

be the solution. Ultimately, new and renewable energy must replace fossil fuels, but according to a report by the Max-Planck-Institute for Radioastronomie, new and renewable energy is still in the developmental stage, and much time is needed before fossil fuels can be replaced completely. Until then, nuclear energy can be considered a temporary alternative energy. Former Prime Minister HAN added that if safety could be guaranteed, nuclear energy would be a good alternative energy source with low carbon emissions.

Mr. PARK agreed that safety is the most important issue concerning nuclear energy, and made mention of the lively discussions on nuclear safety at the Seoul Nuclear Security Summit, and the discussions on reinforcing safety standards during the China-Japan-South Korea summit. Mr. PARK then asked Former Prime Minister Keating about Australia's solution for ensuring nuclear safety and developing alternative energy.

Former Prime Minister KEATING said that natural gas is the alternative energy of choice. Australia has large natural gas reserves,

and exports gas in the form of Liquefied Natural Gas (LNG) to China, Japan, and other Asian countries. Former Prime Minister KEATING said that the price of shale gas, first discovered in the USA, is going down, and that it has great potential to become an alternative energy that can replace nuclear energy. Australia is limiting thermal power that uses coal, and increasing investment in wind and solar energies, but there are limitations. He said that Australia is continually searching for ways to reduce energy consumption through effective solutions, and suggested that decreasing energy waste is crucial to securing the energy needed for growth. Nuclear energy has potential as an alternative energy if safety can be guaranteed, but Australia relies more on thermal energy that uses coal and natural gas. The USA is driving down the price of natural gas, and price competition for natural gas is becoming fiercer in the international market. Therefore, Australia needs to find an alternative energy source.

Russia's Role and Future Cooperation

Mr. PARK said that Russia is emerging as an important partner of Asia, as demonstrated by the hosting of the APEC Summit Conference in Vladivostok. He mentioned that Russia is currently laying the groundwork for cooperation with China, and is trying to construct a natural gas pipeline through North Korea and establish trilateral energy cooperation. Mr. PARK then asked former Prime Minister HAN's opinion on Russia's role and the future of Russia's peaceful cooperation.

Former Prime Minister HAN said that as an energy-rich country, Russia has great potential as a partner. Although there is much room for utilization of energy in Sakhalin and other areas, the Putin administration continues to pursue a development strategy centering on the Mediterranean region. The USA has not had a strong relationship with the Russian Far East region, but US companies have been pushing ahead with development projects in the region, and are expected to increase cooperation and utilize opportunities that arise after the APEC Summit. Despite the dispute with Japan over the Northern Territories, Putin is seeking cooperative development of the area. Energy cooperation among the two Koreas and Russia will be highly dependent on North Korea's attitude, and its feasibility will increase if the relationship between North and South Korea thaws.

Mr. PARK concluded the session, remarking that as Secretary General Lamberto ZANNIER had mentioned, building mutual trust will aid environmental protection in the region. Modeled on the examples of organizations such as the EU and the OSCE, various multilateral talks have been organized in Asia, for example the G6 Summit. Recently, more dynamic attempts have resulted in the formation of the ASEAN+3 Summit and the ASEAN+6 Summit.

EDITED BY

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SPECIAL SESSION

CONVERSATION WITH STEVE WOZNIAK: THE END OF THE PC ERA AND FUTURE OF THE IT INDUSTRY

Hankyung Business

The smart phone revolution dramatically changes our life. Amid such change, there is Apple computer, which is No. 1 company in terms of market capitalization. As a co-founder of Apple, Steve WOZNIAK is one of the most attention-gathering IT gurus since the death of Steve Jobs. He made the first open conversation with a Korean IT expert. He addressed many topics, including the start-up of Apple and secrets to success, recent IT trend and responses of Korean companies. Steve WOZNIAK opened the PC era by designing the world's first personal computer in 1975. He also talked about 'Post PC Era' which came to us by the spread of smart phone and table PC.

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MC

SHIN Yeana Interpreter

SPEAKERS

Steve WOZNIAK Co-founder, Apple
Computer

SUH Jong-ryeol President, Korea
Internet & Security Agency

Technology is revolutionizing people's lives with the emergence of smart phones, and Apple is at the center of this shift. **Steve WOZNIAK, Co-founder of Apple Inc.**, is one of the world's most prominent IT gurus. WOZNIAK is credited with opening the PC era by building the world's first personal computer in 1975. In an open discussion with **SUH Jong-ryeol, President of the Korea Internet and Security Agency**, Steve WOZNIAK talked about founding Apple, the company's secrets to success, recent trends in the IT industry, and the future direction of Korean companies.

Mr. WOZNIAK co-founded Apple Inc. with Steve JOBS. After building the first personal computer, Mr. WOZNIAK predicted the big changes his product would bring. He dreamed of an era in which people would communicate, educate, and write programs using personal computers. He said that the secret to Apple's success is that the design team works in isolation, immersing themselves in thought and dreaming up the best

*Keyword
products, creativity, technology married
with the humanities, the post-PC era*

Apple's strategy for success was clear. Apple's design focuses on allowing various channels, such as retail stores and the iTunes store, to interact organically with Apple products under one system. Rather than competing with DELL, Hitachi, and Samsung, Apple concentrated on developing a system that integrates software and hardware.

products. Everyone at Apple concentrates on making good products that people want to own. Such conscious effort leads to excellent products, such as the iPod, the iPhone, and the iPad. There was, however, a period when Apple was unable to make superior, innovative products, though the company was making profit. For a long time, Apple was not making bold attempts, as when it added color to the Apple II. After Steve JOBS returned to Apple, the company refocused on design and paid attention to details, producing the iPod and other innovative products.

Mr. WOZNIAK said that Apple's strategy for success was clear. Apple's design focuses on allowing various channels, such as retail stores and the iTunes store, to interact organically with Apple products under one system. Rather than competing with DELL, Hitachi, and Samsung, Apple concentrated on developing a system that integrates software and hardware.

Steve JOBS wanted to make products for 'normal people' rather than for experts. To this end, he considered and retooled the minutest details, including invisible parts. Like Steve JOBS, engineers at Apple consider themselves to be artists. They are extremely careful about connecting wires and developing software. In this sense, their work resembles the humanities, making people's jobs easier without the need to understand the technology behind the products.

Apple's innovation is ongoing. The next innovation WOZNIAK would like to see is machines that are easier for people to communicate with. He envisions speaking as he would speak to a person and having the machine respond. For example, he might ask, "How far is Jeju from Seoul?" as

though to a friend, and the machine would answer back naturally. Such innovation, Mr. WOZNIAK said, is happening fast. Technological advancement is entering a phase wherein a device not only understands language, but also reads the facial expressions and emotions of humans. Apple's 'Siri' technology on the iPhone 4 is an innovative step in this direction. The challenge now, according to Mr. WOZNIAK, is to reduce the energy consumed by the computing process. He said that reducing electricity consumption will make room for more innovation.

When asked about the spread of smart phones and tablet PCs, and the 'end of the PC era,' Mr. WOZNIAK stated that people merely moved away from PCs to compute on mobile devices. People still do a lot of work on PCs, but they also use small handheld devices and iPads to do the same kind of work. Every device is connected to the cloud, in which much of the computing happens. Mr. WOZNIAK said that the PC era, when work was done only by PC, is over.

When asked for reasons that companies such as Sony, Nokia, and RIM, which once led the industry, are struggling to survive, Mr. WOZNIAK said that those companies have lost their sense of direction. He said that the Sony Walkman was as revolutionary as today's Apple products, but Sony seems to have lost its commitment to innovation. The company needed to make efforts to find a new direction even if it meant no guaranteed profit. Sony became too big and directionless. Mr. WOZNIAK warned that Apple, like Sony, could "lose it." He stated that companies should make bold decisions in the rapidly changing IT environment and reform themselves to go where the future takes them.

Mr. WOZNIAK stated that creativity is an inseparable tagline for Apple. Steve JOBS said that creativity is "just connecting things," but Mr. WOZNIAK disagrees. Mr. WOZNIAK said that no one knows where creativity might come from. It can be from experience or sudden inspiration. Speaking of the technology applied to Macintosh products as an example of creative innovation, Mr. WOZNIAK recalled a discussion on creativity in a class he had taken, through which he learned that many advances in the history of humanity—in medicine, technology, and physics—have been coincidental, and that new things are created in the process of trying to fix imperfect things.

Mr. WOZNIAK said that becoming more creative is not an easy process. People often say, "Think outside the box," but attempting something no

People merely moved away from PCs to compute on mobile devices. People still do a lot of work on PCs, but they also use small handheld devices and iPads to do the same kind of work. Every device is connected to the cloud, in which much of the computing happens. The PC era, when work was done only by PC, is over.

one has ever done before is difficult. Latecomers can easily imitate the achievement of pioneers, but to make something creative, one must take a totally new approach, without looking at other products. Mr. WOZNIAK said that such true creativity is necessary in order to dominate new markets as Apple has done.

Mr. WOZNIAK emphasized the role of the CEO in making a company more creative. A company needs someone to control every process related to making a good product, and that person is the CEO. Mr. WOZNIAK said that Apple was able to succeed because he concentrated on making PC's, while Steve Jobs oversaw the entire process. Many CEOs think about stock prices and profit without considering what creates profit. In order to make good products, the CEO has to test products and control the quality of products. The leadership and commitment of the CEO is important in this process. He must decide whether the company is being bold enough.

Mr. WOZNIAK offered advice on how to make a company creative. He said that companies with stable income should bring creative people together to form a small department. Thinkers as well as doers should be grouped together in the team. Once a creative center is formed, the team should be free to explore, creating new, extraordinary items. Giving special tasks is not necessary, because they are only a distraction.

Mr. WOZNIAK then spoke about the difficulty of identifying illegal software. There are "white hackers" who copy content out of curiosity, not with the intention to destroy or steal. Their intention is to share the value of a product with more people. It is difficult to judge whether sharing certain interesting videos on YouTube or funny jokes online is illegal distribution. Mr. WOZNIAK said that when he wants to share content, he sends the URL by email so that the recipient can download the item directly. Spreading content in this way can sometimes save marketing costs.

Mr. WOZNIAK went on to warn the audience that a "Big Brother" that owns all information actually exists in today's IT environment. He believes that all telephone conversations and emails are being saved. These things happen openly, before people even think about protecting

Becoming more creative is not an easy process. People often say, “Think outside the box,” but attempting something no one has ever done before is difficult. Latecomers can easily imitate the achievement of pioneers, but to make something creative, one must take a totally new approach, without looking at other products. Such true creativity is necessary in order to dominate new markets as Apple has done.

themselves. Germany has laws to prevent third parties from saving user information, but protecting private information in the USA has not been easy. Mr. WOZNIAK questioned whether it is possible to keep information from the government.

Asked about the recent patent battle between Samsung and Apple, Mr. WOZNIAK said that every company has its own portfolio and set of patents. The Android OS allowed Samsung to build products that look very similar to the format of Apple products, but this is the only area that overlaps. Apple took a long time to create its system. A great product is not made by duplicating another. He stated positively that a patent war like this is not a serious issue in a world of innovative technology, and people who pursue innovation do not think too much of patent wars.

Finally, Mr. WOZNIAK gave advice to students and entrepreneurs in the audience who dream of one day running a company like Apple. He advised them to take time outside of school, where students learn the ways of others, to discover their own ways. He said that while acquiring skills, understanding logic, and learning techniques and equations are important, one must think about what he wishes to do, think up ideas, and push ahead with his own projects. That is how one can become a great engineer and dream of running a company like Apple.

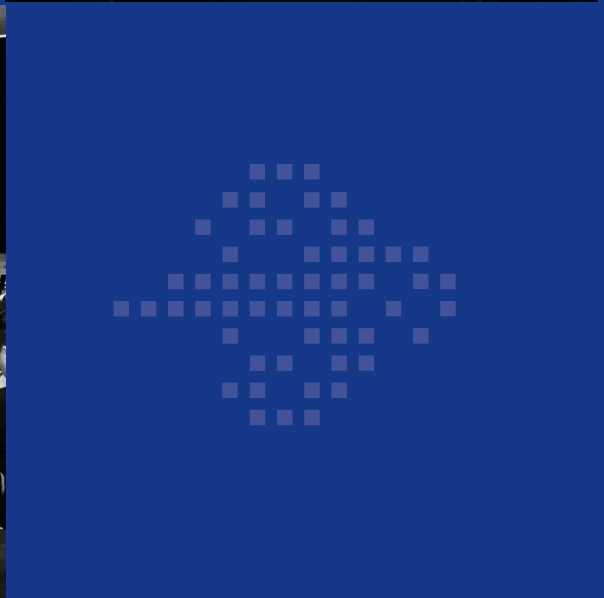
Mr. WOZNIAK said that he was shy in middle school and has many bad memories from that time. He recalled that he was left out from all social groups. No one talked to him, and he did not talk first, worried that people would think he was weird. He was introverted, but was aware that he knew the most about computers. He kept himself entertained by reading about computers and building PCs at home. He was alone, but he valued himself as a good person. He said that being different is not at all a problem, and encouraged the young people in the audience. He concluded by saying that deciding to live one’s life one’s own way, and knowing that winning is not a requirement, are the most important things in life.

POLICY IMPLICATIONS

- Steve WOZNIAK said that the secret to Apple's success is that the design team works in isolation, immersing themselves in their thoughts and dreaming up the best products.
- The next innovation WOZNIAK would like to see is machines that are easier for people to communicate with.
- Mr. WOZNIAK emphasized the role of the CEO in making a company more creative. A company needs someone to control every process related to making a good product, and that person is the CEO.
- To be more creative, companies should bring creative people together to form a creative center to explore and create new items, rather than reproducing ordinary products.
- Mr. WOZNIAK warned the audience that a "Big Brother" that owns all information actually exists.
- He said that while acquiring skills, understanding logic, and learning techniques and equations are important, you must think about what you want to do, think up ideas, and push ahead with your own projects. That is how one can become a great engineer and dream of running a company like Apple.
- Asked about the recent patent battle between Samsung and Apple, he stated positively that patent wars are not an issue in a world of innovative technology, and people who pursue innovation do not think much of patent wars.

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Part II

PEACE AND SECURITY IN EAST ASIA

PHOTO: JOHN TRENBERRY

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Stein TØNNESSON (Former Director, Peace Research Institute Oslo)

KIM Young Hie (Senior Reporter, JoongAng Ilbo)

ZHANG Xiaoming (Professor, School of International Studies, Peking University)

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(Director of Academic Planning Division, The Korea Foundation for Advanced Study)



DIPLOMATS' ROUNDTABLE

ASEAN AND EAST ASIAN COOPERATION

Jeju Peace Institute

ASEAN, composed of 10 nations in Southeast Asia, is the regional cooperation organization which has achieved the most active multilateral cooperation in Asia. In the Asia-Pacific region, various forms of regional cooperation are promoted, such as APEC, East Asia Summit, ASEAN+3 and ARF. These multilateral cooperative measures in East Asia will strengthen the understanding of the Asian people about the common interests of their region, and will also contribute to the region's peace and prosperity. It was appropriate to discuss the future of Asia to review the future prospects of ASEAN. ASEAN brings its potential for multilateral cooperation and community-building in East Asia as the center. The role of Russia in East Asian cooperation was also reviewed with the backdrop of this year's APEC summit held in Vladivostok.

MODERATOR

CHUNG Hae-moon Secretary-General,
ASEAN-Korea Centre

MAIN SPEAKER

KIM Sung-han Chairman, International
Peace Foundation / the 2nd Vice Minister,
MOFAT, ROK

PRESENTERS & DISCUSSANTS

Konstantin V. VNUKOV Ambassador,
Embassy of Russia

Tran Trong TOAN Ambassador, Embassy
of the Socialist Republic of Vietnam

Nicholas T. DAMMEN Ambassador,
Embassy of the Republic of Indonesia

The Importance of East Asian Cooperation

KIM Sung-han, Korea's Second Vice Minister of MOFAT, said in his remarks that Asia, as an enormous economic market, is developing both in importance and competitiveness. This, he said, means that economic interdependence among countries in the region is increasing, along with the need for regional integration. Vice Minister KIM pointed out that the ASEAN +3 grouping – Korea, China and Japan plus the 13 ASEAN nations – constitutes 31% of the world's population, 20% of its GDP, and 22% of all global trading, and has played a central role in the recovery of the global economy since the financial crisis began in 2008. He further said that the Asia Development Bank (ADB) has predicted that by 2050, half of the world's GDP will be generated in Asia. Because of increased economic cooperation within East Asia, he added, trade volumes among the ASEAN +3 and ASEAN +6 groupings would respectively account for 40% and 45% of all regional trade. Vice Minister KIM said that recent developments have provided many opportunities for regional cooperation to expand and strengthen, creating a common

understanding for the formation of an East Asian Community in the long run.

Looking at the multi-layered nature of regional cooperation in East Asia, the Vice Minister said that the multilateral mechanism centering on ASEAN has had great success in maintaining peace and security in the region for the past 45 years. With the ASEAN Charter taking effect in 2008, he said there is now rapid movement toward deeper integration in ASEAN, with a full-fledged community envisioned for 2015. Numerous multi-layered and ASEAN-centered bodies are already in operation, including the ASEAN Regional Forum (ARF), ASEAN+3, the East Asia Summit Meeting (EAS), the ASEAN Defense Ministers Meeting Plus (ADMM+), and APEC. Since being launched in 1994, 1997 and 2005, respectively, the ARF, ASEAN+3 and the EAS are helping consolidate cooperation not only within the region, but also with Northeast Asian countries such as Korea, China and Japan, and with smaller countries in the Mekong Delta region. Military cooperation is also taking place through consultative bodies like the ADMM+.

Challenges in Creating an East Asian Community

Vice Minister KIM said that the recent economic crisis has reiterated the need to foster more stable financial markets, and to create a powerhouse of sustainable development in the region. Relying on the model of “produced in Asia, consumed in Europe and the United States” is no longer helpful, he said, and sustainable development will not be possible without increased consumption across East Asia. He added that frequently recurring financial crises present a serious threat to the stable development of Asian financial markets, and that large income gaps between countries in the region – with some registering per capita GDP of \$1,000, and others making up to 40 times that amount – could become a major check on balanced growth in a future East Asian community.

In addition, the Vice Minister said that a series of threats, some long-standing and others more recent, are posing new challenges to the nascent community. These include issues such as the North Korean missile launch, territorial disputes, historical and cultural conflicts, uncertainties due to the changing roles of China and India, energy, food security, natural calamities and the population explosion.

Economic interdependence among countries in the region is increasing, along with the need for regional integration.

Measures to Deal with the Challenges

Vice Minister KIM stressed the need for an East Asian Community to overcome the challenges and to establish permanent peace and prosperity in the region. He put forward four recommendations for consideration:

First, Vice Minister proposed the establishment of a consolidated economic network in East Asia through the formation of FTAs. Emphasizing that the shortcut to realizing an East Asian Community is the free movement and trade of goods,

services, and capital, Vice Minister KIM urged the redoubling of efforts to establish agreements such as the East Asia Free Trade Agreement (EAFTA), the Comprehensive Economic Partnership in East Asia (CEPEA), the Regional Comprehensive Economic Partnership (RCEP) and others. As part of these efforts, summits held between Korea, China and Japan in Beijing in May resulted in an agreement to begin negotiations this year for the initiation of new FTAs. This move, Vice Minister KIM said, represents a significant step forward in efforts to create an economic union within the region.

Second, the Vice Minister said that the stabilization of financial markets should be pursued. He noted that at the ASEAN+3 Economic Ministers' meeting, it was decided to increase to \$240 billion the amount of multilateral currency swaps available during times of financial crisis, under the Chiang Mai Initiative Multilateralization (CMIM). But the global liquidity crisis had demonstrated that these currency swaps need to be even larger, and should grow without corresponding increased ties to the IMF. Noting the existence of bodies such as the ASEAN+3 Macroeconomics Research Office (AMRO), which keeps watch over financial markets of member countries, and a Credit Guarantee Investment Facility (CGIP) that encourages and promotes investment on regional bonds, the Vice Minister said that such mechanisms will ultimately make possible the future creation of an Asian Monetary Fund.

Third, Vice Minister KIM stressed the need to narrow the development gap among countries in the region, adding that a key factor behind the formation of regional bodies like the European Union is similar levels of economic development among member states. He said that Korea is contributing to the Initiative for ASEAN Integration (IAI), and is helping narrow the development gap among ASEAN members. Regarding development cooperation, the Vice Minister said that there is need to enhance the efficiency and efficacy of official development assistance (ODA) for the developing countries through coordination and increased cooperation among donor countries.

Fourth, the Vice Minister proposed the consolidation of cooperation through a multilateral consultative body. Such a body, he said, would be an appropriate mechanism for dealing with the diversity of East Asia, as well as the competition that exists between a number of countries in the region. He added that while it may be a little early to be proposing a single consultative body such as exists in Europe, in the medium term, a discussion needs to take place over how best to find a mutually beneficial mechanism – one that allows a debate over the scope of membership as well as the roles of the different consultative bodies. Unnecessary discussions on the scope of membership, competition among leaders or the duplication of functions, Vice Minister KIM

Looking at the multi-layered nature of regional cooperation in East Asia, the multilateral mechanism centering on ASEAN has had great success in maintaining peace and security in the region for the past 45 years.

Over the past 20 to 30 years, Asia has become one of the most economically dynamic regions in the world.

said, would all impede the cause of greater cooperation.

In conclusion, Vice Minister KIM said that a combination of these efforts will serve to complete a system that maintains peace and stability in East Asia, while helping to eliminate restrictions on investment and trade among regional states. They will also, he said, further promote the creation of a constructive G2 relationship between the United States and China that won't hinder or obstruct advancement in Asia.

Discussion by Heads of Foreign Missions to Korea on ASEAN and East Asian Cooperation

H.E. Konstantin VNUKOV, Ambassador of the Russian Federation to Korea, explained that the situation on the Korean peninsula has changed from that of positive hope to serious concern since North Korea's missile launch. He said the Russian Federation is urging North Korea to refrain from any actions that worsen the situation in the region, flout the wishes of the international community, or hinder the resumption of the Six-Party Talks. At the same time, the Ambassador said, Russia is requesting that North Korea do nothing that will prompt other countries in the region to build up their own military capabilities. Ambassador VNUKOV stressed the importance of leaving the door open to North Korea, and that his country strongly supports the rapid revival of dialogue, without any pre-conditions, between the two Koreas.

Ambassador VNUKOV further said that Russia is actively playing its part in the region in two particular areas: First, as Chair of the Special Executive Group of the East Asia Peace and Security Mechanism of the Six-party Talks, Russia has drafted a guideline that would guarantee security for all nations. Secondly, Russia has proposed a large-scale project that would see the construction of a trans-Siberian railway linking Russia and the Korean peninsula, along with a pipeline that would transport natural gas from Russia to the peninsula. If these projects are realized, the Ambassador said, the entire region would reap considerable economic benefits and see an overall improvement in its security situation.

The Ambassador said that because of history and their inseparable geographical links, Asia remains Russia's foremost priority as a diplomatic partner. Feeling that now is the time to work more closely with regional partners, both politically and economically, Russia is contributing in its areas of particular expertise, such as energy, logistics, aerospace and preventing natural disasters. Equipped with this knowledge, Ambassador VNUKOV said, Russia will continue to help solve related problems and issues.

Noting that Russia was to host the APEC conference in Vladivostok in September of this year, the Ambassador said that at the previous APEC meeting in Honolulu, Dmitry Medvedev, then-President of Russia, had emphasized that his country would continue to pursue goals proposed

by previous chairs, including the United States, while at the same time looking to achieve new, independent goals. Russia is keeping a close eye on FTAs being formed across the region, Amb. VNUKOV said, as it concludes its own such agreement with New Zealand and pursues similar negotiations with Vietnam. He added that Russia hopes to establish a similar partnership with ASEAN in the near future.

In his concluding remarks, the Russian Ambassador said that Russia has no hidden intentions in Asia, and that it hopes to strengthen political, economic and multilateral cooperation with all countries in the region.

H.E. Troan Trong TOAN, Vietnamese Ambassador to Korea, discussed factors that are increasing the importance of Asia, ASEAN's position in East Asian cooperation, and the role of ASEAN in promoting further cooperation across the region.

Addressing Asia's growing importance, the Ambassador noted that over the past 20 to 30 years, Asia has become one of the most economically dynamic regions in the world. Power is increasingly shifting toward Asia, the Ambassador said, as demonstrated by the advent of numerous organizations and frameworks promoting cooperation, which are now attracting the interest of the major regional powers.

Representative of this development are the APT and EAS. The Ambassador said that cooperation in numerous areas – including food and energy security, financial cooperation, trade liberalization, crisis management, manpower exchanges, reduction in development gaps, rural development, tackling poverty, labor immigration, sustainable growth, the control and curbing of human trafficking, prevention of contagious diseases, and the control and prevention of supranational or transnational crime like terrorism – is being promoted through the APT. At the same time, the EAS is a forum for dialogue and cooperation, where the leaders of ASEAN countries, Korea, Japan, China, Indonesia, New Zealand, Australia, Russia and the United States can discuss a wide range of strategic, political and economic issues related to furthering peace, stability and economic prosperity. The leaders also frequently discuss cooperation in energy, environment, finance, global health issues, contagious disease, management of crisis, and connectivity.

ASEAN, the Vietnamese Ambassador said, is playing a central role in East Asian cooperation, and the member nations are ready to work with any country in order to strengthen the role of the APT and EAS. ASEAN is playing a key role in the APT, he said, and the EAS is not intended as a mechanism to replace the APT. The Ambassador added that ASEAN regulates membership of non-ASEAN nations at the EAS, and leaders of the APT have reaffirmed that the APT process is central to the formation of the East Asian Community. When it comes to East Asian cooperation, ASEAN is the engine behind it, a position that has been confirmed at the EAS, the Ambassador said.

Lastly, the Vietnamese Ambassador said that although the integration of East Asia is being promoted both economically and dynamically, many problems remain. Such issues – including historical disputes, nationalism, differences in values, systems and culture, economic gaps and

territorial disputes – require joint solutions and concerted effort. To this end, the Ambassador said ASEAN must work with other countries within the framework of the APT to support cooperation on political security, finance and economics, and society and culture. Moreover, the ASEAN must further promote the EAS so that it can properly play its role in furthering dialogue and cooperation in areas of strategic importance. The Ambassador especially looked forward to seeing the EAS’s role in working on a regional code of conduct, crisis management, the safety and security of coastal and marine areas, and free navigation. In addition, he said that cooperation in East Asia induces the importance of promoting peace, order, and prosperity on the Korean peninsula and with this in mind, conflicts should be solved in a peaceful manner, violence and armed conflict should be prevented, and the Six-party Talks should be resumed as early as possible.

H.E. Nicholas T. DAMMEN, Indonesian Ambassador to Korea, said that he will present questions on East Asian cooperation, taking care to avoid duplicating comments already made by the Vietnamese Ambassador. He noted that ASEAN holds at least 800 meetings a year on East Asian cooperation, a number that excludes the various meetings held with Northeast Asian countries, which yield a high number of agreements. However, the Ambassador questioned how many of these deals produce tangible results. Above all, he said, it is crucial that all participants adopt the determination needed to achieve successful results for the assorted agreements reached at the meetings.

POLICY IMPLICATIONS

- While there is an increased need for regional integration, the wide economic disparity between regional countries, as well as long-standing and more recent security threats, are serious obstacles to achieving this. To overcome these challenges and succeed in constructing an East Asian Community, concerted effort is required in the following areas:
- The creation of an integrated East Asian regional economic network through FTAs.
- The stabilization of East Asian financial markets through an expansion of the scope of the CMIM.
- A reduction in disparities in development across East Asia through developmental cooperation.
- A consolidation of cooperation through multilateral consultative bodies, bearing in mind that it is too early for a unified body like the European Union.

- Through these efforts, East Asia will be able to complete the construction of a systemic mechanism for maintaining peace and stability, while also cutting back the restrictions that hinder active investment and trade between regional countries.
- With continued efforts by the United States to return as a partner in Asia, it is necessary to foster a constructive G2 relationship between the United States and China, and thus head off possible obstacles to creating an Asian Community.
- North Korea must not take actions that contravene global norms, must not aggravate the situation in the region, and must refrain from any actions that threaten the resumption of the Six-Party Talks. Other countries in the region must also refrain from any actions that may provoke military retaliation or a build-up of arms.
- It is important to open a window of opportunities for North Korea. The Russian proposal for a grand project among the two Koreas and Russia could serve as a positive economic incentive to encourage North Korea to cooperate.
- Though East Asia's economy is very dynamic and moves toward integration are advancing rapidly, disagreements in areas related to history, nationalism, and values, differences in institutions, culture and economic systems, and territorial disputes, are creating significant hurdles to the formation of a regional community, All countries must work together to solve them.
- As part of these efforts, a series of consultative meetings within ASEAN, and others involving nations of Northeast Asia, are producing numerous agreements and outcomes. However, there must also be concerted efforts to ensure that these agreements are actually carried out; fostering the determination to do so is a pressing matter.

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20 YEARS OF DIPLOMATIC RELATIONS BETWEEN KOREA AND CHINA:

ADVANCING STRATEGIC COOPERATIVE PARTNERSHIP

Korea National Diplomatic Academy, Center for Chinese Studies

With the 20th anniversary commemoration of diplomatic normalization between Korea and China, this session is specially designed to review the past and current critical issues and to propose a vision for further development of the bilateral relationship.

In a departure from conventional seminar style, this session was held in a style of open discourse regarding: 1) the environment before normalization, 2) the process of negotiation, 3) a retrospective from the 20th anniversary, and 4) the prospect and vision for development with eminent diplomats who participated in the process of normalization and in subsequent historically significant events in the ROK-PRC relationship.

MODERATOR

SHIN Jung-seung Director, Center for Chinese Studies, KNDA / former South Korean ambassador to PRC

PRESENTERS & DISCUSSANTS

KWON Byong-hyon Chairman, Future Forest / Chief Negotiator, ROK-PRC Diplomatic Normalization

KIM Suk-woo President, National Development Institute

ZHANG Tingyan Vice President, China-ROK Friendship Association former the 1st Chinese ambassador to South Korea

XU Dunxin A member of Foreign Policy Advisory Group / Chief Negotiator, ROK-PRC Diplomatic Normalization

Assessment of Korea-China Relations Today

XU Dunxin, Member of the Foreign Policy Advisory

Committee of the Chinese Foreign Ministry, said that

the advancement of Korea-China relations is important to maintaining peace and stability in Northeast Asia, and summarized progress in the bilateral ties in four categories:

First, bilateral relations have advanced in three stages from cooperative partnership, to full cooperative partnership, to strategic cooperative partnership (2008). Second, Korean and Chinese officials have made increasingly frequent visits to each other's countries, thereby strengthening mutual trust. Third, there has been a major increase in economic trade between the two countries. In 2011 bilateral trade volumes reached USD 245 billion, 40 times the figure of 20 years ago, making China Korea's largest trading partner, largest export market and largest foreign investor. Indeed, trade is the area where Korea and China have seen the biggest advances in their bilateral relations. Lastly, the two countries have also implemented increasing exchanges in areas including education, culture, science and technology.

Keywords
Establishment of diplomatic ties between Korea and China, opportunity for normalization of ties, story behind normalization of ties between Korea and China, Korea-China cooperation in solving the North Korea nuclear issue, Korea-US alliance and China, Chinese perspective on Korean unification, future of Korea-China relations

KWON Byong-hyon, Chairman of Korea-China Culture and Youth Association Future Forest, said that geographically and through the course of history, Korea and China have become the closest of neighbors, with bilateral relations over the past 20 years becoming ever closer. This has taken place at a strategically vital time, Mr. Kwon said, as the center of power has shifted back from West to East, and now Northeast. He called the normalization of ties between Korea and China “the East Asia Restoration,” and said it is a favorable and natural phenomenon.

Retrospect and Prospect of Korea-China Relations

ZHANG Tingyan, Vice President of China-ROK Friendship Association, recalled that the establishment of diplomatic ties between Korea and China, on August 24, 1992, was something that China had been working on for 10 years. China had started reorienting its policies toward the Korean peninsula in the early 1980s, implementing a diplomatic drive that began with exchanges in sports. In sending athletic delegations to the 1986 Asian Games and the 1988 Olympic Games, both held in Seoul, China set in motion a series of exchanges that ultimately led to the establishment of diplomatic ties with South Korea 10 years later. Clearly, the establishment of diplomatic relations between the two countries was not left to chance: it was an objective of China’s domestic and foreign policy, and the result of a long-term shift in Chinese thinking.

KIM Suk-woo, President of the National Development Institute, said that an assessment was made that with the collapse of the Cold War order, it would be difficult for peaceful reunification of the Korean peninsula to take place so long as South Korea maintained diplomatic relations with Taiwan. It was therefore decided that to advance the interests of Korea, China and Japan, a normalization of economic relations in Northeast Asia was needed.

Vice President ZHANG recalled that negotiations took place twice in Beijing and once in Seoul, and explained why they had to be conducted in secret. Having had a long-standing alliance

Geographically and through the course of history, Korea and China have become the closest of neighbors, with bilateral relations over the past 20 years becoming ever closer. This has taken place at a strategically vital time as the center of power has shifted back from West to East, and now Northeast.

with North Korea, China had to pay close attention to its relations with Pyongyang. As such, China did not want the process of establishing ties with South Korea to be made public ahead of time, but did share important developments related to the process with its North Korean ally. With the first such notification coming in 1983, China subsequently sought North Korea's opinion on the process while ensuring Pyongyang that bilateral

ties would not be affected by China's establishing relations with South Korea.

In July, when agreement was finally reached between South Korea and China, China directly notified North Korean President KIM Il-sung. Chinese President JIANG Zemin told President KIM that the establishment of diplomatic ties between China and South Korea would contribute to prosperity and peace in Northeast Asia, to which the North Korean leader reportedly expressed his understanding. In altering its policies toward the Korean peninsula, China acted independently but with full consideration of the dynamics of the Korean peninsula, and Northeast Asia and its relations with North Korea.

President KIM recalled the vehement reaction from Taiwan at the time. One year before South Korea and China had normalized relations, the Taiwanese government had signaled its displeasure by selling property it owned in the Myeongdong area of central Seoul. At the same time, South Korea had conveyed a series of messages to Taiwan about its impending changes toward mainland China. One such gesture was the non-attendance of senior Korean government officials at the Seoul wedding of the Taiwanese Ambassador's daughter.

Proposals for Successful Korea-China Relations

Policy Advisory Committee Member XU said that Korea and China need to reevaluate what their mutual security interests are in order to advance ties in the political and security

sectors. Those interests should include the denuclearization of the Korean peninsula and the maintenance of stability, both of which make it crucial to persist with the Six-Party Talks. In addition, Mr. XU said that goals and initiatives already agreed to at the Talks, such as the September 19 Joint Declaration, should be pursued step by step.

On the question of what is most hindering the resumption of the Six-Party Talks, Mr.

XU said that political trust among the regional countries is lacking and thus more effort must be made to regain mutual trust. Mr. XU added that China and Korea must work together in persuading both North Korea and the United States.

Chairman KWON said that it is necessary to be careful with exaggerated media reports, while China needs to adopt a new, more open attitude toward the liberalization of online and off-line media. He added that further bilateral exchanges are very important, especially friendly exchanges between the youths of both countries.

Vice President ZHANG said that in the short term, it is difficult to expect dramatic changes in a country's domestic political system, but that North Korea had shown indications of a willingness to change in the past. Citing the Joint Declaration of July 4, 1972 and the simultaneous entry of South and North Korea to the United Nations in 1991, Vice President ZHANG noted that North Korea had invited specialists into the country to monitor developments. China can hope for reform and an opening in North Korea but it cannot force it to do so, Vice President ZHANG said. However, he anticipated changes in the country.

President KIM said that the Korea-US alliance was formed as part of the armistice agreement during the Korean War, and it remains a defensive alliance. President KIM added that he hoped that relations between the US and China will continue to advance amicably, and that this will contribute to peace in the world. Regarding Mr. XU's comment about expectations of change in North Korea, President KIM said he thinks the possibility of such change remains very slim, and that he hopes China will encourage North Korea along this road.

China's Position on Unification on the Korean Peninsula

Chinese participants Vice President ZHANG and Mr. XU noted that China's support for the peaceful reunification of the Korean peninsula was a condition of the establishment of diplomatic ties between China and Korea, and that China remains committed to this position. They added that they fully supported the unification of the two Koreas, provided it is achieved in a peaceful manner. To achieve this, they restated the importance of creating an atmosphere conducive to

China's support for the peaceful reunification of the Korean peninsula was a condition of the establishment of diplomatic ties between China and Korea, and that China remains committed to this position.

achieving such an outcome.

Mr. SHIN Bong-gil, Secretary General of the Korea, China, Japan Cooperation Secretariat, who was among the audience at the forum, expressed his view that the establishment of diplomatic ties between Korea and China, and Korea's northern policy were both closely related to the unification of the Korean peninsula. He further asked President KIM Suk-woo to assess the last 20 years, during which unification was sought through the support of China.

President KIM replied that the establishment of ties between South Korea and China contributed to the unification efforts on the Korean peninsula, and that if North Korea does not open up and reform its society, unification can only take place under a South Korean initiative. The big question then becomes whether China could accept this, President KIM said.

On this same point, Vice President ZHANG said that while the central objective of having diplomatic ties with South Korea was to boost both countries' economies, maintaining stability in Northeast Asia was also a crucial factor. But because the two main parties in achieving unification are the Koreas themselves, Vice President ZHANG added, it was difficult to say whether the establishment of ties between South Korea and China would lead toward that goal. However, Vice President ZHANG said that forming diplomatic relations with the South had brought about fundamental changes on the Korean peninsula, because it had helped change the fundamental position from one of confrontation to a new model. The biggest challenge now, he said, is the need for the United States and Japan to improve their respective relations with North Korea.

The establishment of ties between South Korea and China contributed to the unification efforts on the Korean peninsula, and if North Korea does not open up and reform its society, unification can only take place under a South Korean initiative.

Secretary General SHIN responded to Mr. XU by first stressing the importance of resuming the Six-Party Talks and expressing his expectation that the Chinese government would feel the same way. However, he added that as a Korean, he personally harbored reservations about how China had wielded its influence at the Six-Party Talks, and whether stalling tactics had merely given North Korea more time to develop its nuclear capability.

Mr. XU said that North Korea could still give up its nuclear program, and that the key to achieving this was to improve relations between the North and the United States. It is important to note, Mr. XU said, that North Korea is developing its nuclear program to secure its own survival, and it is crucial for the North's government to receive security guarantees even after it has scrapped its nuclear capability. To achieve this, the United States and North Korea must build up trust through dialogue, and the Six-Party Talks are meaningful and important in this regard.

Korea-China Relations over the Next 20 years

Concluding this session, Mr. XU expressed his optimism for the future of Korea-China relations and stressed that these ties must be strengthened ever further in the future. President KWON agreeing with Mr. XU's comment, said that the restoration of the Korean peninsula requires great effort and must take place while keeping in mind the long historical context. He further stressed the need for China and Korea to lead a new civilization that will combine the best elements of humanity and nature.

POLICY IMPLICATIONS

1. North Korean Issues and Northeast Asian Security

- Regarding the North Korean nuclear issue, the parties most directly involved—South and North Korea—must resume talks, and dialogue between the US and North Korea must also be pursued. In particular, China feels that in order to expand the scope of the dialogue, the Six-Party Talks must be resumed only when the time is right.
- China and South Korea should consider joint efforts to provide the conditions for reform and more of an “open-door” policy in North Korea.

2. Unification of the Korean Peninsula

- Common agreement on denuclearization, the stability of Northeast Asia and unification of the Korean peninsula has been reaffirmed, with the view that Korea-China bilateral ties contribute to this.
- Based on this cooperative relationship, there must be a common understanding among key countries like Japan, Russia and the United States about the unification of the Korean peninsula, with a long-term goal of realizing permanent peace in Northeast Asia.

3. The Korea-US Alliance

- South Korea and China can form a common understanding, on cautious and limited grounds, that the South Korea-US Alliance is defensive in nature, with a central goal of maintaining peace in Northeast Asia.
- ※ To foster this understanding, it is necessary to make use of 1.5 track meetings, and to expand and hold regular working-level meetings in economic, cultural and diplomatic areas.

4. Measures to ameliorate anti-Chinese feeling among Koreans and extremist sentiment by Chinese people toward Korea

- The media must endeavor not to report the facts in an exaggerated manner.
- Efforts are needed to build awareness of the dangers of online disputes based on distorted facts.
- People-to-people exchanges should be increased, especially cultural exchanges among the young, with the long-term goal of building peace in Northeast Asia.

5. Future Cooperation between Korea and China

- Mutual open-door policies should be further enhanced in the economic sector and the promotion of investment.
 - Furthering multilayered and multidimensional cooperation
- ※ To achieve this, parties should pursue mutual cooperation in international arenas like the UN and hold regular and diverse meetings at the 1.5- or 2-track level. This can help build cooperation in non-traditional security areas including the environment, energy, telecommunications, finance, science and technology, and other areas.

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PROSPECTS FOR THE SIX-PARTY TALKS AND THE FUTURE

Jeju Peace Institute

North Korean nuclear disarmament is a critical precondition for the peace and stability in the Northeast Asia and in the Korean Peninsula as well. The Six-Party Talks on North Korea's Nuclear Program are the only meaningful multilateral security regime in Northeast Asia. It is important to notice any changes in the North Korean nuclear programs and diplomatic relationship with the U.S. since the new leadership took over the power in the last year. As long as North Korea maintains its nuclear weapons program, it will be isolated from the rest of the world.

The Korean representative of the Six-Party Talks presented his views and the experts from the relevant countries exchanged their ideas on the North Korean nuclear disarmament.

MODERATOR

KIM Tae-woo President, Korea Institute for National Unification)

MAIN SPEAKER

LIM Sung-nam Special Representative for Korean Peninsula Peace and Security Affairs, MOFAT

DISCUSSANTS

Peter BECK Representative, The Asia Foundation in Korea

SOEYA Yoshihide Professor, Faculty of Law, Keio University

LIU Ming Director, Institute of Asia-Pacific Studies, Shanghai Academy of Social Sciences

Keyword

Six-Party Talks, North Korean nuclear problem, February 29 Agreement, missile launch on April 13, trust, security consultation among regional governments, multilateral security council in Northeast Asia

LIM Sung-nam, Special Representative for Korea Peninsula Peace and Security Affairs of MOFAT, said that negotiations around North Korea's nuclear capability have been an ongoing process of progress and failure, and that the February 29 Agreement and North Korea's missile launch on April 13 should be understood in that context. In the current situation, in which North Korea has undermined mutual trust, it is difficult to imagine the resumption of the Six-Party Talks generating any positive results, Special Rep. LIM said. For this reason, he added, it is imperative that North Korea work to restore trust by refraining from any more provocative acts and abiding by international declarations and responsibilities. Special Rep. LIM said that although the Six-Party Talks continues to experience both progress and failure, they remain the most valuable framework to resolve the North Korean nuclear issue. The Talks' key value, he said, is that it would be very difficult to find an alternative forum to replace them.

Progress and failure have been the hallmarks of negotiations with the North at least since the country's nuclear threat first emerged in the early 1990s, Special Rep. LIM continued, and right up until the February 29 Agreement from this year ran

aground. In 1994, the first concrete example of progress in these negotiations occurred with the signing of the Geneva Agreement between the United States and North Korea. However, he said, the implementation of this agreement came to a halt in 2002 when North Korea acknowledged it was conducting a uranium enrichment (HEU) program. The second breakthrough occurred in 2005, when participants at the Six-Party Talks announced the September 19 Joint Declaration. This time, the agreement foundered in December 2008 over how to inspect the nuclear program that North Korea had admitted to at the Talks. Since then, Special Rep. LIM said, North Korea has committed a number of hostile acts, including the launch of mid-range missiles and two rounds of nuclear testing in 2009, as well as the sinking of the Cheonan, a South Korean vessel, and the bombing of Yeonpyeong Island.

Despite hostile acts such as these, the South Korean government has maintained its fundamental position of trying to solve the North Korean nuclear issue through dialogue, and the February 29 Declaration is the manifestation of this determination, he said. However, hopes for fulfilling this agreement, seen as a small step on the road to resuming the Six-Party Talks, were dashed when North Korea launched a mid-range missile on April 13.

With mutual trust having been undermined by North Korea's actions, Special Rep. LIM said that resuming the Six-Party Talks

at this stage would merely be talking for its own sake. For this reason, the prospects for the Talks are not bright. The only way that North Korea can regain trust, he continued, is by refraining from hostile actions, and abiding by its international responsibilities and agreements.

Special Rep. LIM said that even though the Six-Party Talks are presently at a standstill, they remain the most useful framework for solving the North Korean nuclear issue. This is because all the major parties with a vested interest in the region are taking part, and the Talks are the sole consultative body on security issues among governments in the region. The Talks, Special Rep. LIM said, may still play a key role in establishing a security

The only way that North Korea can regain trust is by refraining from hostile actions, and abiding by its international responsibilities and agreements.

The Six-Party Talks can play an important role in preserving peace and establishing a regional security system and, at the same time, it would be very difficult to create an alternative forum.

system and peace in the region. It would be very difficult to devise an alternative to the Six-Party Talks, and for this reason, he said, there is great value in maintaining the process.

In the discussion that followed, **Peter BECK, Representative of the Asia Foundation in Korea**, said that the title of the session should be the ‘History of the Six-Party Talks’, since the Talks are now at a standstill and there

seems little prospect of them resuming at present. He added that neither the South Korean nor the American governments were to blame for the impasse; instead, it was fundamentally the responsibility of the North Korean regime.

Representative BECK then assessed the Six-Party Talks, looking at their positive and negative aspects and how they might be resumed.

Negative points of the Six-Party Talks

1. Waste of time; dialogue for the sake of dialogue.
2. Fundamental differences in understanding and interests among participating countries, which impeded progress in the talks.
3. Too many participating countries, especially Russia and Japan, have acted as obstacles to progress, rather than adding value.
4. China has not behaved like an honest broker; if it is unable to adopt a firmer stance it will become little more than a host that provides the venue.

Positive Points of the Six-Party Talks

1. Effective as a crisis management mechanism and provides an opportunity to increase understanding and mediate relations between the United States and North Korea.
2. China’s participation provides the country with a diplomatic vested interest in helping resolve the North Korean nuclear issue.
3. While South Korea had often been excluded from previous talks on North Korea, the South is an integral part of the Six-Party Talks.
4. Some genuine progress has been made, such as the halting of plutonium processing in North Korea and the discovery of the country’s uranium enrichment (HEU) program.
5. There are no alternatives; it is the only possible road to peace.

Conditions for Resumption of the Talks

1. KIM Jong-un must consolidate his power. A key reason for the failure of the Talks in 2008 was KIM Jong-il's deteriorating health, which saw North Korea focusing its attention almost solely on the accession of KIM Jong-un.
2. China must use its influence with North Korea.
3. The US and South Korea must recognize that complete denuclearization may not be feasible. North Korea's nuclear program is closely linked to the very survival of the regime, so insisting on denuclearization may prevent the Talks from progressing.
4. The forthcoming new South Korean government must urge the American government to place greater importance on resolving its issues with North Korea, and to place North Korea nearer the top of its foreign policy priorities.

LIU Ming, Research Professor at the Institute of Asia Pacific Studies in the Shanghai Academy of Social Sciences, responded to Mr. BECK's comments by saying that if North Korea chooses to keep its nuclear weapons, no country can force it to do otherwise. And as China cannot prevent North Korea from having nuclear weapons, it is unfair to blame China for North Korea's actions.

Professor LIU also said that China's leaders, including President HU Jintao, are taking a keen interest in the Six-Party Talks and the denuclearization of North Korea. He said that China does not want any of its neighbors to become nuclear states, so the denuclearization of North Korea is in China's national interest. Professor Liu also said that having a nuclear-armed North Korea is an entirely different prospect to having a nuclear-armed Iran, as Iran does not neighbor any participants in the Six-Party Talks.

Professor LIU also responded to comments made by Special Rep. LIM, saying that although there have been failures in the Six-Party Talks, efforts must continue. In addition, he said that while denuclearization looks impossible, further efforts must be made to this end because of the threat it poses to the international community.

The Professor said that if the Six-Party Talks had continued, North Korea may not have committed its most recent provocations; and without the mechanism provided by the Six-Party Talks, North Korea would have developed more nuclear weapons than they have so far.

While denuclearization looks impossible, further efforts must be made to this end because of the threat it poses to the international community.

Economic cooperation with China alone is not enough for North Korea, Professor LIU said; Pyongyang has acknowledged that it needs greater economic ties with South Korea and the United States as well. Because the Six-Party Talks offer a possible means of normalizing relations with other countries, North Korea has an incentive to return to discussions.

Acknowledging that the North's missile launch in April, undertaken despite the February 29 Agreement, was regrettable, Professor LIU nonetheless said that the decision to launch had been taken by KIM Jong-un's father, so the North's new leader had little choice but to carry it through. Lastly, the Professor agreed that Special Rep. LIM's suggestions for how North Korea could regain trust were viable.

SOEYA Yoshihide, Professor at Keio University, said that while the Six-Party Talks continue to alternate between progress and failure, North Korea was persisting with its nuclear program. This makes the framework favorable for North Korea, he said, while also agreeing with Special Rep. LIM that there is simply no alternative to the Six-Party Talks.

Addressing the question of whether KIM Jong-un would be able to make big decisions regarding denuclearization, the Professor said he believed it would be difficult. He added that actual power may now be concentrated in the military, which, if true, would make denuclearization all the harder to achieve.

Referring to the experience of former Japanese Deputy Minister of Foreign Affairs Tanaka Hitoshi, the Professor said that in order to negotiate with North Korea, delegates must be very close to the top leaders and have their trust. At the moment, he added, no one in North Korea can really fulfill this role.

The Professor asked for the support of other countries in tackling the kidnapping issue. He said that just as resolving the problem of missing soldiers from the Vietnam War was crucial to the United States as it discussed normalizing ties with Vietnam, it is very important to Japan to resolve the kidnapping issue with North Korea. If this issue is not solved, he said, it will be difficult for a democratic system such as Japan to normalize

In order to negotiate with North Korea, delegates must be very close to the top leaders and have their trust.

ties with North Korea

Lastly, the Professor said that when talking to North Korea, focusing on immediate concerns could bring the process to a halt. It is therefore crucial to adopt a longer perspective, he said – while denuclearization is important, the Talks should also address long-term issues such as the unification of the peninsula.

Special Rep. LIM responded as follows to the comments made by the participants.

1. The Six-Party Talks has the effect of a learning process for North Korea, during which the country must learn that the cost of maintaining its nuclear program is much greater than giving it up. Also, although the Six-Party Talks have not been able to achieve their goal of denuclearizing North Korea, there is no alternative framework that can deal with this problem.
2. Diplomats must be optimists because pessimism will make it impossible to reach the goal. Were experts able to predict the unification of the two Germanys, the changes in the Soviet Union and Eastern Europe, or the Jasmine Revolution? Such changes cannot take place without preparatory stages. Likewise, the efforts put into the Six-Party Talks and the agreements reached there will one day bring about a breakthrough in solving this problem.

POLICY IMPLICATIONS

- The Six-Party Talks are still the most useful framework for solving the North Korean nuclear issue. All of the key players are taking part in the Talks, which remain the sole multilateral, intergovernmental security body in the region. The Six-Party Talks can play an important role in preserving peace and establishing a regional security system and, at the same time, it would be very difficult to create an alternative forum. For these reason, there is value in maintaining the Six-Party Talks
- Accordingly, though there may be failures during the Six-Party Talks and denuclearization remains a far-off goal, continued efforts must be made toward achieving these aims. If the Talks are abandoned, the international community could face greater dangers.

- China must use its leverage with North Korea, and become less tolerant of the North's errant behavior. However, if the North decides to retain its nuclear arsenal, no single country, China included, can dissuade it from doing so. For this reason, all affected countries must work actively together to realize the denuclearization of North Korea.
- Economic cooperation with China alone is not sufficient to improve conditions in North Korea: the North also needs stronger economic ties with South Korea and the United States. Accordingly, returning to the Six-Party Talks could yield real economic benefits to North Korea. The North should therefore be encouraged to resume dialogue and work toward giving up its nuclear program. In addition, the incoming South Korean government must work with the government of the United States to ensure that North Korea becomes a US foreign policy priority, and that concrete actions are taken toward achieving the Talks' stated goals.
- Should dialogue resume, it is advisable to approach the issues with a long-term perspective. Attempting to tackle immediate concerns will likely bring the process to a halt. Thus, while denuclearization should always be on the agenda, longer-term issues such as unification must also be discussed.

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AFTER THE SEOUL NUCLEAR SUMMIT: IS NUCLEAR WEAPONS-FREE ZONE IN NORTHEAST ASIA STILL POSSIBLE?

East Asia Foundation

The Seoul Nuclear Security Summit in March 2012 included discussions on various concrete measures for the prevention of nuclear terror, but the international common framework to manage nuclear threat is still lacking. In this current situation, this session focused on many nuclear security issues including whether a Nuclear Weapons-Free Zone (NWFZ) in East Asia is achievable.

- At 27 years of age, KIM Jong Un is the world's youngest-ever nuclear commander-in-chief. In light of the recent increase in threatening rhetoric between the two Koreas, is this war of words simply a psychological test of wills, or is there a genuine risk of impending nuclear war on the Korean Peninsula?
- Has the Fukushima accident revealed a latent threat of nuclear weapons in Japan, such that an increasingly non-nuclear-powered Japan has an ever-decreasing rationale for maintaining a gigantic stockpile of plutonium with weapon potential?
- Does U.S. policy to contain potential Chinese and North Korean nuclear threats with equivalent countervailing measures stabilize the region? Or does it undermine both nuclear nonproliferation and nuclear abolition goals?
- How will the U.S. 'pivot' policy affect conventional and nuclear extended deterrence in East Asia? Is it coupled with the containment and engagement, or 'conengagement,' of China? Or will it appear as a policy of encirclement and predatory power projection by the US and its allies, aimed at Beijing?

MODERATOR

Peter HAYES (Director, The Nautilus Institute for Security & Sustainability)

The Seoul Nuclear Security Summit, held in Seoul in March 2012, discussed many issues and measures of concrete value, including the prevention of nuclear terrorism and the safe management of nuclear materials. However, there remains a clear need for additional and concerted efforts to create a common system aimed at preventing any danger of nuclear war. The time has come to discuss a new, concrete approach to the problem of denuclearization and, indeed, whether it is possible in Northeast Asia, issues that have become an inescapable problem in the

PRESENTER & DISCUSSANTS

Morton H. HALPERIN Senior Advisor,
Open Society Institute / former U.S.
Undersecretary of Defense for Policy

KIM Bong-hyun Deputy Minister for
Multilateral and Global Affairs, MOFAT

KAWAGUCHI Yoriko Member, the House
of Councillors, Japan
former Minister of Foreign Affairs

FAN Jishe Deputy Director, Center for
Arms Control and Non-proliferation,
Institute of American Studies, Chinese
Academy of Social Sciences

region's complex international politics. However, the most pressing task remains the situation in North Korea and the denuclearization of the Korean peninsula. A session to discuss these issues was held with experts in the field, and moderated by **Peter HAYES, Co-founder and Executive Director of the Nautilus Institute of Security and Sustainability.**

Morton HALPERIN, Senior Advisor to Open Society Foundation and former director of Policy Planning Staff at the State Department and also Undersecretary of Defense Policy stressed the need to sign an agreement that will bind North Korea to solving the nuclear issue but allow for patience on both sides. He urged governments in the region to solve security issues through a comprehensive international agreement that breaks free from the somewhat abstract approaches of the past. Dr. HALPERIN said, for example, that it is important to have a unified view on whether to entirely prohibit North Korea's missile and satellite launches.

Dr. HALPERIN said that it is important to hold discussions that exclude North Korea to begin with, so that the other parties can approach the North with a pre-agreed proposal. He added that while it may take some time, the United States must work with Japan and South Korea to prevent North Korea from using nuclear weapons for dangerous or threatening purpose.

Regarding the possibility of nuclear conflict on the Korean peninsula, the former undersecretary said it was unlikely for two reasons. First, should a nuclear confrontation take place on the peninsula, North Korea would be certain to lose swiftly. And secondly, neither the North nor the South would escape horrific damage if war broke out. On the question of how the United States would deal with hostile acts carried out by potential nuclear powers such as Iran and North Korea, Dr. HALPERIN said that the United States would stick to its policy of responding with conventional weapons. This, he said, is because the United States would do all it could to avoid attacks on its mainland or its facilities around the world, and the possibility of escalation into a full-scale nuclear war. For ethical and moral reasons, the US would also be loath to initiate a nuclear attack on the North

Korean people. Dr. HALPERIN added that in order to solve the nuclear issue, the parties involved should avoid complicating the matter with tangential issues, and instead try to keep the focus as simple as possible.

KIM Bong-hyun, Deputy Minister for Multilateral and Global Affairs of MOFAT said that the core of the problem lies in thinking that North Korea's nuclear development is primarily aimed at helping the regime survive, both domestically and internationally, or bolstering its economy. He said that even at the Seoul Nuclear Security Summit, it was difficult to reach an agreement among the participating countries, making it imperative that they adopt a step by step approach in moving toward the denuclearization of the Northeast Asia region.

Deputy Minister KIM said that it is important, first of all, to somehow diminish North Korea's obsession with its nuclear weapons program, and to separate this issue with the country's use of nuclear energy. Experts in countries including both the US and China, Deputy Minister KIM said, believe that North Korea will not provoke a nuclear war, as it would mean the almost certain demise of the regime. He added that for the same reason, expert opinion holds that the North would also not risk a full-scale conflict using conventional weapons.

There is still a window of opportunity for the US and North Korea to reach an agreement similar to the 1994 Geneva Agreement, the Deputy Minister said; in addition, if North Korea abandons its nuclear ambitions, South Korea will provide North Korea with economic assistance and help it become a responsible member of international community. For its part, Deputy Minister KIM said, North Korea must come to accept that this move is not intended to precipitate the collapse of the regime, but is merely an effort to foster peaceful coexistence on the Korean peninsula. The dangers of nuclear power facilities were clearly demonstrated at the accident in Fukujima, he continued, but should North Korea demonstrate clear progress in abandoning its nuclear weapons, South Korea would provide support to its neighbor in constructing lightwater nuclear facilities there. This, the Deputy Minister said, will not only bring stability to the North Korean regime, but will also contribute to maintaining peace in the Northeast Asia region.

GAWAGUCHI Yoriko,
Member of the Japanese
House of Councilors, while emphasizing that his words were strictly a personal view, said that both Taiwan and Japan must move in tandem on the question of nuclear weapons. If provocation from China was Taiwan's main concern, he said, then any

It is important to hold discussions that exclude North Korea to begin with, so that the other parties can approach the North with a pre-agreed proposal. While it may take some time, the United States must work with Japan and South Korea to prevent North Korea from using nuclear weapons for dangerous or threatening purpose.

discussion of nuclear weapons should be kept separate from the North Korean nuclear issue. She added that the expanded US nuclear deterrence is certainly having a positive effect in maintaining stability in Northeast Asia.

Regarding the nuclear accident at Fukujima, Rep. GAWAGUCHI said that while none of the reactors is currently operational, one will be back online soon. In consultation with local residents, the government will decide whether operations will also be resumed at other reactors. The Representative also said the ultimate goal should be to end the use of nuclear energy, but that the biggest challenge in this regard was the disposal of spent plutonium.

FAN Jishe, Deputy Director of Center for Arms Control and Non-proliferation of Institute of American Studies of the Chinese Academy of Social Sciences stressed during his presentation that everyone must keep in mind the most fundamental aspects of the North Korean nuclear issue. North Korea, the Deputy Director said, firmly believes that the United States desires the collapse of the Pyongyang regime, which accordingly sees the nuclear program as key to its survival and security, as well as solving its economic problems. However, he also agreed with other participants that current tensions between South and North Korea were highly unlikely to lead to a full-scale war. Neither of the Koreas wants the state of confrontation to continue indefinitely, the Deputy Director said, so it was important to continually remind the North through dialogue that its own isolation risked becoming permanent.

Regarding possible Chinese intervention, Deputy Director FAN said that relations between China and North Korea are no longer restricted to military and political issues, and it is difficult for China to actively intervene in the North's nuclear issue. He further said that unlike Russia, China does not have a big nuclear capability, nor is it preoccupied with building up its nuclear arms as the old Soviet Union was during the Cold War. This position, Deputy Director FAN said, makes it easier for China to participate actively in discussions about denuclearization, adding that China's nuclear capability is for the purposes of nuclear deterrence and not for preemptive strikes.

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WHITHER THE POST-KIM JONG IL SYSTEM IN NORTH KOREA?: WHAT CAN OUTSIDERS DO FOR PEACE AND SECURITY IN NORTHEAST ASIA?

East Asia Foundation

The KIM Jong-un regime of North Korea, following the death of KIM Jong-il, Chairman of the National Defense Commission, in December 2011, is facing criticism and sanctions by international community due to its provocative action of rocket launching despite strong warnings of restraint. This session provided discussion on whether the KIM Jong-un regime can simultaneously achieve strengthened security via nuclear armament and public welfare through economic growth, what impact this mode of behavior by North Korea would have on peace and stability of the Korean Peninsula and Northeast Asia, and how concerned countries can induce North Korea to become a normalized member of the international community.

- Can the KIM Jong-un regime survive? Why-and, how-or, why not?
- Can North Korea manage the new challenges of international sanctions and isolation?
- What actions should the international community take if the North continues to show provocative behavior such as the 3rd nuclear testing and another ballistic missile testing?
- Are there any viable solutions? What would be the most feasible and desirable approach to North Korea under the KIM Jong-un regime?

MODERATOR

MOON Chung-in Professor, Department of Political Science, Yonsei University

PRESENTERS & DISCUSSANTS

OKONOGI Masao Professor Emeritus, Faculty of Law and Graduate School, Keio University

Stein TØNNESSON former Director, Peace Research Institute Oslo

LEE Jong-seok Senior Research Fellow, Unification Strategy Studies, Sejong Institute / former Minister of Unification

John DELURY Assistant Professor, Graduate School of International Studies, Yonsei University

JIN Jingyi Professor, Center for Korean Studies, Peking University

How long can the KIM jong-un regime sustain itself?

The participants of the session agreed that the KIM Jong-un regime will sustain itself in the short term. **Stein TØNNESSON** former Director of Peace Research Institute Oslo opened the discussion by saying it is possible that the regime will sustain itself indefinitely, and that threats from outside or hardline stances from the United States or South Korea could actually help the regime consolidate its grip on political power while shoring up social unity among the population. However, Dr. TØNNESSON said, the regime's long-term survival would depend more on how well the North adapts to external changes and the effects of engagement policies adopted by its neighbors.

JIN Jingyi, Professor of the Korea Research Center of Peking University said that KIM Jong-un faces the twin challenges of securing the regime he inherited from his father in the short term, and ensuring its survival over the longer term. However, without specific information about the new regime, the Professor said that it is too early to assess whether the system will sustain itself or not. Only when there is more evidence of how KIM Jong-un's accession is affecting the country, he said, will the North's future prospects of survival become clearer.

OKONOGI Masao, Professor Emeritus of Keio University said that it is not yet clear how and to what end the KIM Jong-un regime will change. It can be surmised, he said, that it is seeking a form of government somewhere between a socialism centering on the party and a one-man authoritarianism that controls the military. When the time comes to choose decisively between these two paths, the Professor said, it could trigger a crisis in North Korea.

While some media have reported about power struggles in North Korea, the Professor said that the bigger issue is the generational gap that exists in the country. He added that over the next two or three years, people close to power and the Party's executive leaders will cooperate with the KIM Jong-un regime. However, the key crisis will arise when the regime has to decide between one-man authoritarianism and a party-based regime.

John DELURY, Associate Professor at GSIS of Yonsei University said that in the short term there is no danger of collapse for the KIM Jong-un regime. Professor DELURY Delury added that despite a situation in which a lack of information makes it difficult to predict changes in North Korea, the South Korean government has already created a body to devise contingency plans as if drastic changes had already occurred.

MOON Jung-in, Professor of Yonsei University suggested that certain factors could be used to assess the longer-term viability of the North Korean regime: 1) legitimacy, 2) seizure of power, 3) institutional announcements, and 4) security of public sentiment. He asked the participants to use these factors as a basis for their own analyses of the prospects for North Korea's survival.

LEE Jong-seok, Senior Research Fellow of Sejong Institute and former Minister of Unification responded that legitimacy is not an objective measure but a subjective judgment by North Korea's people of whether or not they accept the KIM Jong-un regime. At the same time, Dr. LEE said that most North Koreans have accepted and acknowledged KIM Jong-un's leadership because of the bloodline linking the younger KIM to his father and former leader, KIM Jong-il. Second, KIM Jong-un has apparently not encountered any serious difficulties in assuming power. Third, KIM Jong-un's governing power over the party and the military has already been made public.

North Korea will not give up its nuclear development and missiles... What is important is to create an atmosphere where North Korea will be able to survive with its nuclear capabilities.

And lastly, Dr. LEE said, it is clear that KIM Jong-un is gaining public support through various pragmatic measures. For example, announcing North Korea's position on 'Key Resolve' via AP, and immediately acknowledging the failure of the missile launch, were both more open gestures aimed at securing the support of the North Korean people.

The former Minister of Unification said that it is necessary to distinguish between the sustainability of the KIM Jong-un regime and of North Korea itself. The KIM Jong-un regime should be monitored for some time regarding this, but, Dr. LEE said, there is very little chance of the North Korean state itself collapsing. This is largely because China continues to support North Korea, although the two countries' relationship has been changing from a simple arrangement of support and assistance to that of reciprocity and mutual interest. Rather than seeing a collapse of the North Korean regime, Dr. LEE added, there is a higher chance of seeing the country reform and open up.

Professor JIN agreed with the comments made by former Minister Lee, and explained that China is cooperating economically with North Korea in connection with the development of the three provinces in the Dongbei region and the Northeastern Area Revitalization Plan. However, given that power is currently passing from the current leadership to President Xi Jinping, if North Korea were to conduct a third nuclear test and launch another missile, the Professor said, China will not respond as it has in the past.

Professor DELURY said China's continued support for North Korea can be attributed to Beijing's foreign policy stance of separating economic and strategic issues. By contrast, South Korea and the United States link practically all their North Korea policies to the nuclear issue, meaning that economic cooperation and humanitarian assistance are always hostage to North Korea's nuclear ambitions. In the long run, the Professor said, the Chinese approach will be more effective in resolving the nuclear issue. But Dr. TØNNESSON added that China also has to face the constant threat that North Korea changes direction, and behaves in a way that China cannot control.

What is the solution to the North Korean nuclear issue?

Professor MOON asked the participants whether, in order to solve the North Korean nuclear issue, it would be necessary for North Korea to change first or for its neighbors to change their policies toward North Korea first.

Professor OKONOGI strongly agreed with the notion that North Korea will not give up its nuclear program. North Korea has been working on nuclear weapons ever since the end of the Cold War, the Professor said, as a means to maintain the regime. This means that any policies based on the North giving up its nuclear arms are flawed, and what is needed instead is to create an environment in which North Korea can exist with nuclear capabilities. And though it is unlikely to ever give up its nuclear weapons, the Professor said that North Korea could agree to stop conducting tests, which in itself would be an important development. Instead of demanding

denuclearization, he said, all parties concerned should adopt a more patient, strategic stance.

Dr. LEE agreed with the Japanese professor that North Korea's nuclear development is aimed at ensuring the regime's survival, and that it is important to foster an environment in which North Korea feels secure. From the North's point of view, Dr. LEE said, demanding that the country give up its nuclear weapons before any changes are made to the old Cold War structure is not acceptable. Instead, he continued, a comprehensive solution that solves the key issues while also improving relations with both the United States and Japan will need to be devised.

Professor JIN said that the North Korean issue is not only about nuclear weapons, but is in fact a complex problem involving a new regional order, requiring solutions that simultaneously tackle a very comprehensive agenda.

In order to solve the nuclear issue, there is need to devise linkage policies and not the parallel policies pursued so far.

An Effective Means to Change the North Korean Regime

Is there a way to bring about positive change in the North Korean regime? What are these means? Do sanctions work?

Professor DELURY said he agreed that US efforts at negotiation and engagement with North Korea had failed to bring results, adding that no consensus exists on whether sanctions had been effective policy measures. While Chinese sanctions could be an effective measure, the Professor said that US and South Korean sanctions and attempts to isolate the Pyongyang regime had only hurt innocent civilians and strengthened the position of hardliners in North Korea.

In this regard, Professor MOON asked whether new leaders like Jang Sung-taek or Choi Ryong-hae wield real power and whether there have been real changes to the power structure in North Korea.

Professor JIN said that strong Korean traditions of bloodlines have lent legitimacy to KIM Jong-un's regime, and those mentioned are people trying to secure their positions under the new leader. Dr. LEE said that while it is true that both JANG Sung-taek and CHOI Ryong-hae are have emerged as figures of power, they are both lower down the pecking order, and the real power had already been concentrated in KIM Jong-un.

Continuing, the Professor said that it is difficult to foresee real changes to the power structure in North Korea, and if they do come, it will be due to outside pressure. Speaking about visits to China by KIM Jong-il, the former Korean leader, right before his death, Professor JIN said that KIM told China's leaders that North Korea was about to pursue a path of reform similar to that undertaken by China – what DENG Xiaoping had achieved with his Anti-Rightist Movement. This, he said was tantamount to declaring China as its partner in reform, rather than South Korea and the United States, whose democratic governments might make 'consistency' difficult to achieve. Professor JIN noted that the North publicly acknowledged the failure of its missile launch immediately after it had taken place. It had also, he said, announced a nuclear test that it had not carried through. These are all signs that KIM Jong-un is now firmly in power, and that changes are taking place, the Professor said.

Professor DELURY said that unlike in Western societies, power in North Korea is passed down from father to son, as was the case with KIM Il-sung and his son KIM Jong-il. But KIM Jong-un is showing a different style of governance, perhaps more similar to DENG Xiaoping in the 1970s. In order to talk to North Korea it requires a lot of effort both official and unofficial; using non official channels to talk to them could also be effective.

POLICY IMPLICATIONS

Based on their discussions, the participants put forward proposals for achieving peace and prosperity on the Korean peninsula. First of all, the KIM Jong-un regime does not look as if it will collapse immediately; its stability will depend on how institutional power is consolidated. In order to solve the nuclear issue, the participants all agreed that there is a need to devise coordinated policies, and not just pursue parallel policies as has happened so far. Specifically, Professor JIN said that North Korea is currently going through generational changes in personnel as well as ideas, and it needs time to carry through these shifts. Professor OKONOGI said that the most important thing is for North Korea to make efforts in reforming itself, and that neighboring countries should help by promoting economic development, reform and openness, rather than by giving them material goods. Professor TØNNESSON emphasized exchanges with North Korean youths and also the need to promote cooperation between the two Koreas and China. Finally, Professor DELURY recommended formal cultural exchanges and economic cooperation with North Korea.

EDITED BY

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Studies

POLITICAL CHANGES IN NORTHEAST ASIA IN 2012 AND BUILDING A NEW REGIONAL ORDER

East Asia Foundation

The year 2012 is one of political transition. In the two Koreas, China, the US, Russia, Japan, Taiwan, and others, regime changes have either already occurred or will do so in an upcoming election. This session explored diverse perspectives on the potential effects these political changes could have on the building of a new order in Asia, particularly in the Northeast region.

- How can the US ensure that the Asian countries it is trying to rally for a resistance of Chinese assertiveness will maintain their allegiance to Washington, given their economic dependence on China?
- The latest data indicate that Chinese ownership of US treasuries has increased. What is the potential evolution of co-dependent US-China relations?
- Has Russia lost its clout in North Korea since the suspension of the Six-Party Talks? How should we understand Russia's cooperation with the US on North Korea, in light of its opposition to US sanctions imposed as a result of the Iranian nuclear program?
- What are the views on Korea's various territorial conflicts with Japan? Has Korea taken any position on the Japan-China sea border dispute?
- How is the Bo Xilai scandal affecting China's image with foreign governments and investors? Will it render problematic an otherwise smooth transition?
- How has China reacted to the US hosting of the APEC summit for the first time in November 2011, and steps taken by the country to bolster its military presence in this region?

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MODERATOR

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

2012 is a year of elections across the world. In Russia, President Putin has already begun his second term after winning the election. And by the year's end, leadership elections or changes will also take place in the United States, China, South Korea and a host of other nations.

The changes are expected to bring about shifts in the Northeast Asian order. With China's membership of the WTO bringing increased economic interdependence in Northeast Asia, and European economies continuing to suffer, the global economy remains in a state of flux. In addition, the sudden change of

PRESENTER & DISCUSSANTS

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

Nodari SIMONIYA Professor, MGIMO
University; former Director of IMEMO

Stein TØNNESSON former Director,
Peace Research Institute Oslo

KIM Young-hie Senior Reporter,
JoongAng Ilbo

ZHANG Xiaoming Professor, School of
International Studies, Peking University

leadership in North Korea and the country's lingering nuclear ambitions are key issues facing the region's policymakers.

Besides this, territorial disputes and differences in historical perspectives remain hot-button issues that require urgent attention. This session, under the moderation of **Nayan CHANDA, Director of Publication of Yale Center for the Study of Globalization**, discussed the effects of the political changes in Northeast Asia in 2012 on the regional order.

Director CHANDA began the discussion by bringing up two factors central to the Northeast Asian region in 2012: economic globalization and political change. The problems of external imbalances and domestic inequality have been getting more serious, he said, thanks largely to globalization and Asia's increasing interdependence since China joined the WTO. On top of this, there is a transfer of power in China (this year marking the end of the 10-year cycle), a presidential election in the United States, Vladimir PUTIN has been reelected in Russia, Japan is facing political crisis, and South Korea itself has a presidential election at the end of the year. These events are transforming key regional problems into political issues, leading to changes in the regional order. Against this backdrop, Director CHANDA invited a discussion on: 1) economic cooperation and related issues between the US and China, 2) coastal territorial disputes in Northeast Asia, 3) North Korea under KIM Jong-un, and 4) the United States' new strategy toward Asia and pending issues concerning a new order in the region.

Future of U.S.-China Economic Cooperation

John IKENBERRY, Albert G. Milbank Professor of Political Science at Princeton University commented on the depreciation of the Chinese Yuan(RMB) and other problems related to economic cooperation between the US and China, saying that due to China's growing power, recent US-China relations can be characterized as shifting from a hegemonic order centered on the US to a balance of power. With the emergence of China as a new world power, the Northeast Asian order is changing into a dual structure of economic hierarchy under China on

the one hand, and a security hierarchy under the United States on the other. In the context of such complex US-China relations, managing the leadership of the two countries may generate tension at certain times and places. This may give rise to what is called the 'Kindleberger crisis,' a situation in which a country with economic power does not have the capability or will to assume the leadership role. According to Professor IKENBERRY, one example of this is the Trans-Pacific Partnership, which is based on the leadership of Japan and the US.

ZHANG Xiaoming, Professor of School of International Studies at Peking University, said that China is currently excluded from the TPP, but provided the TPP does not want an exclusive economic bloc, China will eventually become part of the group.

Future of Territorial Disputes in Northeast Asia

Stein TØNNESSON, former Director of Peace Research Institute Oslo predicted that China will ultimately agree to negotiate both bilaterally and multilaterally regarding territorial disputes in the South China Sea. He pointed out that the key factor in territorial disputes involving China is the difference between China's awareness of the disputed territories and legal provisions pertaining to them. China knows that under international law, it has only a few cases it can legitimately argue using historical claims, the Professor said, adding that China also knows that it can bide its time until it feels powerful enough to assert those claims. However, he said, China must also understand that maintaining peaceful relations with its neighbors will provide better opportunities to explore resources together. An aggressive stance will only encourage military confrontation.

There were also discussions on South Korea's and Russia's position on disputed territories claimed by China. Dr. TØNNESSON said that the territorial disputes in South Asia and the Eastern side of the China Sea reflect China's efforts to assert its influence in line with its growing economic clout. He then asked how the

Due to China's growing power, recent US-China relations can be characterized as shifting from a hegemonic order centered on the US to a balance of power.

Russians viewed this, bearing in mind the Soviet Union's experiences when it was locked in strategic competition with the United States during the Cold War.

Nodari SIMONIA, Professor of MGIMO University and former Director of IMEMO said that he has no direct understanding of the territorial disputes in the South China Sea and South Asia, but that Russia's basic position is that all such disputes must be solved peacefully, without resorting to military means. In this context, **KIM Young-hee, Editor-at-Large at the JoongAng Ilbo**, said that for Korea – which, like China, is engaged in a territorial dispute with Japan – the problems surrounding Dokdo Island stem from historical, not economic, concerns. Mr. KIM added that Korea is also concerned about China's coastal hegemony, but stands opposed to the idea of the United States counteracting this by expanding strategic alliances with countries in the region such as Japan and Australia.

Dr. TØNNESSON said China's coastal claims stem from a desire to secure natural resources, and are not militaristic in nature. This is evidenced, he said, by the fact that while China's reinforcement of its naval capabilities is creating new issues in the disputes, the Navy itself is not initiating any conflicts. Most such disputes take place in the areas around the contested islands, and are prompted by the claimants' interest in gaining more natural resources. Other coastal territorial disputes across Asia share these characteristics; the challenge is in how to balance sovereignty and ownership, the Professor said.

Dr. TØNNESSON explained how Vietnam's political and military positions represent a double-sided game when it comes to territorial disputes with China. The Vietnamese Communist Party is said to have a fraternal relationship with the Chinese Communist Party, Dr. TØNNESSON said, but domestically, historical reasons ensure that bad feeling persists. The Vietnamese military, which well remembers the suffering visited on Vietnam's people through territorial disputes, has adopted a resolute stance toward China. However, the Professor said, the Vietnamese military has to maintain a tricky balancing act: keeping its distance in order to maintain domestic support, but recognizing that its needs China's assistance and cooperation.

Change in Chinese Leadership and the North Korean Regime

Professor ZHANG admitted that the scandal surrounding Bo Xilai represents the negative side to Chinese politics. He said that discussions are ongoing regarding reforms to the transfer of power and other elements of domestic politics, and predicted a stable transfer of power later this year. The understanding of democracy and the current political system are very different in China, he said, and various discussions are taking place about how to realize and advance democracy in the country.

On North Korea, Editor KIM of the JoongAng Ilbo said that the basis of KIM Jong-un's regime remains weak, and it is uncertain how long it will take him to secure his power. However, he added that because KIM Jong-un assumed his position as part of a bloodline stretching back to his grandfather, KIM Il-sung, drastic changes are unlikely anytime soon.

The US's New Asia Strategy and the US China Relations

Professor IKENBERRY defined President Obama's New Asia Strategy as an important change in direction, from what was a preoccupation with the Middle East and terrorism to a much greater focus on eastern Asia. Compared with the Bush Administration, which did not place much emphasis on leading a multilateral regional order in Northeast Asia, the New Asia Strategy will contribute more actively to peaceful coexistence, and a bilateral and multilateral order based on clear rules.

Editor KIM said that by building confidence, the New Asia Strategy will affect not just the Korean peninsula but the overall order of the Northeast Asian region. By placing such great emphasis on Afghanistan and the Middle East since its term began, he said, the Obama Administration has missed opportunities to help solve long-standing issues in the Middle East. Editor KIM added that by publicly announcing its new strategy, the Obama team has demonstrated its seriousness about becoming more closely involved in the affairs of the region. He said that this should actually diminish some of the factors that have destabilized the region, including the North Korean nuclear issue China's changing role as it continues to grow.

Professor IKENBERRY said that mutual dependence

On North Korea, the basis of KIM Jong-un's regime remains weak, and it is uncertain how long it will take him to secure his power. However, because KIM Jong-un assumed his position as part of a bloodline stretching back to his grandfather, KIM Il-sung, drastic changes are unlikely anytime soon.

in Northeast Asia can be understood as a combination of economic interdependence and security issues, which include a pragmatic understanding of regional arms races and territorial disputes. At the same time, he said, mutual dependence includes the process of managing leadership through solving, negotiating, compromising on, and revisiting a wide range of issues in the process of implementing comprehensive change.

China may own a vast amount of US debt, the Professor said, but it would be difficult to use this leverage strategically. Besides, he added, at the moment there is a clear separation of roles, with the United States assuming security leadership and China being the economic leader. These roles, however, are basically inseparable. All countries face problems and challenges related to education, security, growth, the environment, technological development and more, the Professor said, and they can only be solved through mutual learning and cooperation.

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Studies

THE REPUBLIC OF KOREA'S LEADERSHIP FOR PROMOTING DEMOCRACY AND HUMAN RIGHTS IN THE ASIAN REGION

Ministry of Foreign Affairs and Trade

Democracy has re-emerged as the key issue in the international community, with the rapidly spreading wave of democratization in North Africa and the Middle East. Against this backdrop, this session discussed the expected leadership of the Republic of Korea which achieved both industrialization and democratization within a generation for promoting democracy and human rights in the Asian region.

MODERATOR

PAIK Ji-ah Director-General,
International Organizations Bureau,
MOFAT

MAIN SPEAKER

BONG Yong-shik Senior Researcher, the
Asan Institute for Policy Studies

PANELISTS

Suren BADRAL Ambassador, Community
of Democracies(CD)

SOH Changrok Professor, Korea
University

Morton H. HALPERIN Senior Advisor,
Open Society Institute / former U.S.
Undersecretary of Defense for Policy

ABE Kouji Director, Human Rights and
Humanitarian Affairs Division, MOFA of
Japan

PAIK Ji-ah, Director-General of the International Organizations Bureau at the Korean Ministry of Foreign Affairs and Trade opened the session by introducing the Republic of Korea as a country that has undergone a long process of trial and error and struggled for the promotion of democracy and human rights in the Korean society. As a result, Korea achieved both industrialization and democratization together in a generation. For the Republic of Korea, economic growth and democratization have been achieved in a mutually reinforcing manner.

The key objective of this session, she continued, was to find ways in which South Korea could share its experience and lesson learned with other Asian countries making transition to democracy. She stressed the increasing leadership played by South Korea within such international organizations as the Community of Democracies (CD), the Asia-Pacific Democracy Partnership (APDP), and the Bali Democracy Forum (BDF), and how South Korea also chaired a number of major international events involving its National Election Commission, Constitutional Court, and National Human Rights Commission.

BONG Young-sik, Senior Researcher of the Asan Institute for Policy Studies argued that South Korea, as a country that has achieved democracy and free market economy at the same time, could contribute to democratization in Asia as greatly and

meaningfully as it has contributed to the economic development of the region by sharing the Korean-style development model, increasing trade, and providing the official development assistance.

Surren BADRAL, Ambassador to Community of Democracies

Mongolia mentioned the need for democratic countries to share their experience and learning with the countries in Asia making transition to democracy, such as Kyrgyzstan, Myanmar, and East Timor. South Korea can play an important leadership in this process, helping to spread and consolidate the systems and values of democracy in the region.

SOH Chang-rok, Professor of the Graduate School of International Studies at Korea University pointed out the need for South Korea to provide leadership in promoting the more fundamental and general ideal of human rights, based on the country's unique historical experience and background. The specific solutions he proposed in this regard included establishing an Asian human rights fund, organizing a regional human rights forum on a regular basis that invites diverse actors and representatives, and developing programs to help Asian countries learn about the importance and value of human rights.

While appreciating South Korea's role in the Community of Democracies, **Morton HALPERIN, Senior Advisor of the Open Society Institute** suggested that South Korea adopt a more active policy of democratic diplomacy, supporting the democratic transition of its fellow countries in Asia through various consultative groups and organizations. In particular, he stressed the need South Korea has, as a donor country, to adopt a policy of prioritizing support and assistance for democratizing countries.

ABE Kouji, Director of the Human Rights and Humanitarian Aid Division at the Japanese Ministry of Foreign Affairs commented that South Korea provides a good model for other developing countries in Asia to emulate, having successfully overcome authoritarian regimes to achieve a free market economy and democracy. He concluded by articulating a hope to see increasing partnership between South Korea and Japan, as two of the few countries that have achieved successful development through democratization, in developing the democratic capabilities and human resources in other Asian countries making transition to democracy.

Alexander FISHER, Director of Management at the Global Green Growth Institute (GGGI), who was sitting in the audience, raised a

question as to why the democratic countries of Asia are relatively passive in cooperating to promote region-wide development and democratization, in comparison to their counterparts in other regions of the world. Dr. HALPERIN suggested that, due to the vast geographic range constituting Asia as well as the deep cultural diversity that defines the region, Asian countries do not have as strong a regional identity as those of Africans, Latin Americans, and Europeans.

President Kim Suk-woo of the National Development Institute (NDI), who was also in the audience, expressed his agreement with the need to increase partnership among the democratic countries of Asia to promote democracy and human rights in the rest of the region. He also suggested opening a new office of the UN High Commissioner for Human Rights in Asia to promote human rights activities in four Asian countries: that is, China, Mongolia, South Korea, and Japan.

POLICY IMPLICATIONS

South Korea needs to develop policies and programs to share its experience of economic development, democratization, and human rights with nascent democracies in Asia.

Policies and programs are also required to support the economic development as well as the consolidation of democratization and human rights in the developing countries of Asia.

South Korea needs to play the role of a mediator, bringing together diverse organizations and consultative groups in Asia to promote democracy and human rights with greater synergy.

EDITED BY

CHOI Su-young Director of
Human Rights and Social
Affairs Division, MOFAT

A NEW PERSPECTIVE TO ROK-U.S. NUCLEAR COOPERATION

Ministry of Foreign Affairs and Trade

Korea emerged as a major nuclear energy power state through the successful operation of its 21 reactors and nuclear reactor exports to UAE. Now that, the importance of nuclear energy is expected to increase for sustainable economic development.

Currently, the two nations are engaged in the process of negotiations for the amendment of the ROK-U.S. nuclear cooperation agreement - set to expire in 2014, in order to create a future-oriented and mutually beneficial ROK-U.S. partnership for nuclear cooperation, recognizing the increased stature of the ROK which has made remarkable advancements in its nuclear industry and related technology in the past 40 years.

This session provided an opportunity for meaningful discussions on the goals the new ROK-U.S. nuclear cooperation agreement should aim for, effective solutions for spent fuel management, and measures to strengthen international nonproliferation regimes, etc., with experts in the field of nuclear energy from the ROK and the U.S.

MODERATOR

KIM Tae-hyun Professor, Global Graduate School, ChungAng University

PRESENTERS

YIM Man-sung Professor, Dept. of Nuclear and Quantum Engineering, KAIST

Jack SPENCER Research Fellow, Nuclear Energy Policy, Heritage Foundation

JUN Bong-geun Professor, Dept. of National Security and Unification Studies, KNDA

YIM Man-sung, Professor of Nuclear and Quantum

Engineering at KAIST(Korea Advanced Institute of Science and Technology) said that since its launch in 1974, South

Korea's nuclear power industry has made huge advances under the terms of the Korea-US Atomic Energy Agreement. It is now a recognized leader in nuclear technology, including in the safe operation of nuclear energy, cost effective construction of nuclear plants, and pyroprocessing, and even exported nuclear power to the EAU (European Association of Urology) in 2009, Professor YIM said.

The Professor noted that South Korea and the United States are in the process of renegotiating the Korea-US Agreement, which expires in 2014. The new agreement, he said, will cover solutions to pressing matters like the processing of spent nuclear fuel, as well as new opportunities to expand atomic energy cooperation between the two countries. The negotiations will be especially

Keyword

Korea US Nuclear Atomic Energy Agreement, spent nuclear fuel, non-proliferation, pyroprocessing, energy security

important for South Korea, the Professor said, as their provisions for dealing with spent nuclear fuel and the period allowed for developing nuclear fuel will do much to decide whether Korea can take the lead in the nuclear energy export market in the future.

Professor YIM said that the United States is strongly adhering to the principle of non-proliferation, prohibiting the establishment of new reprocessing and enrichment facilities, and this will remain a central feature of the new agreement. According to research on the possible economic effects of a new atomic energy agreement, the Professor said, bilateral cooperation in the area of pyroprocessing or proliferation-resistant dry reprocessing would generate considerable economic benefits for the US both from processing the US' spent nuclear fuel and from the export of nuclear power.

Considering South Korea's high dependency on foreign trade, Professor YIM said, it would be very difficult for the country to develop its own nuclear deterrent. With this in mind, and considering the economic benefits that, for example, pyroprocessing could bring, it would be beneficial to all concerned if the United States took a more lenient approach in its negotiations with South Korea, the Professor said.

Professor YIM said that South Korea must also follow this by strengthening the appropriate legal and institutional mechanisms, while building trust by helping create a non-proliferation regime in East Asia. To this end, he said, South Korea can continue pushing to institutionalize comprehensive non-proliferation laws, consider establishing a nuclear weapons-free zone on the peninsula, and an HEU (highly enriched uranium) free zone in Korea and Japan.

Jack SPENCER, Research Fellow, Nuclear Energy Policy at Heritage Foundation said that for the successful re-negotiation of the Korea US-Atomic Energy Agreement, the United States must recognize South Korea's position as major nuclear energy producer and exporter and allow an expansion of this role. South Korea must also keep in mind the US position and its concerns about nuclear non-proliferation. While acknowledging the merits of the HR 1280 Atomic Energy Act and its focus on non-proliferation, Dr. SPENCER said it is problematic in its basic approach: it not only restricts legitimate business by American nuclear power companies, it also hinders the objective of non-proliferation in the long run. Moreover, he said, it may also diminish American influence on nuclear safety and regulations.

Dr. SPENCER said that in order to compete against the likes of France, Russia and Japan as a nuclear power producer, South Korea must be able to provide complete nuclear fuel services

Currently, Korea and the United States are in the process of renegotiation the Korea US Agreement which expires in 2014; the new phase will not only cover solutions to pressing matters like the processing of spent nuclear fuel but also new opportunities to expand atomic energy cooperation between the two countries.

including reprocessing and enrichment. He added that the non-proliferation movement rests on the argument that the technology needed to enrich uranium can also be used to produce nuclear weapons, and the United States is obliged to ensure that countries deemed a threat to the non-proliferation regime may not secure this technology. However, he said, it is not rational or fair to treat South Korea as if it is Iran or North Korea.

Reprocessing is the process of managing nuclear waste and extracting still valuable material from spent nuclear fuel, Dr. SPENCER said. Many components of spent nuclear fuel may be used for peaceful and commercial purposes beyond the production of electrical power. An unconditional prohibition on reprocessing not only blocks countries from acquiring important nuclear technology necessary for peaceful reasons, it also greatly undermines the potential of developing new technologies—which is, Dr. SPENCER said, a very worrying development. The United States has fallen behind somewhat in the atomic energy industry over the last 30 years, but is still competitive in research development and safety management. In the long run, Dr. SPENCER said, recovering its leadership in the commercial use of atomic energy will contribute to strengthening the nonproliferation regime.

JUN Bong-geun, Professor at the Korea National Diplomatic Academy said that as South Korea operates 21 nuclear plants, it has to deal with the pressing matter of spent fuel disposal, and this is why active efforts are being made in the development and research of pyroprocessing. It is equally important, he said, to secure its energy supply by getting hold of safe and economic nuclear fuel. Though South Korea, thanks to its outstanding levels of quality and safety, is an increasingly important exporter of nuclear energy, he said, its competitiveness in this area is somewhat

undermined by its lack of capacity for low enrichment.

The Professor noted that in order to solve the problem of disposing of spent nuclear fuel, South Korea has been taking part in the development of pyroprocessing with the United States since 2002. It is also working on the development of Sodium-cooled Fast Reactors (SFR), whose pyroprocessing mechanisms are understood to be more proliferation resistant than traditional wet processing.

In its nuclear cooperation with South Korea, the United States is expanding its policies for the peaceful use of nuclear energy while adhering to the nonproliferation policy stipulated in the 1978 Nuclear Nonproliferation Act (NNPA). The Professor added that the 1992 Joint Declaration was a strategic and preemptive decision at the highest levels of the South Korean government aimed at pressuring North Korea to give up its nuclear weapons.

It is important to get hold of safe and economic nuclear fuel as a matter of its energy security. Though Korea is being recognized as exporter of nuclear energy with outstanding solidity and safety, its competitiveness falls a little short as an energy exporter.

However, besides criticizing the North, the Declaration also acted as a check on certain types of sensitive nuclear research in the South. As a result, the Professor said, the move was devastating to many scientists working in nuclear energy, who vehemently criticized the Declaration.

In the event, the Declaration failed to realize the denuclearization of North Korea, and has since become a stumbling block to the peaceful use of nuclear energy in the South, the Professor said. He added that the North has since carried out two round of nuclear testing, essentially nullifying the Declaration. However, the South Korean government has not officially scrapped the agreement, leaving it in a kind of legal limbo. In these circumstances, the Professor said, strengthening cooperation in low enrichment technology and, while maintaining the framework of the Joint Declaration, could be a desirable policy alternative. However, he said, this depended on pyroprocessing technology not being categorized as reprocessing, and consent for the disposal of spent nuclear fuel and the development of enrichment research for peaceful purposes.

POLICY IMPLICATIONS

- Promote development of global nuclear energy distribution; guarantee the distribution of nuclear fuel to signatories to the nonproliferation regime; reinforce the nonproliferation movement.
- Have the United States assume a more active role in the IAEA, where security measures and inspections are centralized, ensuring stronger nonproliferation and security measures.
- At a time when nuclear power is undergoing something of a renaissance, the United States must look to protect the interests of rule-abiding nonproliferation signatories by establishing rules that promote the international commercialization of nuclear power through free, open and transparent market principles. To this end, the Atomic Energy Agreement between Korea and the US should not only contribute to the objectives and goals of nonproliferation, but also get rid of unfair practices that hinder commercial activities in the area of nuclear energy development.

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THE TASKS OF HISTORY EDUCATION FOR A NEW EAST ASIA IN A GLOBALIZED WORLD I

THE ROLE OF HISTORY EDUCATION IN IMPROVING REGIONAL AWARENESS IN EAST ASIA

Northeast Asian History Foundation

In 2012 the Korean government introduced ‘East Asian History’ to the high school curriculum as an elective course. In this first year about one-fourth of the high schools are teaching East Asian history, and an increasing number of schools are expected to teach this subject in the future. This growth reflects the needs of the times, which require cultivating leaders with a broader understanding of East Asia.

This session provided a forum to identify the historical strata of East Asian discourses and uncover new understandings of East Asian history that fit the current era, which seeks new directions for education in East Asian history. The session first discussed how to teach East Asian history by focusing on the dynamics of the awareness and knowledge exchange regarding East Asia among Korea, China, and Japan. The session then discussed current issues in and tasks for education in East Asian history through an introduction of the study of Korean education in East Asian history by AHN Byung-woo, the author of the Korean textbook on East Asian history.

MODERATOR

CHUNG Jae-jeong President, Northeast Asian History Foundation

PRESENTERS

YU Yong-tae Professor, Seoul National University

PAN Kuang-che Researcher, Institute of Modern History, Academia Sinica

MIYAKE AKimasa Professor, Chiba University

AHN Byung-woo Professor, Hanshin University

The panel was composed of experts in the area of East Asian history and education, all of whom played an active role in discussing East Asia and the value of teaching history. The panel was moderated by **CHUNG Jae-jeong, President of the Northeast Asia History Foundation**, who began the discussion by presenting a Northeast Asian history course that has been an elective in Korean high schools since March 2012. President CHUNG asked the participants to comment on whether there are problems with such courses in schools, how the history of East Asia should be viewed by the respective countries, whether the history of the region can or should be viewed beyond the perspective of one’s own country, and how the history academy and history education can contribute to peace and prosperity in the region.

YU Yong-tae, Professor of History Education at Seoul National University said that he had recently published a book in two volumes titled *Modern History of East Asia for Everyone to Read* (柳鏞泰 外), 〈함께 읽는 동아시아 근현대사〉 1·2 (창비, 2010/2011) and compared the book with two others that were published in Japan and China for the general public: *Modern History for Adults—19th Century* by Mitami Hiroshi et al. (三谷博 外 編, 〈大人のための近現代史: 19世紀編〉(東京大學出版會, 2009)) and *The History of East Asia* by Yang Jun, Jiang Naihu et al. (楊軍·張乃和 主編, 〈東亞史〉(長春出版社, 2006)).

The Professor said it is difficult to make direct comparisons of the three books since they all deal with different periods in history and the contents of their central narratives are different. *Modern History for Adults —19th Century* deals primarily with the 19th century. The *History of East Asia* by Yang Jun, Jiang Naihu et al. covers ancient to modern history in a comprehensive fashion. And *Modern History of East Asia for Everyone to Read* deals with history from the end of the 19th century to the early 20th century. For this reason, the Professor said he would look at the books by examining and comparing the way each country views imperialism. He defined imperialism as the mobilization of a country's military overseas or externally.

The book by MITAMI Hiroshi is a history of international relations based on Japan's foreign relations. For this reason, the Professor said, the threat Russia posed toward Japan is highlighted, as are ties with European countries, rather than relations within the region. He said that the book provides some examples of what seem like self-reflective and objective accounts (or descriptions) of imperialism. For example, in this book, the Professor said, equal importance is given to China, Joseon (Korea) and Japan regarding the modern history of the Ryukyu Kingdom. Also, using the term "the Ryukyu amalgamation," the book explains that what was termed an amalgamation between two nations was in essence the colonization of Ryukyu. The narrative on Taiwan and Joseon are described in a similar fashion, he said.

However, the Professor continued, there are parts in the book that run contrary to this spirit of objectivity. For example, Japan's success is attributed to its wise leadership, assessed from a very Japan-centered historical perspective. The Second Opium War, which actually played an important part in the establishment of Japan as a nation, is casually overlooked, he said. Also, Japan's 19th century foreign policy toward Joseon is described as a countermeasure to the strengthening of the Qing military and Russia's foreign policy of expanding southward. Any mention of Japan's intention to conquer Joseon disappears from the account following the description of the annexation. In addition, the Professor said that the book's historical understanding of the Meiji era is not sufficiently thorough. While it admits that the amalgamation of Ryukyu and Hokkaido was actually colonization, it does not dwell on the subsequent expansion of imperialism.

Experts from all countries in East Asia acknowledged that East Asia needs a history of its own that stands apart from the history of their respective nations.

There also, the Professor said, seems to be some discrepancies regarding how imperialism is assessed: in the Meiji era it is conveyed as a means of expanding civilization, while during the Showa Period it is depicted as being imperialism.

In the Chinese tome, *The History of East Asia*, the Professor said that a self-reflective and objective approach is apparent in its explanation of the “Tribute and Investiture System(조공책봉체제),” which used to be the order governing East Asia. The system of smaller countries paying tributes to China or having China assign its ruler began during the Ming and Qing periods, and incorporated Joseon, Japan and Vietnam. The book explains that the system changed from being a political to an economic system. On the Korean War, which ran from 1950-1953, China’s previous stance of calling it the “War to Support Resistance against the United States” – under the premise that the United States had invaded the Korean peninsula – has changed. The Korean War is instead called the Joseon War, and any mention of a US invasion has been omitted, Professor Yoo noted.

However, he said, there are also narratives centered on China’s own political perspective and interpretation. For example, the ‘tribute and investiture system,’ which was practiced from the 13th century until 1874, is portrayed as having maintained stability in the region, with China acting as a patron to regional countries and standing by them at times of foreign threats. This kind of Sino-centric view was also evident in the depiction of the expansionist policy of the Qing in the 18th century and the war between the Qing Dynasty and Japan. The invasion by Emperor Qianlong of the Mongols, Uyghurs and Tibet are depicted as great accomplishments that unified multicultural nations, “creating a prosperous era under the blessing of the heavens.” At the same time the book describes Russia’s foreign policy and expansionist moves by later Chinese empires as invasions, clearly contradicting the earlier definitions. In addition, the Professor said, the book describes the Qing Dynasty policies to turn Joseon into a Chinese subject or directly control Mongolia, Tibet and surrounding regions by reinforcing its military, purely as measures to deal with the threat that Japan posed at the time.

In his own book, Professor YU said, he had attempted to take a more comparative approach to imperialism by examining the Vietnam War. He said the book provides an honest account of the reasons behind Korea’s entering the war; i.e., that by helping the United States, South Korea stood to gain substantial military and economic support, and that his country had indeed received a lot of military technology as a result of their participation. The book details the war’s heavy civilian casualties, which occurred because of the difficulty of distinguishing enemy forces from civilians, and acknowledges that both the “aggressors” and the victims are still suffering from severe psychological and physical disabilities even today, the Professor said. He added that the book also recounts the official apology issued by the South Korean president to his Vietnamese counterpart in 2001, and says that this became the starting point of historical reconciliation between the two countries. The book explains that this was able to take place only after the democratization of Korean society, the Professor said.

In conclusion, Professor YU said that experts from all countries in East Asia acknowledged that East Asia needs a history of its own that stands apart from the history of their respective nations. This recognition, he said, showed the potential for creating a history that could be shared by the entire region. The definition of imperialism may differ from country to country, he said, and this was both inversely proportional to a country's experience as an imperial power, and directly proportional to its experience of democratization. The moderator said that the examples provided may open up a debate on whether both Japan and China have a less objective and self-reflective view of what imperialism is than South Korea does.

AHN Byung-woo, Professor of Hanshin University discussed the content of South Korea's East Asian history textbooks and how they are compiled. The Professor said that as of March 2012 two types of textbook are used in East Asian history electives in schools. As of this spring, he said, the course has started in 509 high schools, which have a total of 72,000 students. This means that of the 2,282 schools in South Korea, 22.3% have chosen to teach this course. The Professor said that the course is taken in junior year, and that 10.8% of South Korea's approximately 663,000 high school juniors are enrolled on it.

Professor AHN said that the textbook was created with an awareness that history lessons should not become a stumbling block to establishing peace and exchange among the respective countries. The decision to create the textbook was reached in December of 2006, the Professor said, and was inspired by the shock felt in South Korea when it was announced that a history textbook published by the Tsukurakai, or the Japanese Society for History Textbook Reform, had been passed by a screening committee in 2001. Soon afterwards, China began its so-called "Revitalization of the Northeastern Region," essentially an effort to unify the multicultural and multi-ethnic peoples of the area under a single Chinese culture. In trying to find the fundamental cause behind these issues, the Professor said, the Korean Academy of History realized that the key issue is that each country is teaching a history based on its own interpretation of the facts.

The first problem facing anyone attempting to compile a history of East Asia, Professor AHN said, was how to comprehensively narrate the vast history of the region. He added that the writers of the book wanted to follow some firm principles: for instance, that it should not focus solely on Korea, China and Japan, and that it should not be written as an account or annals.

To provide a framework, the team put forward 25 highly relevant topics. As it was not appropriate to create textbooks alone for an educational course, the Professor said, the Northeast Asian History Foundation took charge of creating an accompanying guidebook, educational manual and reference materials.

Published by Kyohak and Chunjae publishers, the two textbooks are based on the course and so their contents tie in with the lessons, Professor Ahn said. The only potential points for revision, he said, are that the different country's positions are arranged in a row and some terminologies are used that could create controversy: the Japanese invasion of Korea in 1592, for instance, is

referred to only as the ‘Imjin War’. History teachers need improved materials to teach with, along with continued education and training. To this end, the Professor said, diverse forms of material must be developed. And, he added, history academies and societies must continue their efforts in maintaining their research.

Professor MIYAKE Akimasa of Chiba University, who has authored history textbooks for schools in Japan, stressed the need to create a history of East Asia, rather than just national history textbooks. These should be compilations of actual history and not just accounts or records, he said, and there should be international cooperation in compiling these books. The Professor voiced his support for South Korea’s decision to East Asian history to its high school curriculum, and introduced some of the experimental ideas being carried out by Tokyo Publication with its Japanese history textbook. He said that a committee composed of seven Japanese experts and 10 foreign experts wrote the book, marking the first time that foreigners have been involved in such a project.

Professor MIYAKE said that national histories – like those of Japan, Korea and China – should not be written as an account or record that runs from ancient times to the present day. To avoid this, the Professor presented a number of recommendations. First, the history of East Asia should not be considered a discrete idea. East Asia, he said, is a very political concept, noting that the Japanese Ministry of Education and Culture had coined the term between 1880 and 1890 to create its own conception of what East Asia was. To move away from this frame of mind, there must be some flexibility; indeed, the Professor said, the very idea of how the region was conceived and became a historical concept required further study. The word “tong-sa” (통사 – broadly translatable as “overall history”) has no exact translation in English, the Professor said and added that we must change the concept of narrative accounts and concentrate on history.

PAN Kuang-che, Researcher of the Institute of Modern History at Academia Sinica said it can be difficult to conduct research beyond national history and in order to overcome this limitation, it is necessary to focus on the “common text” that is shared by societies in East Asia. The researcher said that there was just such a “common text” – including 19th century geography and international laws – compiled by intellectuals and missionaries. The *Haiguo Tuzhi* or *The Illustrated Treatise on the Maritime Kingdoms* by Wei Yuan, a scholar during Qing Dynasty, and other documents such as the *영환지략* (瀛圖志略) by Xu Jishe (서계여(徐繼畬), were very influential to scholars in Korea and Japan. Also, documents by Christian missionaries, like the *Treatise on International Law*, published by William AP Martin in 1864, created a great impact in East Asia, the researcher said.

The scholars and intellectuals of East Asia in the 19th century were able to learn and accumulate knowledge based on these “common texts.” Such practical knowledge became the basis of changing intellectuals’ understanding of their own countries, the researcher said. It became clear, for instance, that China was not the center of the world, but merely one of many countries. The

Treatise on International Law also became the basis for exchanges with Western countries, the researcher added, and knowledge such as this contributed to reforms and changes across East Asia.

The “common texts” produced in Japan were especially influential: The understanding of these texts provided the foundation to a new understanding of East Asia in modern times. Taiwan has a somewhat different understanding of East Asia from Japan and Korea, the researcher said. History lessons cover only world and Chinese history, with the Chinese element covering only classical history and the history of Taiwan itself. For this reason, the researcher said, Taiwan does not have a clear concept of East Asia.

The researcher insisted that this had to be improved. In Taiwan’s school of education, the discipline of East Asian studies is just five years old. The concept of East Asia in Taiwan has been heavily influenced by foreign ideas: It is based on theories introduced from the West, the researcher said, and so there is especial interest in the modern history of colonialism. It has also been influenced by some Japanese research, the researcher said, but only at an introductory level.

President CHUNG concluded the session by summarizing his study, which stresses a common understanding being used as a framework for a global understanding of 19th-century East Asia. He introduced his new book and thanked the participants for providing the foundation for the next discussion session.

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THE TASKS OF HISTORY EDUCATION FOR A NEW EAST ASIA IN A GLOBALIZED WORLD II

KOREA'S EXPERIMENTS IN EAST ASIAN HISTORY EDUCATION: IMPLICATIONS AND TASKS

Northeast Asian History Foundation

The Northeast Asian History Foundation, which leads Korea's education on East Asian history, believes that a high quality education in the history of East Asia, one with vision and historical introspection, is extremely important. It is difficult to produce an alternative discourse for the future and the peace of East Asia without new understandings regarding regional history.

The session provided a forum for a straightforward and serious discussion of the philosophy, contents, and methodology of education in East Asian history, and of the East Asian discourses. The participants also had the opportunity to learn from the experiences of the Georg Eckert Institute for International Textbook Research in Germany, which contributes to historical reconciliation and to establish new understandings of Europe through research and cooperation.

The Foundation is especially interested in initiating education in East Asian history and developing new understandings of East Asia and practical methodologies. The primary objective of the Foundation and of this session is to explore future directions for understanding in East Asia and history education in this globalized world by reviewing the experiences of knowledge exchange in East Asia and sharing a vision for the future beyond a nation-centric view of history.

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MODERATOR

MIYAJIMA Hiroshi Professor, Academy
of East Asian Studies, Sungkyunkwan
University

FUMA Susumu, Professor of Kyoto University provided his views on the “investiture system,” Korea-Japan relations based on the history of Joseon diplomatic missions, and other issues. He first discussed a new perspective on the cultural exchanges that took place between the people of Korea (then Joseon), Qing China and Japan during the 18th century.

Japanese academia generally believes that East Asia had an investiture relationship with China, Japan being the only exception, the Professor said. In fact, only six countries were governed by this system under the Qing Dynasty – Joseon, Ryukyu, Vietnam, Thai, Laos and Myanmar. For Laos and Myanmar this was not the case until the reign of Emperor

DISCUSSANTS

FUMA Susumu Professor, Kyoto University

WADA Haruki Professor Emeritus, The University of Tokyo

WANG Xinsheng Professor, Peking University

CHEN Wenshou Professor, Beijing Union University and Researcher, Taiwan Institute

Eckhardt FUCHS Deputy Director, Georg Eckert Institute for International Textbook Research

BAE Young-dae Senior Staff Writer (journalist), Manager of Book Critic Team, JoongAng Ilbo

OH Byung-soo Research Fellow, Northeast Asian History Foundation

Qianlong. Thus, the Professor said, it is time for Japanese academics to revisit their long-held view.

The Professor also said that until last year, history textbooks in Korean high schools described Joseon diplomatic missions as ‘the channel by which advanced culture was delivered to Japan,’ a definition he disagrees with. Until the 17th century this may have been true, he said, but from the 18th century onward there was a dramatic reversal. The Professor noted that in 1748, Joseon diplomatic emissaries returned from Japan with a book written by Okyu Soraiwa and his disciples. For this reason, he said, in order to understand Korea-Japan relations within the context of East Asia, it is necessary to learn what kind of changes took place from the end of the 18th century.

WADA Haruki, Professor Emeritus at the University of Tokyo, stressed that the concept of East Asia was not created automatically, but should be seen as a regional recognition of how we live today and the future. Presently, the Professor said, East Asia is understood as the ASEAN +3 grouping, a concept that incorporates Southeast Asia, and so history must be viewed from this perspective.

As for the concept of Northeast Asia, the Professor said that this should incorporate the participants of the Six-Party Talks: the two Koreas, the United States, Russia, Japan and China, but not Taiwan. However, he added that the issue of whether Taiwan should be incorporated in this concept is itself an issue for debate.

When considering the concept of a new history of East Asia, the Professor said that the damage and suffering inflicted by Japan on the region is a very important issue. There have been many discussions about this already, he said, but they must continue: the “comfort women” issue, for example, is expected to re-emerge as a key problem. Professor WADA said that the greatest task in creating a new history is in trying to break free from 80 years of war: 50 years of war – led by Japan – after the end of the Sino-Japanese War, and 30 years of more recent Asian conflicts, such as the Vietnam War.

WANG Xinsheng, Professor of Peking University praised efforts in history education in the three East Asian countries, but

In order to understand Korea-Japan relations within the context of East Asia, it is necessary to learn what kind of changes took place from the end of the 18th century.

added that the findings and studies of experts cannot in themselves wield much impact because big gaps remain in how history is viewed among the public. Though joint projects among the three countries are underway, the Professor said that they will take a long time and must be handled with serious consideration of both the differences and commonalities among the countries.

In the process of conducting joint projects, Professor WANG cited several potential problems. First, the danger exists that the projects will take on a political tone, as the subject matter is inherently political in all three countries. Second, the projects require an extended amount of time to undertake the research, and a lot of effort in doing the work and reaching a consensus. Third, it will be very difficult for the countries to solve the historical problems, as current beliefs are so strongly held. The focus, then, must be on the historical events. Everything must be thoroughly researched, and uncovered truths must contribute to improving the current situation.

Fourth, in the process of undertaking joint history research, and covering mutual exchanges and influence, attention cannot be solely focused on the cultural advancement of one's own country. The professor concluded by saying that historians will be able to contribute to the construction of an East Asian Community only when they can maintain a perspective that includes history beyond the scope of the region, while simultaneously recognizing their respective identities.

CHEN Wenshou, Professor of Beijing Union University and Researcher of Taiwan Institute discussed the problem of establishing the concept of East Asia, the view of China and its peripheral countries (called the "Little Chinas") in East Asian civilization, and the importance of discussing coastal boundaries as a means of seeing beyond the boundaries of a single nation.

In modern times, the Professor said, East Asia has been ordered around nation states based on peoples or ethnicity. But historically it is difficult to say that East Asia was divided into such states. For example, he said, some smaller countries voluntarily accepted Chinese culture and civilization based on Confucianism: countries like Joseon, Japan and Vietnam culturally considered themselves to be "Little Chinas," the Professor said. In this sense, ancient East Asia comprised this relationship between different Chinese dynasties and their neighbors, an arrangement under which there existed considerable diversity. However, the Professor noted, no one nation dominated East Asia constantly; the invasion of China by other ethnic groups and the Japanese invasion of Korea in the 16th century both provide evidence of this.

When discussing the history education of East Asia, the Professor said, it is especially important to keep in mind the waters surrounding the area. In the past, those waters were open for anyone to use, so recent territorial disputes could perhaps learn lessons from history, the Professor suggested. If one looks at the history of East Asia while breaking free from current notions of the nation state, it may well be possible to discuss the creation of an East Asia Community that goes beyond current problems and helps solve those territorial disputes. To this end, the Professor said, it is necessary to adopt a viewpoint that goes beyond region and nation.

Eckhardt FUCHS, Deputy Director of the Georg Eckert Institute for International Textbook Research discussed the issue of creating a joint East Asian history textbook, and how this will affect the creation of an East Asian Community. He also looked at what the sociopolitical leanings of such a book might be, and other potential issues based on his experience as part of a team writing a joint history textbook of Europe.

First, Deputy Director FUCHS said that the creation of a regional history is needed as it provides a sense of community as well as a regional identity. In Europe this was a political process that took a very long time, he said, and it is still difficult to find a common identity. Currently, there is no single joint textbook in wide use across Europe, and each country uses its own material that also incorporates some history of the region. The process of forging a cultural and regional identity takes a long time, Deputy Director FUCHS said, and for this reason a broader political process is necessary to move it along. He added that if creating the regional identity is not beneficial, it will fail.

Next, Deputy Director FUCHS said there must also be a generally agreed boundary to the region that will be incorporated into the regional history. There are over 50 countries in Europe, he said, so it is difficult to decide on such issues as the scope of the region, what cultural differences or countries will or won't be included in the narrative, and what it is the relevant nations have in common. Third, Deputy Director FUCHS noted that with each country having different learning methods, problems arise over how clashing views about regional history can be incorporated into a joint textbook. Fourth, participants need to understand that there is bound to be political influence during the creation of a joint textbook.

Finally, Deputy Director FUCHS said there is no clear answer as to what kind of influence a joint history textbook will even have on the regional identity. Such textbooks should not create clashes between regional and national identities, he said, but Europe may be experiencing this problem, just as East Asia has.

The process of forging a cultural and regional identity takes a long time, and for this reason a broader political process is necessary to move it along.

BAE Young-dae, Senior Staff Writer and Manager of Book Critic Team at the JoongAng Ilbo, provided his thoughts based on his coverage since 2000 of clashes over differing historical perspectives in East Asia – what Mr. BAE calls the “history war between Korean, China and Japan.”

He said that rather than bringing peace, the turn of the century began a 10-year conflict in Korea over history. The war took place at both the international level – where Korea’s adversaries were China and Japan – and at the domestic level between liberals and conservatives. These two levels of dispute may look unrelated, Mr. BAE said, but they are actually closely linked.

Mr. BAE emphasized two aspects. First is the problem of history and politics. The history war internationally is very political in nature, he said, but despite this, in Korea it is dealt with and defended as an educational issue. The dispute took place internationally, but in Korea it was dealt with by measures dealing solely with domestic education. China’s Northeastern Revitalization Plan, announced in 2004, also came as a shock, Mr. BAE said. The government dealt with this situation by focusing on the academic issues: it established the Goguryeo Research Foundation, which was later absorbed by the Northeast Asian History Foundation. There was, Mr. BAE said, a great deal of confusion with the issues themselves and how best to deal with them. One key problem was the difference in terminologies in Korea, which had derived from differences in terms used outside the country.

The second element Mr. BAE highlighted was the modernity of the problem. In textbooks in Korea and Japan, the history of pre-modern times is written based on a common view of the centrality of China, the Han dynasty and Confucianism. The bigger problem lies with modern history, Mr. BAE said, which is creating the “war” the countries now find themselves in. There is a clear clash of positions between “invasion and advancement,” “conqueror and victim,” which is also dividing conservatives and liberals.

South Korea was the first country to begin teaching the history of East Asia in its schools, Mr. BAE said, a development that is due to the country’s particular perspective of modern history. Specifically, having never been an imperialist power, South Korea has the perspective of a victim, and a somewhat defensive position. Mr. BAE added that the introduction of the program should be understood from this perspective: a country with no experience of being an imperialist power, and which has also achieved great economic success and full democracy. This pride, Mr. BAE said, has given rise to the energy and drive needed to create the first textbook covering the history of East Asia, and to incorporate it into the country’s educational curriculum.

In 2000, Mr. BAE said, when the “history war” began, no one could have foreseen the introduction of a course in East Asian history, and it has been a great accomplishment. However, he added, there still needs to be more advancement and effort in the study of the region’s history, as many negative views remain in the differing perspectives.

OH Young-soo, Research Fellow at the East Asia History Foundation said that the motivation

behind compiling an East Asian history stemmed from the lack of regional awareness, frosty relations among regional countries (particularly as compared to areas such as Europe), and a desire to overcome the pain caused by conflicts during the process of modernization, while providing an opportunity to make amends for past imperialist actions.

There are a number of issues to overcome in the process to compiling a regional history, Dr. OH said. First among them is how the differences that exist between national history, regional history and world history can be reconciled. In South Korea, history is taught at three levels: national history, Asian history and Western history, and these are arranged in a certain chronological line. (Japan saw itself as separate from East Asia and this concept had been passed on to Korea.) The challenge, Dr. OH said, is trying to break away from this framework. Second is overcoming the temptation to write a history that is too focused on one country's national story. Third, comparative studies are necessary in order to uncover the necessary links. Fourth, the history also requires strong narration and description.

Dr. OH further said that in order to overcome the differences in historical perspectives among the related countries, participants should acknowledge that there is no need to have a single, unified point of view purely for the purposes of writing a regional history. Rather, in reaching a common goal that will be beneficial to everyone, diverse perspectives, different means of communication, a democratic approach to reaching decisions, and a public awareness of the goals of the project, will all be necessary.

POLICY IMPLICATIONS

- Education represents the best method of dealing with the current “history war.” Korea, having never been an imperialist country, can take the lead in writing a regional East Asian history that allows for positive reflection and reparation by the formerly imperialist countries in the region.
- Throughout the session, scholars, history experts and others with experience of writing history books and textbooks, were able to fully discuss the reconstruction of an East Asian history. The diverse recommendations and suggestions they made should be reflected in the writing of a regional history that will establish the scope and meaning of the East Asian region, a task that is currently being undertaken by South Korea.
- The topics discussed in this session have produced constructive criticism that can help overcome the difficulties inherent in writing a regional history of East Asia. The writing of a common history, and establishing a common historical perspective and regional identity, will be the building blocks for the construction of an East Asia Community, and securing peace and prosperity in the region.

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ESTABLISHING COOPERATIVE EXCHANGE NETWORKS WITH NORTHEAST ASIAN UNIVERSITIES FOR THE BRIGHT FUTURE OF ASIA

Jeju National University

The bright future of Asia depends on how the young generations who will lead in the 21st century are educated. The questions that were asked during this session are: what are the appropriate and effective international training programs, and what are the exact issues that need to be addressed by networking universities? What are the problematic areas of international exchange programs between world-famous universities and domestic universities, and how can they be resolved? Presidents of Asian universities currently engaged in practical exchange programs shared and discussed their thoughts on this matter.

MAIN SPEAKER AND CHAIR

HUH Hyang-jin President of Jeju National University

MAIN SPEAKERS

Teodoro ROBLES President, Central Philippines University

Vasily I. IVANOVICH President, Russian State Social University

KATAMINE Shigeru President, Nagasaki University

Anas Miftah FAUZI Vice President, Bogor Agricultural University, Indonesia

LEE Sung-rul Vice President, Yanbian University of Science and Technology

HUH Hyang-jin, President of Jeju National University

introduced this session by saying that a bright Asian region depends on fostering leaders who can lead the region into the 21st century. With this in mind, Mr. Huh said he would like to discuss problems that may arise in creating effective programs to foster future international leaders, cooperation among universities in Asia, and the exchanges of students and professors. He added that he was equally eager to hear from university deans and presidents in the region, regarding the different methods they use to organize exchanges and cooperation among universities in Asia.

President HUH explained that Jeju National University, located on Jeju Island, is taking the lead in advancing Jeju as an international free economic zone by carrying out exchanges and joint research with distinguished universities around the world, and pursuing a diverse array of international programs to foster global leaders. He said that because the competitiveness of a country can be gauged by the knowledge produced by its universities, promoting exchange and cooperation among regional universities is good for the prosperity of Asia as a whole.

Keyword

Universities in East Asia, cooperation and exchanges among universities, fostering international leaders, multicultural education, standardization of curricula, Asia Erasmus Program, Internship Certificate, Asia Free Pass card

Accordingly, President HUH said, universities in East Asia must pursue the following goals: 1) fostering of global leaders based on “creative cosmopolitanism,” 2) institutionalization of exchanges based on “open innovation” that transcends ethnic, national or historical biases, and 3) expansion of horizons and visions to elevate the value of universities in Asia. In addition to the academic curricula, Asian universities must undertake joint research, organize student and faculty exchanges that will make it far easier for participants to travel, foster greater cooperation between industry and academia, and look to create leaders that can deal with global issues. The President of Jeju National University said that through active exchanges and cooperation, he hopes to create a “border-less intellectual network,” so that universities can represent a win-win model for the overall prosperity of civilization.

Teodoro ROBLES, President of Central Philippine University said that peace and prosperity can be achieved through education that contributes to the increase of knowledge, and an acceptance of similarities and differences between languages, cultures and histories. There are, he noted, approximately 100 million children who don’t receive an education, and many more who have to study in poor facilities with unqualified teachers.

A primary reason for this, President ROBLES said, is the world’s current economic difficulties. In addition, with the advent of cell phones, video games, computers and other technology we use every day, the cost of living is further escalating and it is becoming ever harder to support the education of our children. Second, President ROBLES highlighted the many problems teachers also face today. For example, in addition to teaching regular subjects,

teachers often also need to change certain intellectual and cultural practices that children may learn from their families. In the Philippines, he said, education is conducted in English, but there are more than 50 different

dialects that teachers have to deal with. Third, President ROBLES said, the fundamental principles of education are being damaged. So although parents frequently say that their children’s welfare is their top priority,

There must be education on cultural differences and similarities so that education will not only accumulate knowledge but also secure the survival of humankind as well as contribute to eliminating the uncertainties about the future.

the blind pursuit of elevating and maintaining their children's economic status has become more important. He emphasized the need to develop a new educational model that will bring out the true potential in children, and not just subject them to rote learning.

Finally, President ROBLES spoke of the need to reduce negative aspects that family education may create as well as the gap that exists between generations. President Robles said there is a demand for change in the role of universities. To this end, universities must 1) nurture science-based research through the active and sustainable exchange of joint research, 2) strive to find solutions to the problems of climate change, energy shortages, language barriers and more, 3) make it easier for students to obtain student visas, and 4) improve scholarship systems and develop new ways to secure support from government and business.

Lastly, President ROBLES stressed that everyone should keep in mind the vital role education plays in the peace and prosperity of the world. There must be education on cultural differences and similarities, so that education is not just about accumulating knowledge, but about the bigger issues of securing a better future and mitigating some of the bigger uncertainties we all face. Education should not focus solely on the benefits of one country or group, he said, but on the universal benefits of everyone in the world.

Vasili IVANOVICH, President of Russian State Social University said that Russia, which has the biggest land mass of any country in the world, is focusing on long-distance learning through the creation of special learning networks. Long-distance learning in Russia dates back to 1920 and has advanced with the improvements in telecommunications technologies.

However, President IVANOVICH noted that despite the advantages of distance learning, including time and cost, it has particular challenges as well. For one thing, it is difficult to control the students. For another, a lack of communication with friends and peers can generate apathy, while teachers can also find it hard to adapt and prepare suitable materials.

Despite these limitations, President IVANOVICH said that Russia is making great efforts in improving the system, including a reorganization of curricula based on long-distance learning, and the development of special curricula and methodologies in cooperation with universities outside Russia. Also, in order to create a working environment for the informationization of unified education, the Russian Ministry of Education has drafted a plan titled "Development of Education Informationization Environment 2002-2006," and is training teachers in e-learning and web design.

President IVANOVICH concluded by saying that Russia's rapidly advancing educational programs are demonstrating that long-distance learning is becoming an increasingly important trend, and will soon reach the global level. He said he looked forward to seeing high-quality long-distance learning curricula from different universities across Asia.

KATAMINE Shigeru, President of Nagasaki University said that universities in Asia must pay more attention to fostering future leaders who will be able to deal with global issues. To achieve

this, universities in Northeast Asia in particular must promote friendly relations in order to maximize the overall benefits of the region and lessen cultural differences. They must also exert greater effort to jointly solve problems relevant to the future of the region. Such efforts, President KATAMINE said, are the foundation for the development of human resource in universities and will be the impetus for a brighter future for Asia.

Through a consortium with universities in Korea and China, President KATAMINE said, Nagasaki University is pursuing a joint cooperative project to foster engineering technologies in the areas of water, environment and science. Also, through multinational projects in cooperation with Korea and China, the university is consolidating new ideas about human resources that will, ideally, foster leaders that focus not just on their national interests, but those of the whole world. In pursuing this project, President KATAMINE admitted to facing significant problems related to differences in background, educational levels, and curricula. Because of this, there is a need to develop a standardized curriculum that will secure high-level education by guaranteeing free mobility within the region. This outcome, he said, can be achieved through multinational cooperation, and could be the ideal pathway to securing a higher quality education for everyone.

Anas Miftah FAUZI, President of Indonesia Bogor Agricultural University said that university dormitories are the ideal setting for fostering a culture of peace, by bringing diverse cultures together. He added that this has been a key element of his university's education for the last 10 years.

The Bogor Agricultural University's Academic Improvement and Multicultural Program, he said, is composed of learning through various ways: leadership, counseling, morals and regulations, awareness of socio-environmental issues, self-awareness, a healthy and sound lifestyle, celebrating cultural diversity, and management. Through this program, the university is providing opportunities to learn about and discover

Universities in Asia must pay more attention to fostering future leaders who will be able to deal with global issues. To achieve this, universities in Northeast Asia in particular must promote friendly relations in order to maximize the overall benefits of the region and lessen cultural differences.

the diversity that exists in different economic backgrounds, intellectual abilities, as well as ethnicity, race and culture. By doing so, the President said, students can break free from social inequalities and biases and gain an understanding of universal values for coexistence.

The university also provides the means to gain a broader understanding of nature and agriculture. In addition, the President said, the program is generating the following effects: 1) improved social environment, 2) campus life based on a systematic academic lifestyle, 3) reduction of bad behavior, 4) reduction of undesirable behavior and 5) respect for each other's different and diverse cultures.

LEE Sung-rul, Vice President of China's Yanbian University of Science and Technology said that a human network based on human exchange can become the basis for a harmonious society irrespective of territorial boundaries. With this in mind, Vice President LEE said he has implemented the Asian Erasmus Program, which aims to create an exchange system that can foster a brighter future for Asia.

The original Erasmus Program was created in Europe in 1987 with the aim of fostering young competitive Europeans who could work across the language and cultural barriers in the EU. The European program has been praised, Vice President LEE said, for its contribution to creating a regional human network and reinforcing competitiveness among universities and EU countries.

In 2012, South Korea, China and Japan began a joint program modeled on Erasmus called "CAMPUS Asia: Collective Action for Mobility Program of University Students in Asia." Vice President LEE said that this program supports the exchange of 100 students for three years in each country, lets participating students earn double major degrees or a common degree, recognizes credits from universities in the respective countries, and includes a variety of other initiatives including summer term programs and exchange programs.

Vice President LEE made two proposals for expanding and strengthening this kind of program. First, the creation of an "internship certificate" that will link universities with

Especially the universities in the Northeast Asian region must promote friendship to maximize the benefits of the region and also narrow the cultural differences, and exert effort in order to solve together problems relevant to the future of the region.

businesses, allowing young students to benefit from experience working in a business setting. Second, he suggested promoting greater exchange among the young via the creation of an “Asia Free Pass” that allows students visa-free access to visit other Asian countries.

Vice President LEE also introduced the Cross-border Graduate School program, proposed by ‘Pan Yellow Sea Economic and Technology Exchange Conference between Academic and Industrial Circles (환황해 산학관 경제·기술교류회의)’, which is to be implemented in Korea, China and Japan. This graduate school will be composed of academic degree programs (Master's and Doctorates) that explore green growth and new energy, international trade and business, transportation and other new engineering areas. It will also include language programs to foster young leaders, as well as field experience through internships and researched linked closely to industry. Mr. Lee added that Jeju is being discussed as a possible Korean venue for the graduate school.

The school will not only foster leaders within the home country, Vice President LEE said, but also host young leaders from other countries, thereby expanding the potential labor market for all three countries. By having this kind of joint program across the region, he added, Asia will become a region where learning, creativity and human networks can be strengthened, thus contributing to the construction of an East Asia Community.

POLICY IMPLICATIONS

1. Measures to promote exchanges and cooperation among universities in East Asia

- 1) Asia Erasmus Program (Yanbian University of Science and Technology)
- 2) Creation of a Preparatory Committee for the Standardization of School Curriculum (Nagasaki University and Jeju National University)
- 3) Expansion of Joint degrees (Jeju National University)
- 4) Expansion of English-based courses (Central Philippines University)
- 5) One year mandatory living in dormitory for freshmen (Bogor Agricultural University)
- 6) Asia Free Pass (visa-free access for regional students visiting other countries in Asia) (Yanbian University of Science and Technology)

2. International Summer/Winter School in Jeju National University

- 1) Expansion of International Summer Schools (currently conducted with three universities in the United States). To be expanded with Indonesia, the Philippines, China and Russia
- 2) MOU with Australia's Sunshine Coast University for International Winter School

3. Promotion of educational opportunities by forming partnerships with foreign businesses or local governments

- 1) Scholarship for outstanding students funded by businesses and governments (Central Philippines University)
- 2) Provision of internship programs that link business with academia

4. Joint research for the future of East Asia (Peace and Prosperity) and exchanges of faculty (Jeju National University)

- 1) Exchanges between research centers of the different universities
- 2) Strengthening faculty exchange programs

- In the era of globalization, universities cannot foster leaders of the future—of the kind demanded by society, the nation, the region and the world—in isolation. They must work together, competing and cooperating with others to develop new high-quality education that nurtures the next generation. In this sense, this session promoting exchanges and cooperation in various areas among universities in East Asia was very timely. The participants agreed on a common goal and purpose, and on the need to devise specific programs to achieve these aims.
- Exchanges within Asia—which can be classified as active manpower exchanges—are yielding many more positive effects than just economic benefits. In order to pursue peace and common prosperity through these regional exchanges, existing differences and disputes must be resolved. To this end, universities have the responsibility to implement concrete plans that will promote further exchanges, so that Asia can advance as a regional community.
- University education should not only be a means to increase one's international competitiveness. The world today does not operate on the logic of unlimited, Hobbesian competition; it also runs on Kantian notions of cooperation and co-prosperity. It is important that university education and other measures that contribute to the peace and prosperity of the Asian region should also help create a community that respects diversity from all different regions and countries.
- The Epistemic community was the ideological and theoretical foundation of the integration of Europe, providing its justification and reason d'être. Likewise, universities in Asia must also form the foundation of an intellectual community for the integration of Asia. In the short term they can create the channels to share knowledge and expertise. In the longer run, they can contribute to the expansion of Korea's influence both academically and diplomatically in other Asian countries.

EDITED BY

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Professor, Jeju National
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Part III

ECONOMY AND INTERNATIONAL COOPERATION



THE KOREAN WAVE, SWEEPING ASIA TO THE WORLD!

Seoul School of Integrated Sciences & Technologies

'Korean Wave' refers to the spread of South Korean culture around the world, which started a few years ago with the TV series *WINTER SONATA*.

The Korean Wave continues to surge, from East Asian countries to the rest of Asia and around the world, in the form of Korean films, pop songs, etc. In preparation for the upcoming era of 10 million foreign tourists, the Ministry of Culture, Sports and Tourism is pushing for the qualitative growth of the travel and tourism industry, but it seems difficult to do so without implementing a tourism marketing scheme that capitalizes on the Korean Wave. The Korean Wave continues with strong growth toward the global leisure industry rather than in Korea itself.

This session was intended to serve as a venue for the views of specialists not only on the past and present in the leisure industry, but also its future strategy and policy implications.

MODERATOR

CHOE Sok-ho Dean, Graduate School of Leisure Management, aSSIST General Executive, The Tourism Sciences Society of Korea

PRESENTERS

BAEK Min-seo Manager, Sejoong Travel Services, Co.,Ltd.

KIM Yi-tae Professor, Pusan National University

PARK Chung-min President, CUBE Entertainment, Inc.

SUH Byung-kee Editor Entertainment Desk, Herald Media

DISCUSSANTS

PARK Jeong-ryeol Professor, Seoul School of Integrated Sciences and Technologies

KIM Ki-deok Ph.D. candidate, Seoul School of Integrated Sciences and Technologies

The Present and Future of K-Pop and Korean Wave Tourism

SUH Byung-kee, Entertainment Desk Editor at Herald Media, said that K-Pop must maintain its present status for Korean Wave tourism to continue. According to his analysis, although K-Pop and idol groups have great potential, they have not yet entered the mainstream. He explained that K-Pop is considered an alternative or minority interest in most other countries: Of total K-Pop exports, exports to Asia represent 99%, of which Japan accounts for 81%. Editor SUH voiced his concern that if Japan loses interest in K-Pop, the Korean Wave will collapse.

Editor SUH said that ballads are not as popular a genre as 'idol group' dance music, which has compelling elements such as visual impact, dance routines, European composers, and an international fashion sense. He said that the influence of Korean ballads overseas is still largely unknown, as is the true success of singers such as LEE Seung-gi and IU. Ballad singer SHIN Seung-hoon has been able to penetrate the overseas markets, but his success is attributed to a different marketing strategy.

Editor SUH noted that K-Pop has been labeled a genre of

'wannabes' in Japan and China, and criticized as inchoate and shallow in the Americas. He suggested that Korean rock and other music should make a foray into overseas markets through initiatives by broadcasting networks. He criticized the lack of originality in Korean output, and expressed concern at the possibility that the trend will move toward more provocative and lascivious content. Editor SUH also mentioned the dark side of K-Pop, including the current training systems, the limitations of the long-term camp system, and the authoritarian relationships between agencies and singers, which he considers important obstacles to overcome. He suggested introducing an official approval system for talent agencies, and fostering small and medium-sized agencies in order to expand the market, which has been dominated by three major talent agencies.

Next, **PARK Chung-min, President of CUBE Entertainment**, spoke about his career path, from his beginnings as a lyricist, to working for talent agencies, including CUBE, for the past nine years. President Park then declared that 'Act II' of K-Pop has begun. He told the audience that the United Cube Concert, hosted by CUBE Entertainment, and starring

Although K-Pop has already become a strong cultural asset, it still lacks the global recognition it needs. In order for K-Pop to establish itself as a cultural industry, talent agencies should partner with the tourism industry, pairing K-pop content with viral marketing strategies.

4Minute, B2ST, and BTOB, was the first K-Pop concert in South America. He said that K-Pop is now closely associated with the country, as Japanese animation and Hong Kong movies have come to symbolize those places, and wondered how K-pop has changed the world's perception of Korea.

President PARK divided K-pop marketing into outbound promotion – using 'traveling performances,' broadcasting, newspapers, and new media – and inbound promotion, using 'invitational performances,' tourism, and secondary content. He outlined the 2011 United CUBE Tour of Seoul, Tokyo, London, and Sao Paulo as an example of outbound promotion.

Asked how invitational K-Pop performances will be arranged, President PARK said that 10% of tourism to Korea is motivated by Korean Wave celebrities, and stressed the importance of providing interesting content and finding common ground with foreign fans. He disclosed plans to turn the street at CUBE Studio's current address into 'Cheongdam-dong

Korean Wave Star Street' in June. The street will connect SM, Cube, and JYP, the three major talent agencies in South Korea. President PARK said that the company is connecting practice, performance, and broadcasting, turning stories into history.

The Role of Cultural Tourism in Turning K-Pop into a Cultural Industry

Professor KIM Yi-tae, Division of Tourism and Convention, Pusan National University, stated that the 2011 K-Pop Cover Dance Festival allowed K-Pop cover dance to establish itself as a transnational play culture, and outlined its success in three parts: system, environment, and content. According to Professor KIM, the key factors behind the Festival's success were continuous competition and systematic production: European style song-writing (SM), elements of American pop music (JYP), and a mixture of dance and hip-hop (YG). He pointed to the utilization of social networking services such as YouTube, Facebook, and Twitter as environmental factors of success. Also, he credited the continuous transformation of image and style as the content that led to success.

Professor KIM said that some expert analyses from Korea and China predict that the current K-Pop fever won't last for more than five more years, due to the uncertainty of K-Pop as an industry, its limited content, and its overly commercial elements. He said that K-Pop must be combined with tourism to ensure lasting success. Although K-Pop has already become a strong cultural asset, it still lacks the global recognition it needs. Professor KIM said that in order for K-Pop to establish itself as a cultural industry, talent agencies should partner with the tourism industry, pairing K-pop content with viral marketing strategies.

BAEK Min-seo, Manager of Sejoong Travel Services started his speech with the premise that music and tourism are the two fastest growing areas of the Korean Wave. He said that low-cost package tours account for the majority of inbound tourists, but repeat sales are rare. Mr. BAEK suggested that integration of the Korean Wave and tourism will greatly increase the chance of repeat customers. He added that foreign tourists have not shown great satisfaction with cultural experiences related to the Korean Wave, and that a diversification of products is necessary to cater to the varying demands of tourists. He stressed the need for measures to attract tourists through regional differentiation.

KIM Ki-deok, Ph.D. candidate at the Seoul School of Integrated Sciences and Technologies, called himself an admirer of idol groups, and asked PARK Chung-min about future plans for derivative products and other Korean Wave promotions.

Some expert analyses from Korea and China predict that the current K-Pop fever won't last for more than five more years, due to the uncertainty of K-Pop as an industry, its limited content, and its overly commercial elements.

President PARK disclosed his agency's plan to operate the studio as an open environment where artists can communicate with fans and create new content. He said that entertainment planning companies may not have the capacity to integrate the Korean Wave with tourism, and predicted many challenges for such an undertaking.

PARK Jeong-ryeol, Professor of the Seoul School of Integrated Sciences and Technologies said that about 500,000 tourists, or 2% of the tourists who visited Korea in 2011, revealed the main purpose of their visit to be the Korean Wave. According to Professor PARK, tourists motivated by the Korean Wave to visit Korea tend to be disappointed with their Korean Wave experience, which leaves a negative tone to their overall evaluation of the trip.

Asked about the implications of Wonder Girls' entry into the U.S. market, President SUH said that there were challenges in entering uncharted territory, and the group could have used a more systematic, careful approach. He added, however, that he has realized that living in the United States is no longer a requirement for entry into the U.S. market.

POLICY IMPLICATIONS

- The success of K-Pop in the Korean Wave is huge, but it is centered too much on idol groups.
- Idol groups have a competitive edge overseas. The K-Pop fire has been ignited in South America and Europe.
- Ballad singer Shin Seung Hoon's success is attributed to his marketing strategy and independent musical style. Different marketing strategies are necessary for different genres of music.
- Korea should seek greater success in recorded music as well as visual music.
- Broadcasting networks should play a role in breaking new ground, rather than employing opportunistic strategies.
- An official approval system should be introduced for talent agencies.
- Dissatisfaction among inbound K-Pop tourists must be remedied.
- Traveling and invitational K-Pop performances should be planned.
- K-Pop is turning stories into history.
- The K-Pop industry needs to reform its current image of cultural hegemony.
- K-Pop should be linked to cultural tourism, and talent agencies should partner with government agencies.
- Tour companies should examine the potential of Korean Wave tour products.

EDITED BY

SHIN Jong-hwa Head
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THE KOREAN WAVE AND EAST ASIAN COOPERATION

JoongAng Ilbo

In the past several years, Korean culture was greatly welcomed in the Americas, Europe and even the Middle East and Latin America in many sectors such as in music (K-POP) and food. Thanks to this, Korea's international status became higher and economic benefits followed.

However, unfriendly atmosphere was formed vis-à-vis the Hallyu (Korean Wave) and lack of new room for growth are calling for new initiative. Another important question is how the Hallyu can be used along with the Chinese and Japanese mass cultures to serve the purpose of closer cooperation among the three neighbors in the region.

In this session, we had a discussion among Hallyu experts on the current trend and questions revolving around the Korean cultural wave spreading throughout the world beyond Asia. President JUNG Kyung-Moon of Ilgan sports moderated the session. Each panelist made a comment respectively before free discussion begins

MODERATOR

JUNG Kyung-moon President, Ilgan Sports

PANELISTS

HONG Seung-sung CEO, CUBE Entertainment

HAYASHI Natsuo Associate Professor, Department of Humanities, University of Toyama

MA Xue CEO, KONA M&E

Sebastien FALLETTI Seoul Correspondent, Le Figaro

HONG Seung-sung, CEO of CUBE Entertainment, has worked in K-Pop management for twenty years. CEO HONG recalled his experience with the singer RAIN, putting on a concert in Madison Square Garden in New York and filling the Tokyo Dome stadium in Japan. RAIN was the first Korean artist to hold a concert in either venue.

Considering that 60% of the world's population lives in Asia, CEO HONG said that the Asian market is becoming one, with K-Pop at its center, and posited that it will not be long before Asian celebrities are crisscrossing the world in private jets. CEO HONG foresees Asian stars being the next global stars. He said, however, if the Korean Wave has a hundred meters to travel, it has barely gone ten meters of that distance. He said that with their innate sense of aesthetics and music, Korean singers and songwriters have acquired skills comparable to their counterparts in the USA, the home of pop music. CUBE Entertainment has recently formed a relationship with Universal Music, which has a strong global music network. In the next decade, however, collaboration with Japan will be important in

Keywords

K-Pop, Asian stars are the next global stars, China-Japan-South Korea collaboration, group tour of French Korean Wave fans, cultural penetration

order to prepare for the unified Asian market. CEO HONG said that a shared (education) system for all of Asia will create synergy in discovering talent. China, Japan, and South Korea should build a unified system around K-Pop. He stressed that exchange and support among government agencies and corporations is essential.

MA Xue, CEO of KONA M&E, has worked in K-Pop for a decade. She was the MC for the first Chinese radio program for Korean music. Since then, she has been exporting Korean content to China. CEO MA said that Korean celebrities like to use new media, but they should understand that YouTube, Facebook, Twitter, and other common global SNS marketing channels do not affect the Chinese market, because use of these applications is blocked in China. For example, the K-Pop Cover Dance Festival, a contest where foreign Internet users upload videos of themselves dancing to the choreography of Korean artists and compete for the most views, was ineffectual in China, which has no global network platform for uploading videos. China has its own media networks, she said. The recently merged company Youku Tudou has the same functions as Youtube, and SINA Corporation's Weibo is similar to Twitter and can be installed on mobile devices. Weibo has 300 million users registered under their real names. Among Korean actors, LEE Min-ho has the most followers on Weibo, numbering 3.96 million. He is followed by LEE Da-hae, with 3.06 million followers, and JANG Keun-suk, who has 2.86 million followers. Nichkhun of 2PM and F.T. Island are at the top among Korean pop artists, with one million followers each, and Siwon of Super Junior is next, with 0.7 million followers. CEO MA emphasized the importance of making good use of new media, because growth opportunities through TV are disappearing in China as in the rest of the world.

HAYASHI Natsuo, Associate Professor of Humanities at the University of Toyama, said that there are three types of people in Japan, as categorized by their reaction to the Korean Wave. The first group of people is riding the

Considering that 60% of the world's population lives in Asia, and that the Asian market is becoming one, with K-Pop at its center, it will not be long before Asian celebrities are crisscrossing the world in private jets. However, if the Korean Wave has a hundred meters to travel, it has barely gone ten meters of that distance.

Korean Wave. Many people think of *Winter Sonata* and the BAE Yong Joon boom as the start of the Korean Wave in Japan, but the nationwide popularity of the movies *Shiri* (1999) and *Joint Security Area* (2000) also played a significant role in spreading the Korean Wave. Since then, TVXQ raised the second Korean Wave, and Girl's Generation and Kara started the third Korean Wave with their Japanese debuts in 2010.

The second group of people is riding the 'Anti-Korean Wave.' Professor HAYASHI said that most people in Japan have actually never heard of the Anti-Korean Wave, and asserted that prominent coverage by the Korean media seemed to have amplified the movement's significance. There were two Anti-Korean Wave protests in Tokyo on August 11 and 21, 2011. According to police reports, only about a thousand people gathered for the protests. These events were reported by the Japanese media in early September, but the news was generally ignored by the public.

The third group of people is indifferent to the Korean Wave. According to the Japanese government's survey of Japanese perceptions of Korea from 1978 to 2011, the number of people who answered that they are 'not interested' fell from 18% in 1978 to 2% in 2011. During the Dokdo dispute under the KIM Young-sam administration, and the Japanese history textbook controversies of 2001, the number of people who had favorable feelings toward Korea dropped, but the number of people who were not interested dropped more substantially.

Anti-Korean Wave sentiment still gains considerable attention in Korea, Professor HAYASHI said, arguing that there is a better chance that someone might suddenly start liking something he used to hate than something he previously had no interest in. Professor HAYASHI said that although the Korean Wave might be important to a lot of people, forcing people to like something can have adverse effects. He added that a nationalistic approach should definitely be avoided. When the singer Boa debuted in Japan, she did not reveal the fact that she was Korean. The desired reaction was: "Boa is fabulous. Oh, she's Korean? That doesn't matter, I'm still a Boa fan."

Korean movies have been popular over the past decade, and have been invited to Cannes every year. However, some people are beginning to grow tired of the Korean Wave, at least in film. K-Pop should take a lesson from the case of Korean film.

K-Pop would need two or three consecutive years of success through differentiation to become mainstream. K-Pop clearly pursues both the sound of world-renowned pop music and a sound that is uniquely Korean. Familiarity combined with a little bit of differentiation has led to its success.

Nationality was similarly unimportant for the movie *Old Boy*, the Professor said, whose story is based on a Japanese manga of the same name. Movie directors in Japan were unwilling to take the challenge of turning the story into a movie. It was left to a Korean director to make the movie, which won the Grand Prix at the Cannes Film Festival. Professor HAYASHI argued that such incisive content did not display distinctive cultural characteristics of either Japan or Korea, and does not reveal a particular nationality. It would not make sense for the Japanese government to shun K-Pop, supporting only J-Pop. He asked rhetorically, “Is the purpose of Murakami Haruki’s writing and Hayao Miyazaki’s animation films to promote Japan?” Not at all, Professor HAYASHI said, nor is Japanese enka created for Japan’s globalization.

Sebastian FALLETTI, Seoul Correspondent for the French newspaper *Le Figaro*, said that a year and a half ago, *Le Figaro* became the first mainstream newspaper to run an article on K-Pop’s newfound popularity in France. A few weeks later, the article was quoted in the Korean media, which described people dancing to K-Pop on the Champs-Élysées. Mr. FALLETTI said that what the Korean media described was not representative of reality. He said that K-Pop is not mainstream in Europe, although interest levels are growing in Great Britain, France, and elsewhere. He said that there are some French people in their teens and twenties who have quit their jobs in Paris to come to Korea to meet the stars, learn Korean, and understand Korean dramas. He had not believed they existed until he actually met them. They mobilize in groups through SNS and spend all day sharing K-Pop choreography on Facebook. They organize flash mobs and post music videos on YouTube. Mr. FALLETTI said that there were reportedly 100,000 K-Pop fans in France last year, and even if this figure has doubled this year, K-Pop can hardly be called mainstream, considering France’s population of 64 million.

Mr. FALLETTI said that most fans discover K-Pop through Japan. For example, they have an interest in Japanese manga, and in the process of learning about Japanese culture, they discover

K-Pop. For the past 20 years, French culture has been influenced by Japanese food, manga, film, tourism, and fashion. Mr. FALLETTI said he finds it ironic when he hears people say, “I discovered K-Pop when I visited Japan.”

Mr. FALLETTI said that K-Pop would need two or three consecutive years of success through differentiation to become mainstream. K-Pop clearly pursues both the sound of world-renowned pop music and a sound that is uniquely Korean. Familiarity combined with a little bit of differentiation has led to its success. Mr. FALLETTI said, however, that European fans look for individuality in celebrities. Through interviews, they like to find out about celebrities' lives and their thoughts. Mr. FALLETTI used Girls' Generation as an example to illustrate that when there are nine girls in a band, approaching each and every member is not as easy as getting to know Michael JACKSON. Mr. FALLETTI said that group activities pose challenges to differentiation. He also stressed that Korean artists should try not to hold too many concerts or move too fast. Korean movies have been popular over the past decade, and have been invited to Cannes every year. However, some people are beginning to grow tired of the Korean Wave, at least in film. K-Pop should take a lesson from the case of Korean film.

CHOI Yong-ki, President of Courage Film, saw a crisis for the Korean Wave in the mounting fatigue toward Korean film. He criticized content developers for depending on Korean Wave celebrities for success, and becoming complacent by relying on good casting to generate income, sacrificing good story writing, and thereby losing originality and diversity. Rather than developing creative stories, he said, they pursued special effects and scale. As a result, exports of Korean films dropped from USD 75 million in 2006 to USD 15 million in 2011.

Developers are now realizing the need to focus on content. President CHOI stressed that support from corporations is necessary for the longevity of the Korean Wave. He said that corporations, including CJ Group and Korea Pictures, invested heavily in select movies with potential for commercial success, rather than movies with original and adventurous stories. The uniform system of motion picture distribution is also a problem, according to President CHOI. He suggested that corporations and the government should support content developers.

According to a report by Korea Exim Bank Overseas Economic Research Institute, a USD 100 increase in the export of Korean Wave cultural products resulted in a USD 412 increase in the export of IT and other non-cultural exports. This year, the economic effect of the Korean Wave is estimated at KRW 12 trillion.

President CHOI said that it is unfair to direct all of the criticisms of the Korean Wave at content creators, when corporations benefit from the effects of the Korean Wave. If Asia is to collaborate successfully, President CHOI said, a thorough understanding of cross-cultural sentiment is necessary, and scripts selected must be appropriate for the global market. A successful case in point is *Three Kingdoms: Resurrection of the Dragon*. Taewon Entertainment was responsible for planning and production, but the cast was entirely Chinese. This global film targeted the entire

Greater China Region, including Korea. This film's success is attributed to lionizing Zhao Zilong, rather than remaining faithful to the original text of *Romance of the Three Kingdoms*.

On the other hand, *The Red Cliff*, which also came out in 2008, did not stray from the original text of *Romance of the Three Kingdoms* as it bid to penetrate the Chinese market. Conversely, *A Battle of Wits*, starring AHN Sung-kee and Andy LAU, was a box office hit in China, but failed in Korea. A possible reason for such contradictory results is that Mohist philosophy, on which the film is based, is widely accepted in China, but remains largely unknown in Korea. The movie *Daisy*, directed by Lau Wai-keung from Hong Kong, was filmed in Holland. Casting Gianna Jun, a top star from Korea, the producers of the movie fielded a global marketing strategy with a highly universal romantic theme, but the movie has been criticized for having a weak plot that ultimately detracted from the quality of the final product.

POLICY IMPLICATIONS

- The panelists suggested marketing 'Asian Pop,' instead of dividing it into K-Pop and J-Pop, citing the slogan 'The Asian Beauty' used by cosmetic company Amore Pacific when marketing their products in France, North America, and South America. Although the Korean Wave contributed greatly to spreading Asian culture, there are limitations to targeting the global market with K-Pop alone. Collaboration among all of Asia will help improve the quality of content.
- Manga, original animation, and social games made in Japan have long commanded first place in the smart phone app markets in Europe and the United States. Combining the strengths of Japanese content with Korean movies and music could be highly profitable. The panel agreed that joint projects must entail acquiring sufficient information on localization, and overcoming language barriers.
- *Rikidozan* was produced with investment from both South Korea and Japan, casting top star SOL Kyung-gu. Unfortunately, the movie's narrow focus on the shared sentiments of the two countries resulted in failure to reach a wide audience. In this regard, *Three Kingdoms: Resurrection of the Dragon* was a success. This film targeted the global market from the planning stage. The film's success is attributed to making a hero out of Zhao Zilong, rather than remaining faithful to the original text of *Romance of the Three Kingdoms*. On the other hand, *The Red Cliff*, which came out in the same year, did not stray from the original text of *Romance of the Three Kingdoms*, as it bid to penetrate the Chinese market. Choosing the right script and understanding cross-cultural sentiments are of the utmost importance. For example, Chinese martial arts movies are not very popular in Korea. Cultural differences must be considered in every collaborative attempt.

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INTERNATIONAL DEVELOPMENT COOPERATION: GLOBAL PUBLIC GOODS AND NORTHEAST ASIA'S ODA I

Korea International Cooperation Agency- Sejong Institute

ODA is global public goods in that it provides collective benefits to the international community via poverty reduction. Globalization means interdependence and connectivity between subjects and issues, and the exchange of knowledge and information, and the construction of cooperative networks are essential to survival and prosperity.

Renowned scholars and policy experts from Korea, China, and Japan presented at this session, discussed on the strong and weak points of the three countries' ODA policies and groped for the ways to promote policy enhancement.

The first presentation was on the Korean ODA policy in the context of global governance, and the second, on a Chinese ODA policy as a means to supply global public goods.

CHAIR

HONG Sung-mog Vice-President, KOICA

PRESENTERS

PARK Enna Director General for Development Cooperation, MOFAT

WANG Yihuan Professor, China Agricultural University

DISCUSSANTS

KARASAWA Masayuki Head of Office for Global Issue and Development Partnership, JICA

KIM Ki-jung Professor, Yonsei University

CHOI Jin-woo Professor, Hanyang University

YOU Woong-jo Legislative Researcher, National Assembly Research Service

Korean ODA Policies and Global Governance

PARK Enna, Director General for Development Cooperation

at MOFAT, stated in her presentation that in the area of overseas development assistance (ODA), more, and more diverse, countries are taking part. In addition, South Korea's increasing status and contributions to the global aid community, as well as the country's successful development, have led to high expectations that South Korea will take on greater responsibilities in development cooperation.

Director General PARK said that South Korea's emphasis on its development agenda at the G20 Summit attracted interest from the global community, and that South Korea has been providing new initiatives through its continued efforts since the High Level Forum on Aid Effectiveness (HLF-4) in Busan last year. She said that from the Korean War until 1999, South Korea received a total of USD12 billion in aid from the global community, but is now making a concerted effort to give back. In 2010, the Framework Act on International Development Cooperation went into effect, and a medium-term policy plan was established for 2011-2015, as part of South Korea's efforts to

Keywords

ODA, China, South Korea, policy coherence, grants, cooperation in Northeast Asia, aid segmentation, international regulations, distinctive characteristics of China's foreign aid

establish institutional mechanisms to clarify the nation's roles and responsibilities in international development cooperation.

Director General PARK identified three important tasks facing South Korea's ODA efforts: (1) expanding the amount of aid (especially grants); (2) increasing the effectiveness of aid; and (3) promoting quantitative and qualitative developmental growth through greater coherence in policies. Director General PARK proceeded to list the core objectives of South Korea's ODA: (1) reducing poverty and promoting sustainable development; (2) investing in Asia's shared future; and (3) cooperating in partnerships with developing countries and expanding South Korea's role as a responsible member of the global community. Director General PARK emphasized that South Korea has been making great efforts to increase policy coherence for development, expand cooperation and improve relationships with recipient countries. It has also encouraged the participation of recipient countries and promoted a sense of ownership, while incorporating elements of international development cooperation into its foreign policy.

KARASAWA Masayuki, Head of Office for Global Issue and Development Partnership at Japan International Cooperation Agency, praised the South Korean government's increased focus on policy coherence. Mr. KARASAWA said that issues such as climate change, and the gap between rich and poor have become new topics of discussion, and that corporations, non-governmental organizations, and private research institutes should make greater efforts to devise new policies and solutions. He said that South Korea seems to be well aware of the importance of having a strong focal point and developing new platforms.

While a development cooperation network is important in Northeast Asia, different issues must be recognized in each area; for example, Japan is sensitive to the issue of its aging population and to climate change, while environmental problems and the gap between rich and poor are the key issues facing China. Under these circumstances, discussions on common topics and interests must be preceded by mutual trust among the Northeast Asian nations in order to make cooperation in other areas possible. Mr. KARASAWA asserted that in order to build trust within the area,

Issues such as climate change, and the gap between rich and poor have become new topics of discussion, and that corporations, non-governmental organizations, and private research institutes should make greater efforts to devise new policies and solutions.

the Northeast Asian nations must first share information and cooperate with one another to allow for more constructive discussions.

KIM Ki-jung, Professor of Yonsei University said that the world is experiencing a paradigm shift from a competitive landscape to a cooperative landscape, necessitating new agendas and collaborative efforts. He stressed that ODA has emerged as a major new element of and background for international politics. He added that the world is witnessing a shift

away from ODA governed primarily by national interests.

Pointing out the meager quantity of South Korea's ODA, the risks of South Korea's ODA policies, and the high percentage of credit assistance in South Korea's ODA, Professor KIM stressed the need to increase the number of grants. He emphasized that issues of aid segmentation due to bureaucratic competition among the Korea International Cooperation Agency (KOICA), the Ministry of Strategy and Finance, and Korea Exim Bank must be eliminated, and asserted that international development cooperation should become a core element of South Korea's foreign policies.

Director General PARK agreed with Mr. KARASAWA, who emphasized the importance of innovative platforms and expanding agendas, and stated that the South Korean government is working continuously to increase the efficiency of its aid architecture. She said that South Korea is aiming to reach ODA equaling 0.15% of GNI by 2015, after which a higher goal will be possible. Ms. Park added that increasing the proportion of grants in South Korea's ODA is an important agenda item, and that the ultimate goal of international development cooperation, namely the reduction of poverty and the collaboration of the global community, will become feasible when it is integrated into foreign policies.

China's Foreign Aid: Historical Evolution, Architecture, and Challenges

Professor WANG Yi-huan of China Agricultural University said that China's foreign aid history corresponded to that of the international aid community. He explained that in its initial phase (1950-1978), foreign aid was used in China as a means to disseminate social ideologies. Professor WANG said that although foreign aid was used to support political independence, focusing on stabilizing the political and economic system, it did not cause political and economic problems.

During the adaptation period (1978-2000), ideologically-driven aid diminished due to the transformation of China's economic system, and emphasis was placed on economic reciprocity. In the new period (2000-present), China's aid amount has increased rapidly, with mounting demand for resources arising from rapid economic growth, and an increasing need for political support from developing countries.

Professor WANG explained that China is expanding aid in the fields of agriculture, infrastructure, and environmentally friendly energy, and is focusing on technological support for agricultural development. China's foreign aid centers on grants and concessional loans, which account for 40% of China's aid, as well as material and technological support. About 80% of China's aid is concentrated in low-income countries in Asia and Africa, based on demand for aid and economic development. In terms of good governance, an issue brought into focus by the international community, Professor WANG said that China is rejecting intervention in the internal affairs of other countries under the principle of nonintervention.

Professor WANG said that because of insufficient capacity, China faced numerous difficulties in achieving its goals of efficiency and effectiveness. He said that the absence of an effective

evaluation system, problems of transparency, a lack of accurate information, reform of China's aid policies with a heavy focus on material aid, and environmental problems, are some of the issues to which the Chinese government could pay keener attention.

CHOI Jinwoo, Professor of Hanyang University questioned the reason for China's insistence on adhering to its own means of foreign aid, rather than following international standards by pursuing ODA and Millennium Development Goals (MDG). He stated that China uses different aid statistics from the global community, and asked why aid from local governments and various government agencies are not included in national statistics. Professor CHOI explained that the general perception of China could change were the country to follow international statistical methods. He asked about the proportion of China's aid to multilateral agencies, and about the direction China is taking with its multilateral aid.

YOU Woong-jo, Legislative Researcher at the National Assembly Research Service, noted that while the session on China's aid policies was informative, systematic analysis of China's aid is difficult because China is not using the standard framework for analysis. Pointing out the difference between foreign aid and ODA, Dr. YOU stated that China's definition of foreign aid is ambiguous. He asked what the conceptual difference is between China's foreign aid and that of the international community. He invited Professor WANG to elaborate on her statement that China offers aid when there is demand in the recipient country, asking whether the Chinese government autonomously determines need, or gives aid in response to requests by other countries. He also her how she would define the difference between grants and loans.

In response, Professor WANG said that although she does not believe that the Chinese government should necessarily conform to Western concepts of MDG and ODA, China's aid efforts have been helping achieve MDGs in many areas.

Mr. KARASAWA stated that China's measures to increase and diversify grants must be examined critically, and that appropriate policies must be put into place so as to prevent negative effects from the increased dependency of developing countries.

POLICY IMPLICATIONS

- For aid policies, the Chinese government should follow and apply international regulations for development cooperation and technological guidelines.
- The South Korean government should increase the share of grants in its foreign aid, and incorporate international regulations for aid into its foreign policies.
- The South Korean government should improve policy coherence for development and address the issue of aid segmentation, with participation from a number of organizations.

EDITED BY
MOON Kyoung-yeon
ChungAng University

INTERNATIONAL DEVELOPMENT COOPERATION: GLOBAL PUBLIC GOODS AND NORTHEAST ASIA'S ODA II

Korea International Cooperation Agency- Sejong Institute

To improve ODA policies' effectiveness and efficiency requires a policy network of concerned actors' communication and coordination. The three Northeast Asian countries have neglected their efforts to promote regional cooperation in their ODA fields, compared with other fields of political and economic cooperation.

This session discussed on how to understand each other's ODA policies and how to put their efforts together for global community's development and stability.

The first half of the session was composed of the presentation and discussion on the Japanese ODA policy for supplying global public goods, and the later half will offer an arena for all representatives and participants to discuss regional ODA policies and mutual cooperation for providing global public goods.

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MODERATOR

LEE Dae-woo Director, IDCRC, The Sejong Institute

PRESENTER

KANO Takehiro Director of Climate Change Division, MOFA

DISCUSSANTS

CHUNG Sang-hwa Research Fellow, Sejong Institute

SOH Chang-rok Professor, Korea University

Japanese ODA Policies on Climate Change

In the first session, International Development Cooperation: Global Public Goods and Northeast Asia's ODA I, presentations and discussions focused on the ODA policies of China and South Korea. The second session continued with presentations and discussions on Japan's ODA policies.

KANO Takehiro, Director of the Climate Change Division, Ministry of Foreign Affairs JAPAN, stated that Japan's main goals for foreign aid are contribution to global and regional financial stability, maintenance of peace and stability (security), and satisfying international development and environmental agendas. Director KANO pointed out that while grants are important in their own right, concessional loans place a burden of repayment on recipient countries, and often lead to more careful and responsible use of funds.

Director KANO then spoke about Japan's commitment to combating climate change. For example, Japan has made continuous efforts to lower its carbon emissions since the Kyoto Protocol in 1997, and has expanded available funds to further

Keywords

enlightened national interest and ODA, aid harmonization, cooperation among donor countries in Northeast Asia for international development

the cause. In 2011, Japan declared a new environmental vision of “Low Carbon Growth and a Climate Resilient World,” and has been working to increase (1) cooperation among advanced nations (development of technology for low-carbon emissions); (2) cooperation with developing countries (development and dissemination of technology and formation of market mechanisms); and (3) aid for developing countries (preferential aid for countries with special needs). On April 15, 2012, The East Asia Low Carbon Growth Partnership Dialogue was held in Japan, Director KANO noted.

In the discussion following Director KANO’s presentation, **SOH Chang-rok, Professor of Korea University** said that national interest, institutional pressure from UN agencies, and pressure from global and domestic civil societies motivate donor countries to provide aid. He asked two questions about the Japanese government’s foreign aid. He asked first for the reasons behind criticism that Japan’s aid is self-serving and governed by national interest, and second for the reason behind Japan’s seeming lack of effort to internalize human rights principles in its aid policies, when the global community is making a concerted effort to do precisely that with international development policies.

Professor SOH drew attention to South Korea’s focus on human rights in its ODA policies. Since achieving economic development through authoritarian development policies, South Korea has made human rights a key component of its ODA policies. He added, however, that the New Village Movement, which the South Korean government is promoting as part of its international development policies, was originally a propaganda movement of the most authoritarian nature, and should be approached cautiously.

CHUNG Sang-hwa, Research Fellow at the Sejong Institute, asked about the roles of nongovernment actors and corporations in solving climate change issues, about cooperation and coordination between the government and other actors, and about the challenges facing government administrators in enforcing climate change policies.

WRAP-UP SESSION

KARASAWA Masayuki Head of Office for Global Issue and Development Partnership, JICA

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CHOI Jin-woo Professor, Hanyang University

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PARK Enna Director General for Development Cooperation, MOFAT

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China, Japan, and South Korea should look for a future direction for development by collaborating in consortiums for small joint projects in recipient countries.

Only when nations expand the conventional understanding of national interest, which is usually limited to politics and economy, to embrace human rights, the environment, and global leadership, can they escape criticism that their aid is self-serving.

In response to the questions from the panel, Director KANO said that most donor countries, including Japan, are not free from criticism of self-serving foreign aid. He said that Japan's current foreign aid budget is about half that of 1997, when the figure reached its peak, and underscored the importance of aligning national interest and global agendas.

Regarding cooperation and coordination among various actors, Director KANO said that challenges lie in the complexity of issues, the lack of specialists, and issues of network governance that arise when various stakeholders, such as NGOs and civic organizations, participate together. However, the government has collaborated with various NGOs and has obtained great results in addressing various issues, including healthcare, he said.

Director KANO stressed the importance of setting clear goals and taking the necessary steps to reach them. He recalled that there have been many challenges in enacting climate change policies, but Japan has seen positive results in the past 15 years. He said that the 17th session of the United Nations Framework Convention on Climate Change was especially fruitful. Since the Cold War, the nature of the global community has changed, and the role of emerging countries has been magnified due to issues of trade and climate change. Considering these changes, South Korea and China should reconsider whether they belong among developing countries or developed countries. Director KANO posed the question of whether China is ahead of Japan in foreign aid, citing Professor WANG Yi-huan's presentation on China's long history of contribution to development cooperation in the first session.

Director KANO concluded the discussion by asserting that cooperation and coordination at various levels is the first step toward effective development of ODA. Since the Abe Administration, the Prime Minister's Office has been acting as a control tower for Japan's ODA, and its subsidiary agencies share the ODA agenda. He added that due to the many other issues at hand, the Prime Minister's Office has limitations in focusing on development issues.

Global Public Goods and ODA in Northeast Asia

Director KANO's presentation was followed by a panel discussion by representatives and participants from China, Japan, and South Korea on "Global public goods and ODA in Northeast Asia."

PARK Enna, Director General for Development Cooperation at MOFAT, agreed with Professor SOH Chang-rok that national interest, institutional pressure, and pressure from global

and domestic civil societies motivate donor countries to provide aid. She asserted the need for enlightened national interest that encompasses global leadership, and a new definition of national interest. She explained that only when nations expand the conventional understanding of national interest, which is usually limited to politics and economy, to embrace human rights, the environment, and global leadership, can they escape criticism that their aid is self-serving. Regarding regional ODA cooperation among China, Japan, and South Korea, Director General PARK mentioned the possibility of South Korea's participation in discussions of opportunities for cooperation in Mekong River development efforts.

KARASAWA Masayuki, Head of Office for Global Issue and Development Partnership at JICA, said that China, Japan, and South Korea will be able to build trust by discussing joint contributions to the Mekong River development efforts, and that cooperation is ready to begin on-site.

Professor SOH agreed with Director General PARK that a new definition of national interest is necessary. He stated that incorporating human rights principles into development cooperation is important, but will be challenging. Professor SOH underscored the need to raise awareness of the serious human rights violations that aid programs face in developing countries, which hinder the ultimate goal of regional development.

Professor WANG emphasized the importance of sharing the experience of development cooperation.

Dr. CHUNG said that aid is a duty and a responsibility for South Korea, and stated that the Jeju Forum is an important arena for discussing the meaning of ODA in foreign policy, and finding a direction for South Korea's ODA policies. He said that although Japan has been a leading donor country, its practices have received both praise and criticism. According to Dr. CHUNG, South Korea and China are in similar situations. He argued that although China, Japan, and South Korea have taken on responsibilities in assisting developing nations, their efforts have not been properly recognized. He asserted that the three nations should make additional efforts to discuss the purpose and direction of their foreign aid.

POLICY IMPLICATIONS

- China, Japan, and South Korea should look for a future direction for development by collaborating in consortiums for small joint projects in recipient countries.
- When conducting ODA for national interest, the conventional sense of national interest should be reinterpreted, incorporating new values and guidelines, such as humanitarianism, global democracy, market economy, and human rights. China, Japan, and South Korea should cooperate in redefining national interest.

EDITED BY
MOON Kyoung-yeon
ChungAng University

NATIONAL DEVELOPMENT THROUGH HIGH-SPEED TRAIN SYSTEM CONSTRUCTION IN KOREA AND CHINA

The Korea Transport Institute

Construction of a high-speed train system in Korea and China revolutionized the regional transportation system and created momentum for national development.

In this session, experts explored the prospects of national and regional development by examining the trend in high-speed train construction in Korea and China and its effects on regional development. In particular, Korea's plan and policy for KTX (Korea Train eXpress) economic sphere development was discussed.

MODERATOR

LEE Chang-woon Vice President, The Korea Transport Institute

OPENING REMARKS

KIM Gyeng-chul President, The Korea Transport Institute

PRESENTERS

CHOI Jin-seok The Korea Transport Institute

KWON Chang-ki Senior Research Fellow, Ulsan Development Institute

LI Li Professor of School of Economics and Management, Chang'an University

DISCUSSANTS

KWON Young-in Director, The Korea Transport Institute

CHOI Kee-choo Professor, Ajou University

SEO Jong-won Senior Researcher, The Korea Transport Institute

CLOSING REMARKS

LAN Tao President, Shanghai Railroad Society

Keywords

high-speed rail in China, high-speed rail in Korea, regional impact, socioeconomic effects

Professor LI Li of Chang'an University made a presentation with the theme 'The economic effects of China's high-speed rail based on cost-benefit analysis.' Professor LI said that China has made rapid progress since research on high-speed rail began in China in the early 1990s, and that the number of users is increasing steadily. Although the convenience of high-speed rail is indisputable, viewpoints on high-speed rail have been mixed, especially since July of 2011, when a high-speed railway crash magnified the safety issue. One side, Professor LI said, supports continuing investment in high-speed rail construction, while the opposing side calls for immediate suspension of high-speed rail construction, citing its astronomical cost. The negative view has actually stalled construction in some cases.

The importance of cost-benefit analysis became apparent through discussions of different points of view. Analysis of the Beijing-Tienjin Intercity Railway project showed that high-speed rail had a significant economic effect on wholesale and retail, lodging, and restaurant businesses in the two connected areas. Professor LI argued that accidents and safety concerns have caused negative reactions, but the economic ripple effect of high-speed rail construction is significant, as in the case of the Beijing-Tienjin Intercity Railway. He asserted that economic feasibility and validity should be considered thoroughly to maximize the effect of future high-speed rail construction.

Researcher CHOI Jin-seok and Director LEE Jae-hoon of the Korea Transport Institute said that analyses show that since the

opening of the first phase of the Gyeongbu High-Speed Railway in 2004, and the opening of the second phase in 2010, the area influenced by the Korea Train Express (KTX), directly and indirectly, has expanded. The KTX construction plan projects that 84% of South Korea's

population and 82% of the nation's territory will benefit from the KTX by 2020. Construction of high-speed rail has caused a shift in mobility and transportation usage patterns. For example, after the opening of the phase 2 section of the KTX, air travel between Busan and Ulsan decreased by 40% (a shift from air travel to rail). Dr. CHOI and Director LEE said that in order to seek vitalization of local economies through KTX construction, various strategies are being formulated, including the development of station influence areas and the transit center complexes. They projected that these strategies will promote changes in the layout of urban space. Various applications of the KTX are being considered for businesses, including KTX special deliveries. Dr. CHOI and Director LEE forecasted that the number of KTX users will continue to rise.

Improvement of road traffic, opportunities for local development, and the development of the rail industry due to a general shift from roads to rail, are some of the major effects of high-speed rail construction. The researchers said that high-speed rail services have resulted in changes in main line transport, and caused a shift in demand among the different methods of transportation. They said that activities have increased notably beyond riding the train. Dr. CHOI and Director LEE concluded that linking high-speed rail construction with urban planning and industrial site planning would be helpful to national development.

Next, **KWON Chang-ki of the Ulsan Development Institute** presented on "Local development in South Korea through high-speed rail operation." He said that the actual number of people using Ulsan Station turned out to be twice the number projected before the station opened. Ulsan Station's average daily user numbers reached about 9,000, far exceeding the projected 5,000. Dr. KWON credited the high demand to Ulsan's unique regional characteristics as an industrial city rich in history and culture. He said that analyses have shown that Ulsan Station has had a significantly positive socioeconomic impact on local industries, the economy, medicine, and tourism, as well as retail and wholesale businesses. However, Dr. KWON said thorough and continuous research is necessary to find out the exact correlation between this impact and the construction of a high-speed rail network.

Dr. KWON said that during the construction of the high-speed rail, concerns were raised about a "straw effect" caused by service quality, but no such effect was detected after the railway went into service. He added, however, that further research is needed. It is necessary to recognize, he asserted, that the ripple effect of high-speed rail construction can vary according to the internal factors of the affected city's size, location, and local characteristics. Dr. KWON said that the roles

Bilateral cooperation between China and South Korea on high-speed rail construction will contribute to peace on the Korean Peninsula and in Northeast Asia.

and status of high-speed rail should be examined in terms of benefits to local citizens in order to maximize its impact. Additional research is needed on opportunity costs. Dr. KWON appealed for greater efforts to develop various policies to maximize the impact of KTX services, and to create a system of private and public cooperation to develop specialized station influence areas.

During the discussion that followed, **CHOI Kee-choo, Professor of Ajou University** questioned the feasibility of China's high-speed rail plans. He asserted that it is necessary to consider whether demand for high-speed rail will continue to rise, and to thoroughly examine the technology level and strategies required for high-speed rail construction in China.

KWON Young-in, Director of the Korea Transport Institute, pointed out that it will be important to set clear goals under a motto such as "One Region, One City" when constructing high-speed rail in China, citing South Korea's motto, "One Nation, One Transport City."

SEO Jong-Won, Associate Research Fellow at the Korea Transport Institute, said that the effects of local development following the opening of high-speed railways will be significant in China. He said that the effects of high-speed rail construction in China are more concrete and specific than those in South Korea, adding that efforts to maintain and maximize these effects are necessary. He stressed the necessity of thorough collaborative research and examination, at the national level, of bilateral plans for high-speed rail construction, such as the trans-Siberian Railway and an undersea railway connecting China, Japan, and South Korea.

Director **LEE Jae-hoon** said that China's high economic growth was factored in when calculating the growth of China's high-speed rail, and suggested that national economic growth should be considered and applied to the calculation of high-speed rail effects in South Korea as well.

POLICY IMPLICATIONS

- Thorough cost-benefit analysis is necessary for high-speed rail construction (consideration of economic feasibility, etc.).
- Strategic measures are crucial to maximize the effects of high-speed rail construction with regard to the development of backward regions.
- Pursuit of regional and national development through high-speed rail construction necessitates continuous in-depth research to establish the socioeconomic effects of high-speed rail.
- Bilateral cooperation between China and South Korea on high-speed rail construction will contribute to peace on the Korean Peninsula and in Northeast Asia.
- In the medium to long-term, it will be important to deliberate on and prepare for North Korea's opening up and the possible connection of high-speed rail across the Korean peninsula and into China.

EDITED BY

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WON Dong-uk Research Coordinator, The Korea Transport Institute

HOW CAN A MARKET ECONOMY EMBRACE THE RISING DEMAND FOR A WELFARE STATE?

East Asia Foundation

The Korean model of export-oriented and compressed economic growth, the basis of its rapid economic growth rate in the late 20th century, is now facing serious challenges of income polarization and unemployment following the financial crises of 1997 and 2008. Searching for an alternative paradigm to correct these problems, the public's interest in a welfare state model has recently increased and the political circles are proposing competing welfare policies. This session provided diverse views regarding how to simultaneously pursue both economic growth and welfare while maintaining a capitalist economy and democracy, based on the experiences of other countries.

- What is an optimum choice between 'universal welfare' and 'selective welfare,' beyond social safety net measures?
- Are the chaebol tax, Buffett tax, and similar measures effective tools for achieving a viable welfare state within a market economy?
- How could Korea's dichotomous structure between chaebols and SMEs be restructured to generate a more synergistic partnership in order to maintain a balanced business organization and income distribution?
- How can the notion of corporate social responsibility (CSR) be incorporated into a welfare paradigm within a market economy?

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MODERATOR

AHN Choong-yong Chairman, Regulatory Reform Committee

PRESENTERS

N.K. SINGH Member, The Parliament of India / former Finance Secretary

LIM Won-hyuk Director, Office of Development Research, KDI Center for International Development

Michael HELLBECK COO & Head of Regulatory Affairs, Standard Chartered Bank, Korea

SONG Hong Senior Fellow, Director of Research Section of International Trade, Institute of World Economy and Politics, CASS

After financial crises in 1997 and 2008, the export-oriented compressed growth model, which led South Korea to rapid economic growth in the late 20th Century, faced the serious challenges of income polarization and unemployment. With the presidential election coming up in December, the ruling and opposition parties are eagerly pledging to establish a welfare state model as a solution to various problems. However, criticism of the welfare state model has been mounting, with the growing perception that the welfare state model was the fundamental cause of the recent eurozone crisis. For this session, the Jeju Forum invited economic and financial experts from South Korea and abroad to discuss how nations can concurrently pursue

Keywords
selective welfare, universal welfare,
expansion of social security networks,
sustainable welfare state, chaebol tax,
chaebol regulation, corporate social
responsibility (CSR), welfare paradigms
in market economies

economic growth and welfare while adhering to capitalism and democracy.

Michael HELLBECK, COO & Head of Regulatory Affairs of Standard Chartered Bank Korea, called for a cautious approach to welfare policies, citing the case of Germany. Mr. HELLBECK emphasized that South Korea needs to be careful about welfare policies if only to maintain the nation's financial soundness, and a public debt to GDP ratio of around 33%. European countries have maintained similar welfare policies for the most part, including healthcare, education, and pension policies, but have taken different paths in policies for job creation and reducing unemployment, as evidenced by the contrasting fortunes of Germany and Spain.

Mr. HELLBECK said that former German Chancellor Schroeder's efforts to increase flexibility in the labor market through negotiations with labor unions, without concern for his own popularity, has paid off, and that South Korean politicians should heed the implications of this case. Regarding welfare policy, he asserted that the South Korean government must make efforts to promote the active participation of women in society, which has greatly contributed to the success of the welfare state model across northern Europe. He argued that the future sustainability of policies must be considered when drawing a roadmap for welfare.

With regard to the second discussion topic, chaebol regulation aimed at more equal income distribution, Mr. HELLBECK emphasized the importance of securing fair trade in the reformation of corporate governance, and in trade practices with small and medium-sized enterprises. He insisted, however, that corporate social responsibility (CSR) must always remain voluntary. Rather than specifying the areas and amount of investment, the government should create an environment in which companies can voluntarily utilize CSR as a means of boosting their public relations.

LIM Won-hyuk, Director of KDI Center for International Development said that the eurozone crisis was caused by a failure in monetary system planning, not by welfare policies.

Cases in point are Germany and the Scandinavian countries, which have sought to relieve labor market inflexibility while faithfully maintaining welfare states. Director LIM said that South Korea has room to increase its welfare spending, which is relatively low compared to that of other members of the OECD. But in offering universal welfare services, he said, the rapidly aging population and income disparity must be borne in mind, so as to avoid placing a heavy burden on future generations. He added that a chaebol tax will neither increase tax revenue significantly, nor contribute greatly to reforming corporate governance. Director LIM argued that rather than banning conglomerate involvement in the small business market altogether, the system should guarantee fair trade between large corporations and SMEs, and secure more opportunities for SMEs by improving policies on intellectual property rights and technology transfers. On CSR, Director LIM agreed with Mr. HELLBECK that it is important for corporations to define CSR in their own terms and contribute voluntarily to social welfare. He said that forcing social investment on corporations would be denying their fundamental rights.

N.K. SINGH, member of the Parliament of India and former Finance Secretary, explained India's situation, and voiced concern over excessive populist pledges by South Korean politicians ahead of the presidential election. He suggested the concept of inclusive growth as an alternative to the problems facing the South Korean economy, saying that the speed, type, and pattern of growth must be considered collectively from a long-term perspective.

Mr. SINGH said that the Indian Parliament has been looking at welfare policies with great interest, discussing specific solutions to issues of unemployment, free education, and food, that are compatible with the nation's rapid economic growth. Mr. SINGH stated emphatically that planning from a macroeconomic point of view will be important for India to maintain high economic growth. He said that conglomerates in India are the main growth engine contributing to national wealth, and imposing punitive taxes on them has not been an urgent topic of discussion in India.

He pointed out that a bigger issue in India concerns the involvement of large foreign companies in the market. Mr. SINGH also said that the Indian Parliament

South Korea should be cautious in its decision-making, so as to pursue welfare policies and sustainable economic growth at the same time.

is locked in discussions regarding whether to oblige companies to set aside a proportion of their revenue for CSR initiatives. He stressed that this measure is different from simply levying an additional tax on corporations, because companies that faithfully observe their duties will enjoy public relations benefits through an improved brand image, and be rewarded with subsidies from the government. He highlighted the importance of encouraging companies to lead in human resources development. He said that South Korea has become a growth model for other countries, and suggested that South Korea should not stray far from its current growth-oriented framework. Instead, he said, South Korea should pursue welfare policies that allow for continuous economic growth.

SONG Hong, Director of the Institute of World Economics and Politics at Chinese Academy of Social Sciences, said that since China's opening, the country has been shifting away from the social security model formed under the socialist system of the past, toward welfare based on a market economy. In order to alleviate the serious imbalance between urban and rural areas, China is considering universal pension, healthcare, and education services. This shows that while the Chinese government's main focus remains economic development, it has begun to take interest in addressing income imbalances.

Director SONG argued that China's social security system should change to reflect its economic development. He emphasized the necessity of reducing the demand for welfare through a more even distribution of income, and increasing tax revenues by establishing a solid economy.

Director SONG said that China's state-owned companies are latecomers to global market competition, and that the Chinese government will not oblige them with the responsibilities of social welfare. The wealth created by these state-owned companies is of more practical benefit to the welfare of the citizenry.

The panel agreed that South Korea should be cautious in its decision-making, so as to pursue welfare policies and sustainable economic growth at the same time. They emphasized the need for a welfare system that rewards contribution with benefits, and warned against pledges of populist welfare. It was agreed that governments should not levy special taxes on corporations, but instead elicit voluntary participation in CSR. However, a suggestion was made that the government might consider requiring companies to set aside a proportion of their revenue for CSR.

EDITED BY

KIM Hyun-jin Global Asia Fellow, East Asia Foundation

STRATEGY FOR URBAN BRANDS TO BE THE HUB OF THE UNIVERSE

Seoul School of Integrated Sciences & Technologies

Fierce competition among countries and regions is taking place in this era of globalization and the winners secure sustainability, while those that fail to adapt to change will decline in power. Modern society recognizes a nation as a brand, and the importance of branding as an intangible asset capable of adding high value is becoming increasingly vital. This has led to a heightened interest in management and in fostering strategies of national and regional brands.

In this session, we devised a plan to strengthen national competitiveness by approaching Korea's brand management and sustainability from the varied perspectives of society, culture and education.

MODERATOR

LEE Nam-sik President, aSSIST

MAIN SPEAKER

LEE Bae-yong Chairperson, Presidential Council on Nation Branding

PRESENTERS

KIM Jae-hyun Professor, Konkuk University / Former Director, Community Business Center, The Hope Institute

SONG Hee-yhon Chairman, Songdo global university campus Foundation

Elevating Regional and National Brands Through Sincerity

LEE Bae-yong, Chairperson of the Presidential Council on Nation Branding, suggested that sincerity is the key to increasing the global recognition and likability of Korea's national brand. She said that along with the development of information technology in the 21st Century, the dysfunctional effects of technology have been magnified.

Globalization and the shift toward a 'global village,' marked by real-time sharing of information, have made people everywhere more concerned with attracting global attention, Ms. Lee said. She further argued that sincerity is a vehicle that can withstand all current issues and trends. She said that now is the time for all citizens, enterprises, and the nation to combine their efforts to promote the 'Made in Korea' brand, to foster what is inherently Korean yet has been neglected, and to promote it globally. She said that Korea's hard power is within the top 10 in global rankings, and its soft power, which encompasses culture, tourism, and national characteristics, is ranked among the top 15, but she doubted that the 'Made in Korea' brand enjoys such a prominent standing.

A survey conducted in 2009 by the Presidential Council on Nation Branding and the Korea Productivity Center, regarding the current status of regional brands around the country, revealed an urgent need for professionalism in brand management, specialist networks, public relations, and advertising in order to improve regional brands. Chairperson LEE said that those needs have not been addressed properly due to limitations in the job mobility of civil servant specialists, and insufficient local government budgets. Chairperson LEE stated that this problem that could be addressed by raising nationwide interest in institutionalizing and systemizing organizational efforts. Chairperson LEE said that regional brands are at the core of national brand management, and that development of regional brands leads to the elevation of the national brand. She said that regional brand committees are being formed in 16 metropolitan areas in South Korea. In order to develop a regional brand, she continued, a regional brand philosophy is necessary, and it is important to consider the elements of the discovery, presentation, and effects of the brand.

A good brand satisfies the universal human desire to be accorded ever-higher dignity. In order to imbue a regional brand with higher dignity and increase its value, it is important to set a differentiation strategy based on the creative elements of the region, which can help produce tourist attractions and increase the likability of the region. Chairperson LEE said the most competitive brands represent values that move people, in the way that Chusa KIM Jeong Hui's painting *Sehando* moves those who see it. She concluded her presentation by saying that a brand's durability, support base, and likability all derive from sincerity.

Measures for Vitalizing Community-based Businesses: Introducing the Case of Ganse Pony Dolls

KIM Jae-hyun, Professor of Konkuk University examined the concept and the current status of social economies. He introduced the ganse pony dolls of Jeju as a successful case of community-based business, and suggested measures for vitalizing community-based businesses.

Professor KIM started with the premise that while market economies have long been the dominant model, changing times have led to a growing interest in social economies, such as local communities. He said that social economies generally focus on four areas: hosting social service systems; social innovation; fusing market economies with social economies; and town-building. He explained that the reason people are becoming more interested in social economies is that while the private and public sectors have been growing constantly, societies lack common sectors. With a regional hollowing-out and loss of regional characteristics, regional mechanisms have been disappearing. With the shift from an industrial society to a knowledge-based society, people have begun pursuing qualitative growth rather than quantitative growth, and

Regional brands are at the core of national brand management, and development of regional brands leads to the elevation of the national brand.

with increased free time, social activities through voluntary cooperation have increased.

As a result, Professor KIM said, self-help groups such as cooperatives and aid agencies such as NGOs have appeared. Professor KIM said that in order to build a social system through voluntary regional cooperation, societies need to create shared living communities encompassing self-help groups and aid agencies. Citing examples of social economies in advanced countries, Professor KIM stated that in Great Britain, communal activities have generated revenues of EUR 24 billion, and created 62,000 businesses and 1 million jobs. In Japan, JPY 34 trillion in revenues, 50,000 businesses, and 300,000 jobs have been created. These successes came about with the active engagement of central and local governments.

Professor KIM stated that lacking support from the government, social enterprises and community-based businesses are still rare in South Korea. Community-based businesses have appeared as a result of a paradigm shift in regional policies. If conventional policies focused on regional unification revolving around key leaders, and current policies are centered on finding value in resources and building networks, future policies will focus on creating local circular economies. In other words, the activities of community-based businesses, based in shared living communities that can solve local problems utilizing potential local resources, will be the main force increasing regional competitiveness and improving brand images.

Professor KIM said that Jeju Island has unique communities with ample common land and a regional culture. He described the successful branding of the Jeju Olle Trails and the ganse pony dolls as a model example of active community-based businesses. Ganse pony dolls are made in workshops by local women using scrap fabric. This was first proposed as a business idea to create a unique, meaningful souvenir from the Olle Trails, and at the same time find a solution to local problems. Through exhibitions and celebrity PR efforts, the ganse pony dolls have attracted considerable public attention. Ganse pony dolls address environmental issues, using scrap fabric and recycled parts produced in Jeju. In addition, they create jobs for local women and bring returns to the region. By using a symbol of Jeju, the dolls have played a role in increasing recognition of Jeju's regional brand.

Professor KIM said that community-based businesses, such as the ganse pony doll business, allow a region to create an independent, regional brand. He said that regions must become more self-reliant, and that regional development is only possible through the creation of secure and sustainable local communities, and the transformation of friendly relationships among regions into cooperative and collaborative relationships.

In order to vitalize community-based businesses, Professor KIM said, communities must first be invigorated by creating a system of flexible and active networks. Community-based businesses should be led by shared living communities that make full use of local resources. Support at the national level is necessary in areas including development of intermediary organizations, research on regional resources, talent development, product development, and marketing. Professor KIM

said that communities can no longer rely on the market economy alone, but must integrate the social economy with the market economy to realize a value-based society, a prerequisite to vitalizing a circular economy. To conclude, Professor KIM expressed his desire that community businesses will act as a catalyst for creating circular economies in South Korea.

Regional and National Development through the Introduction of Advanced Education Systems

Song Hee-yhon, Chairman of the Songdo Global University Campus Foundation, said that schools have an important role in building regional and national brands. South Korea has grown faster than any other country in the world, but this growth was based on borrowed technologies.

Chairman SONG said South Korea lacks original technologies.

Universities should be equipped to develop original technologies, but many Korean universities have inadequate educational systems. He said that Songdo Global University aims to introduce the advanced educational systems of the USA, and compete with distinguished universities in South Korea to create a stimulating educational environment.

Songdo Global University's educational policy is to support the development of high technology and knowledge-based service industries, such as biotechnology, and creative industries. Chairman SONG said that the USA is at the forefront of these industries, and that Korea must compete aggressively to stay ahead of China and India. He expressed his sincere hope that talent nurtured at Songdo Global University will contribute to South Korea's national development.

EDITED BY

KIM Ji-young Senior
Researcher, Institute for
Industrial Policy Studies

STRATEGIES FOR ASIA'S FUTURE:

GLOBAL LEADERSHIP, THE ROAD TO OVERCOMING CRISIS

Seoul School of Integrated Sciences & Technologies

The European Union is facing a financial crisis, Japan is going through an economic recession following the tsunami of 2011, and the United States, while still powerful, is not on solid financial ground. China, 'the world's factory' for decades, is being compelled to change its role to that of 'the world's consumer,' Japan is working diligently to return to its pre-tsunami economic status, and Korea is currently facing new changes and challenges in virtually all economic and political aspects. In this session, we attempted to diagnose and predict the future of these phenomena in Asia, as viewed by experts from various fields under the theme, 'The role of Asia in changing crisis into opportunity.'

- Future role of small giants in Korea, and Asian countries and leadership
- Activities of family businesses and their future leadership
- Development of Asia amid the energy crisis
- Role of broadcasting communication in Korea and other Asian countries
- Development of mind and soul through body management
- Evolution of leadership in preparation for the arrival of the Asian Era.

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MODERATOR

HAN Seok-hee President, Leandesign Asia Inc.

PRESENTERS & DISCUSSANTS

KIM Dae-kon President, OBANG Leadership Center

KIM Sun-hwa President, FB Solutions Co., Ltd.

KIM Yong-eon General Manager, KEPCO

LEE Sang-ho Professor, Kyungsoong University

LEE Joseph Executive Director, KISCO

CHO Ki-sook Professor, Ewha Womans University

Moderator **HAN Seok-hee, President of Leandesign Asia Inc.**, opened the session with the statement that the USA and European countries are seen to be in a state of decline, and Asian countries, especially South Korea, China, and Japan, are increasingly expected to play greater roles. Under these circumstances, South Korea, China, and Japan should seek complementary, constructive, and future-oriented relationships, rather than just a system of checks and balances. Mr. Han welcomed this session as an opportunity for leaders from various fields to share their knowledge and experience, and to discuss emerging Asian leadership amidst global crises.

LEE Joseph, Executive Director of KISCO, presented on the theme "Future roles and the leadership of small giants in Korea and other Asian countries." Executive Director LEE stated that

Keywords
future strategy, surmounting crisis,
global leadership, Asia

one of the reasons for South Korea's economic success is its thriving SMEs. He gave an example of a successful company and analyzed its success in terms of 'SERM':

- Subject: open network, customer-oriented services, fast decision-making, globalization
- Environment: entry barriers, differentiation, customer satisfaction, international market
- Resources: joint ventures, joint shareholding, capital sharing with leading overseas companies,
- Mechanism: reward programs eliciting better performance

Mr. LEE said, however, that no strategy is perfect, and different strategies may be used depending on each company's situation.

In her presentation on the theme "Activities of family businesses and their future leadership," **KIM Sun-hwa, President of FB Solutions**, defined family businesses as 'a business in which a family participates in ownership and management,' or in a broader sense, 'a business in which a family does not participate but has control over management.' President KIM emphasized the importance of family businesses. According to President KIM, family businesses account for 60-90% of businesses in any country. Family businesses perform better than non-family businesses, and have a longer life span. She said that generational transfer is the biggest challenge for family businesses; the success rate of generational transfers is 30% for second-generation transfers, 12% for third-generation transfers, and only 3% for fourth-generation transfers. An effective governance structure, she said, is key to the successful generational transfer of a family business. Families need communication (family meetings, family discussions, conflict management), policies (family charter, shared values and visions, family employment policy, successor selection), and a foundation (social responsibility, harmonious family life, education of children).

KIM Yong-eon, General Manager of KEPCO, presented on the theme "The development of Asia amid the energy crisis." Mr. KIM said that the balance of supply and demand of electricity is determined by the stability of supply and market operation policies. Although South Korea is moving toward an open

electricity market, various problems exist, including the complexity of the decision-making structure for investment, project delays, and a focus on profit rather than public good. These problems increase uncertainty in the market, and prompt questions of whether electricity can be stably supplied in a competitive market.

Mr. KIM highlighted current electricity expansion projects in Vietnam, Indonesia, and the Philippines. These countries face setbacks in opening the market to Independent Power Producers (IPP), due to the projected impact of inflation on recommended prices, which are 10-20% higher than current prices. He said that each independent producer has different equipment and output, making it difficult for those countries to gain experience in power plant construction, and lengthening the time it takes for them to amass the necessary technologies, and become independent power producers.

On the other hand, Mr. KIM said, South Korea achieved the construction of world-class coal-fired thermal power plants in a short time. South Korea's advanced technology has recently allowed the nation to enter many foreign countries as an independent power producer. Mr. KIM identified three areas in which Korea was successful: first, it succeeded in engineering by replicating existing equipment; second, it succeeded in reducing purchasing costs through repeat production and eventual success in domestic production; third, it succeeded in construction by reducing air infiltration.

LEE Sang-ho, Professor of Kyungsoong University presented on the theme “The role of broadcasting and communication in South Korea and other Asian countries.” Professor LEE said that South Korea is a leading country in broadcasting and communications. He said that other countries can follow in South Korea’s footsteps, and outlined some issues from a consumer’s point of view, rather than from a provider’s point of view.

He cited three common types of disputes in South Korea. First, there are disputes between ground-wave broadcasters and communication (cable) service providers over copyright of content owned by the ground wave broadcasters. The second type is between terminal providers and communication service providers over unilateral suspension of transmissions, the blocking of smart TV access, or traffic issues caused by smart TVs. The third type is between network operators.

CHO Ki-sook, Professor of Ewha Womans University presented on the theme “The development of mind and soul through body management.” She said that the field of business management has been expanding to explore how people regard and manage their bodies. She made the following points on the body:

- ① All events that occur within a person’s physical, sensual, intellectual, and spiritual realm affect the entire being.
- ② Lack of motion blocks the flow of energy within the body, and too much movement distorts the energy flow.

- ③ The human body is a unified living entity.
- ④ The body is an embodiment of reality and truth that combines a person's intellectual, sensual, and spiritual traits.

Professor CHO stressed the importance of body management through the experience of bodily movement. She said that the body is a micro-universe, and through the experience of bodily movement, one can learn the principles of body management.

She said that body management is an act of fundamental communication, and of universal life. Body management is a process of understanding the inner workings of society, and of perceiving and understanding oneself as a being differentiated from others. Starting with individual internal senses and emotions, one can eventually learn the principles of society, the world, and the universe. She said that body management can bring growth not only to one's ego, but also to one's consciousness, through the care and understanding of members of the community. The meaning of body management, she said, is in living a more valuable community life through the understanding of the "here and now."

KIM Dae-kon, President of the OBANG Leadership Center, presented on "The evolution of leadership in preparation for the arrival of the Asian Century." President KIM stated that the Asian economy is growing at an average annual rate of 7.5%, and Asia's share of the global economy will reach 52% by 2050. President KIM said there is a dynamic power at work in the Asian region, and forecast that Asia's middle-class population, which accounted for 54% of the global total in 2009, will reach about 66% by 2030.

Citing Taiwan's presidential election in January, the reelection of Putin as the president of Russia in March, the naming of XI Jinping to succeed as President of China in October at the National Congress of the Communist Party of China, the South Korean presidential election in December, and the shift of power to the KIM Jong-un administration after the death of KIM Jong-il in December of 2011, President KIM said that political leadership in Asia is in a period of transition, and that Western leadership has reached its limits. He stressed the need to form new leadership in Asia, which is emerging as the new center of the world.

Asia should develop sources of leadership in language, currency, culture, education, and the environment.

POLICY IMPLICATIONS

- Demand for new values in leadership: a switch from Western-style leadership to Asian-style leadership.
- CEO-type leaders should evolve into CSO-type leaders.
- The stumbling blocks of Asia's past should be converted into stepping stones.
- Asia should develop sources of leadership in language, currency, culture, education, and the environment.

EDITED BY

PARK Cheong-yeul Visiting Professor, aSSIST / Secretary General, Korean Society for Leisure and Culture Studies



Part IV

BUSINESS AND COMPANY STRATEGY



CAPITALISM 4.0: WORLD ECONOMY AND KOREAN COMPANIES

Korea Human Development Institute

The world pays attention to Korea since it has grown into one of the largest economies of the world from one of the least developed in the 1970s. Korea successfully hosted the G20 Summit meeting in 2010 and the World Nuclear Security Summit in 2012, and its export volume reached one trillion US dollars in 2011.

Amid the global economic trend that has shaken the capitalist economic system, in which the 1% the wealthiest are being attacked by the remaining 99%, we will forecast the Korean economy and future of business enterprises that are undergoing the hardship of the great transformation period, from cold-blooded capitalism 3.0 to warm-hearted capitalism 4.0.

MODERATOR

KIM Jin-hyun Chairman, Committee for the Establishment of the National Museum of Korean Contemporary History

PRESENTER

EUH Yoon-dae Chairman & CEO, KB Financial Group Inc.

DISCUSSANTS

YUN Chang-hyun President, Korea Institute of Finance

MOON Kook-hyun President, New Paradigm Institute

Capitalism 4.0 has become the overriding global economic trend at a time when the world is caught between paradigms. Session moderator **KIM Jin-hyun, Chairman of the Committee for the Establishment of the National Museum of Korean Contemporary History**, began the discussion by urging participants to avoid excessive focus on the term “capitalism” and to instead think about the role of nations and citizens in the changing economic landscape.

EUH Yoon-dae, Chairman and CEO of KB Financial Group Inc., made a presentation titled “Corporate Governance Strategies for the Capitalism 4.0 Era,” in which he analyzed current trends in capitalism, economic difficulties such as the sovereign debt crisis faced by South Korea and world, the spread of populism related to the financial crisis, and the concept of mutual benefit from South Korea's point of view.

Mr. EUH framed his review of trends in capitalism against the backdrop of unprecedented challenges to the capitalist system, which has recently been compared to “organized crime.” According to Mr. EUH, the natural state of humanity was a classless society, followed by ancient societies based on slavery,

medieval feudalism, feudalism's collapse after the French Revolution, and the rise of modern capitalism. With the rise of Capitalism 1.0, based on the principles of laissez-faire and the invisible hand of the market, people aspired to build prosperous societies while coming to recognize the concept of private property. Mr. EUH said that the limitation of early capitalism lay in the fact that sometimes the invisible hand failed to function, causing myriad problems. Inequalities in income led to gaps between the rich and poor, which in turn brought about various social ills. New leaders and economic policies emerged to solve these issues. After The Great Depression, policies pursued by President Roosevelt of the US along with the implementation of Keynesian economic theory helped overcome problems inherent in the old capitalist paradigm, giving rise to Capitalism 2.0.

Capitalism's next iteration, Mr. EUH continued, was founded on the principles of fiscal deficit reduction and subsidies creating public demand intended to jump start new private demand. Roosevelt's New Deal policies focused on agricultural and industrial subsidies, corporate taxation, financial oversight, and minimum working-hour guarantees. In the political sphere, leaders in Europe began to govern during allotted terms while playing a regulatory and moderating role in their individual countries. During this era, Mr. EUH said, governments identified the problems created by the invisible hand of the markets and took active steps to address them, leading to persistent success for the US and world economies. In the 1960s, however, the Vietnam War increased fiscal stresses in the US, causing its current account balance to slip into the red, revealing the side effects of robust government intervention in the economy. Falling productivity, shrinking employment, and an oil shock caused economic chaos in the US.

Reaganomics, Mr. EUH said, was the face of Capitalism 3.0, which gave more primacy to market-centric policies and greater market freedoms through the mechanism of supply and demand. The major features of Capitalism 3.0 were tax cuts, supply-side economics, corporate autonomy, arms races, and a staunch belief in the efficacy of the market. Capitalism 3.0 gradually came to another breaking point, however, in the form of the 2007 subprime mortgage crisis, which triggered another global financial disaster. This stirred the ire of the so-called "99%," who found fault with the winner-takes-all casino economy and a Shylock-like system for distributing economic benefits. The gap between rich and poor has led to major social problems and class confrontation, Mr. EUH said, revealing the vulnerability of Capitalism 3.0. With this paradigm seeming to collapse, some talked of a class revolution, giving rise to a new era characterized as "Capitalism 4.0" by English economist Anatole Kaletsky. Changes have occurred in the global environment, but people still need a happy and caring capitalism. Capitalism 4.0, Mr. EUH said, seeks to expand the pie of economic prosperity for everyone through market-centric means requiring social consensus. Coexistence has become more important.

Corporate Strategy for Capitalism 4.0: Establishing a Win-win Ecosystem

According to Mr. EUH, creating a win-win ecosystem requires the following elements: First, a

new system should offer alternatives for the establishment of healthy customer-subcontractor partnerships between large companies and SMEs (small/medium-sized enterprises). Second, transparency is paramount. Although transparency was important during Capitalism 3.0, it will be even more important in Capitalism 4.0. Accounting transparency is of the utmost importance, and will be reflected in companies' stock prices. The third necessary element is ethical management. Ethics and environmental issues determine the sustainability of corporate management, and the problem of large companies dominating the market for consumable needs to be addressed. Fourth, the improper use of subsidiaries to facilitate the illegal transfer of assets to corporate heirs is a big social issue in South Korea and could bring about popular backlash if it gets out of hand. Fifth, South Korea needs more entrepreneurial spirit. Why is Japan currently experiencing difficulties? In 10 years' time, South Korea might fall into a long-term slump similar to Japan's.

Sixth, Mr. EUH said that South Korea needs to overcome the breakdown in communication throughout society. Communication must be two-way, but in South Korea's past, many problems stemmed from the emphasis on indirect rather than direct communication. Seventh, South Korea must promote a culture of giving that goes beyond meaningless one-time donations and superficial giving. Finally, South Korea must expand the economic pie for all with creativity and innovation. If current issues are met with stifling government regulation, the Korean people will be sorely disappointed. Corporations must participate in Capitalism 4.0 of their own volition.

Mr. EUH warned against populism in the financial sector, and acknowledged the difficulty the corporate sector faces handling tasks that should be the responsibility of the government. Financial companies should concentrate on the fundamental functions of their industry, such as providing financial backing. Because Korea is a country where the principles of coexistence rule under Confucian values, Mr. EUH said, the country will be able to overcome the financial crisis.

In the debate that followed, **MOON Kook-hyun, President of the New Paradigm Institute**, commented that because South Korean society focuses too much on the American model, there is little knowledge of the German or Chinese models. Before conceptualizing the new Capitalism 4.0, it is necessary to learn from the examples of Germany and China, which are very strong models of capitalism today.

President MOON added that he had always thought of American capitalism as being basically democratic, he had recently recognized its many drawbacks. At the Davos Forum on January 27, 2007, President MOON said, the German representative had told him that Germany's number one task was "creative destruction." Since then, Germany has reduced its unemployment rate to 7%, a highly enviable rate given the world's economic problems. The solution, President Moon said, wasn't firing workers, but reducing labor costs by 10%, with the government absorbing that expense. He added that South Korea should also consider whether it makes sense to adapt new models, or whether it should just stick with existing orthodoxy.

Many groups still adhere to methods of the past because they lack awareness of the issues,

The gap between rich and poor has led to major social problems and class confrontation. With this paradigm seeming to collapse, some talked of a class revolution giving rise to a new era characterized as “Capitalism 4.0”

President MOON continued. Many business leaders and managers do not know the importance of the ISO26000 and of cooperation between and among consumers, local society and business. Moreover, due to corruption and illegal practices, huge amounts of resources are wasted.

South Korea consumes almost one billion barrels of oil per year, President MOON said, and this could be drastically reduced. It is time to start thinking about how excessive supply and development can be returned to the people, and this requires a lot of creativity as well as self-reflection from those that have dominated the mainstream, he said. One cannot build a new house on bad foundations, President Moon said, so bad practices of the past must be eliminated. He added that while financial companies are currently the major targets of popular ire, many big corporations and conglomerates are equally deserving of disapproval.

YUN Chang-hyun, President of the Korea Institute of Finance, said that even for an economics major like him, crises come as a great shock. He added that the kind of crisis afflicting Greece and other Eurozone countries derives from the fact that many of them haven't experienced a trade surplus in the last 10 years. Of the 17 countries in the Eurozone, President Yun said, only those able to consume in line with their household, corporate and government output had been able to create surpluses.

President YUN said that the root of these crises was fundamentally simple: excessive consumption or investment spending. People must understand that a country's debt arises from lax management of a country's finances and everyone must work together to solve these problems, he said. The solution of increasing interest to boost profits from exports has been prescribed, but at times, they may not generate the desired outcomes. It is time for capitalism and democracy to merge, President YUN said, to create the right solutions.

EDITED BY

CHO Woo-jin Professor, Tama University

KIM Jin-seong Research Coordinator, Korea Human Development Institute

CHINESE ECONOMY AND COMPANY STRATEGY

Korea Human Development Institute

The Chinese economy, with 3 trillion USD foreign currency reserve, continued high-level economic development of 9-10% annual growth rate, and as the largest exporting country and second largest economy in the world, has become the primary driving force of the world economy.

In the midst of the changing global economic order brought about by the financial crisis in the US and by the governmental financial crises in Europe, we discussed the tasks and future business strategy as well as prospects of the Chinese economy which is transforming from a production export-oriented economic development policy into a domestic consumption-oriented one.

MODERATOR

JEUNG Duck-koo Chairman, The NEAR Foundation

PRESENTERS

LI Yi-ping Professor, Renmin University of China

DISCUSSANTS

CHANG Dal-joong Professor, Seoul National University

QUAN Shunji Chairman, Sino-Korea Enterprises Sodality

Professor LI Yi-ping of Renmin University presented an analysis of the background and development trends of the Chinese economy, as well as its problems. Since the reform and open door policy of 1978, the Chinese economy has achieved outstanding growth that accelerated further upon China's joining the WTO in 2001. China is now the second largest economy in the world, following the United States, and makes up 25% of global economic activity. From USD 300 in 1990, China's per-capita GDP has jumped to USD 4,000 in 2010, making it a key player in the world economy. Professor Li stressed that the world needs China as much as China needs the world, meaning that no discussion of the Asian economy is complete without considering the economic problems China now faces.

Background and Conditions behind Issues the Chinese Economy Facing Today

The first problem, Professor LI said, is that the world economy is still in recovery. The US economy is showing strong signs of recovery: According to statistical data, the consumer price index in the United States in the first quarter of this year was on the rise, and the US Federal Reserve is expected not to conduct a third round of quantitative easing. Meanwhile, Professor Li said, in the EU, the real economic foundation of many of its

member countries, particularly Germany, is strong. The real economies of South Korea and Japan are also relatively solid. The recovery of the world economy is good news for China, especially since it means a recovery in demand for Chinese exports.

Second, Professor LI said that China is facing a pivotal period of change in its economic growth. China's economic growth has so far depended on a government-led model of mass production for export. China has thus far been able to maintain its price competitiveness because of its abundant natural resources, cheap labor, and lax environmental regulations. However, the Chinese people are now changing and demanding both better-quality economic growth and welfare. Accordingly, China must move toward an economy based on quality, rather than just the quality it has relied on so far. Future growth, Professor LI said, must be based on innovation and greatly improving the quality of products the country produces.

Third, China has entered the "post-4 trillion yuan (RMB)" era. Around the time of the 2008 global economic crisis, the Professor said, the Chinese government carried out a comprehensive stimulus package, investing CNY 4 trillion in its community-based facilities, which enabled the country to maintain its double-digit GDP growth rate. The stimulus package had positive direct effects, he said, but its side effects were also very significant.

Economic crises in a market economy are characterized by such features as a rupture of existing bubbles, backward production capacity, forced innovation, compulsory mergers and acquisitions (M&A), coerced economic restructuring. The effects of the macro-economic growth from the stimulus package are starting to wear out, Professor LI said, and there will be no more stimulus packages. Accordingly, corporations and businesses must no longer seek benefits from government policies but must strive to promote self-sufficiency.

Macroeconomic development trends

First, looking at GDP growth, Prime Minister WEN Jiabao adjusted the 2012 GDP growth figure in the 2011 Government Business Report to 7.5%, but actual GDP growth in the first quarter of 2012 was 8.2%. Professor LI predicted, however, that overall GDP growth for this year would be around 8%. At the beginning of the reforms and open door policy, he said,

China's market potential was largely untapped, meaning that growth was rapid in pretty much any industry China fostered. Now, however, most traditional industries face oversupply, so their market potential has been gravely weakened.

Experts increasingly stress that China's macroeconomics must now pursue a model that maintains quality growth, in tune with a rational scope as defined by scientific concepts of development. Due to previous policies that pursued growth at all costs, China's economy is now very lopsided. Moreover, with increasing inertia in the economy, and because China's growth model is based on speed, the government is likely to become increasingly impatient with slow economic growth.

Second, regarding the consumer price index (CPI), the Chinese government said its goal was to keep the CPI at 4% – a goal that looks increasingly difficult to fulfill. The key to suppressing the surge in the CPI, Professor LI said, lies in ensuring a reliable supply of agricultural produce. The Professor said that China's agricultural sector has sufficient capacity to create the momentum needed to lead China's economic growth. Also, he said, problems in rural areas should be solved with technology-intensive measures rather than relying on urbanization.

Third, on the problems of real estate and land reform, Professor LI predicted that strict real estate policies are unlikely to be relaxed anytime soon. Relying solely on market principles will not solve the housing issue in China. The government should let the market solve housing problems for middle- and high-income Chinese, while using state-supplied low-rent housing to help those in the lower income brackets. Any tightening used to ease the real estate bubble, the Professor said, should be carefully controlled. Many developers have already collapsed, he said, and the government must take care not to precipitate a Chinese-style sub-prime crisis. A more serious problem surrounding real estate, the Professor said, is the financing of land management by local governments.

Fourth, the Professor said that the problem of loans for small and medium-sized private businesses is increasingly urgent. Because of

Economic crises in a market economy are characterized by such features as a rupture of existing bubbles, backward production capacity, forced innovation, compulsory mergers and acquisitions (M&A), coerced economic restructuring.

faults in the financial system and structure, he said, not many financial institutions are able to provide services and loans to SMEs. The CNY 4 trillion stimulus package was distributed within the public sector, giving rise to inflation. In addition to the shortage of funds they face, smaller businesses also lack competitiveness, innovation and are struggling due to economic restructuring. One way to solve this, the Professor said, is to implement fundamental reform that will help small businesses survive in what is a very competitive market.

Fifth, while China's macroeconomic policies are unlikely to change drastically, there will be some adjustments at the microeconomic level. An example could be lowering the deposit reserve ratio of the banks to a reasonable level, the Professor said, provided that the government does not resort to frequent economic stimulus packages.

Key Tasks to be Solved for a Healthy Economic Cycle

Professor LI stated that above all, there is a desperate need for change in economic growth patterns. The key point to this is a change in both mindset and actions toward a stronger adherence to market principles. If a local government, for instance, does not consider costs when focusing on a project or building infrastructure, this may give rise to a failed business model based on quantitative growth alone. Assessing change in economic growth patterns should include a variety of indices indicating whether: economic growth is based on the promotion of domestic consumption, manufacturing is based on innovation, an industry's structure is competitive, businesses and the corporate sector are becoming agents of innovation, decisions in industry are based on market principles, regulations on input and output are observed, the government is ready to abandon its role as the principal agent in the market, the government continues to intervene in microeconomic policies, and the government

Above all, there is a desperate need for change in economic growth patterns. The key point to this is a change in both mindset and actions toward a stronger adherence to market principles.

continues to implement macroeconomic control by force.

Second, China needs to have a clear understanding of the market economy and continue building its system on such

principles. The economic problems facing China can be attributed to the government intervening whenever there is a small problem, despite the basic inevitability of market forces prevailing. For these reasons, Professor LI said, the Chinese government is brimming with confidence from its so-called successes, and is convinced of the efficacy of interventionism. The key point to market economies, the Professor said, is implementing highly stable and predictable policies over a market economy system, and not to attempt to enforce microeconomic control in the name of macroeconomic regulation.

Third, there is a need to reinforce protection of private or privately managed companies. Under the current system, in which there is an administrative monopoly, private companies must be evaluated and authorized by the government, rather than registering of their own accord. This means that private enterprises cannot compete fairly with public or government-owned companies. As a result, many private firms lose competitiveness, move their business overseas, or have owners who themselves elect to obtain foreign visas. In order to solve this problem, there is pressing need to create sound social conditions and legal institutions so that private companies can enjoy a genuine sense of security.

Fourth, Professor LI said that equality and justice must be guaranteed by addressing the severe income gap, and implementing reforms with genuine, widespread support. The income gap is worsening, whether between different industries or high-powered executives and regular workers, and is being exacerbated by means such as illegal and gray incomes. There are many instances, the Professor said, of executives of public corporations in China being paid salaries far exceeding those of executives in multinational corporations. From now on, he said, it is imperative that the Chinese government guarantee the rights of the people to receive their fair share of public resources, and allow the people to exercise their rights equitably and effectively.

Fifth, Professor LI said, there is a desperate need to create a culture that is in tune with the market economy. The market economy culture is like social capital. If there is solid social capital, the benefits it generates can be permanent. The market economy culture calls for the establishment of a clear perspective on wealth, with equality and freedom, diligence, frugality, innovation, basic ethical values in the workplace, and social responsibility. China has a rich history, the Professor said, and Chinese people can easily look back to that past, making it difficult to implement the kinds of changes that are required.

China as a Client and a Variable in the World Economy

CHANG Dal-joong, Professor of Politics at Seoul National University, said that while he was studying at University of California Berkeley he had learned about the systematic approach of Japan's early economic successes. Similarly, China's rebirth has had a similar pattern to that of the Meiji Restoration in Japan. In its relationship with China, the world was able to enjoy cheap products that were produced with cheap labor in China, he said, but the era of mutual dependence

between the Western world and China is closing and China will transform itself from a supplier to an importer of expensive Western products.

Professor CHANG said that the transformation of China from supplier to buyer will be a key variable not only in its own economic structure, but for the world economy also. Looking at the 12th five-year plan, the Professor wondered where the last stop for a country like China, which has achieved such remarkable economic growth, might be. This is the focus of the world today. Countries like Germany, essentially a free state based on a market economy, have accumulated wealth through strong economic growth. When political advancement did not run parallel to economic development, a social welfare system was introduced (as long ago as Bismarck's time) to help workers, although this did not necessarily result in their moving into the middle class.

That was the historical reality of both Germany and Japan. The big question is whether China's rulers will be like Bismarck. In South Korea's case, Professor CHANG said, there were circumstantial and institutional elements that weakened the entry of a strong labor force into the system. Thus, free democracy was realized without shedding blood or causing a major upheaval. Will China deal with the social changes stemming from its recent but rapid economic growth in an authoritative, uncompromising and conservative manner, Professor CHANG asked. This issue needn't involve the emergence of a revolutionary class, he said, but whether the ruling class will share its power with other classes. In South Korea, the changes of industrialization were addressed by resistance from the bottom and compromise or concessions from the top. If lessons are learned from the successful democracy in place in late-industrializing countries in East Asia, China's economic system may have the potential to move toward a relatively free and democratic model.

South Korea-China relations face a serious economic problem, the Professor said. Until now people thought that South Korea depended greatly on the United States, but this perception is now shifting, and now more people believe that the South depends primarily on China. China is not yet fully aware of this, the Professor said, and because of continuing strain in relations between North and South Korea, China still views Seoul as an agent of the United States.

Need for growth that values quality over speed

QUAN Shunji, Chairman of Sino-Korea Enterprise Sociality, said that it was especially meaningful to be discussing views with specialists on cooperative advancement in the Asia-Pacific region on the 20th anniversary of the establishment of diplomatic ties between South Korea and China. Since its entry to the WTO, China has advanced at a rapid pace, and is now the world's top exporter and second-largest importer. The country's top products are steel, cement and coal, Chairman QUAN noted, though it also exports a lot of clothing, food and meat. It is the largest manufacturing country and at the same time a huge consumer market. The whole world is focused on China's economy, and no one more so than its two neighbors, Japan and South Korea. China is one of South Korea's most important trade partners with trade volumes of USD 250 billion, which

South Korea-China relations face a serious economic problem. Until now people thought that South Korea depended greatly on the United States, but this perception is now shifting, and now more people believe that the South depends primarily on China.

are expected to top USD 300 billion by end of this year.

Chairman QUAN said that Professor LI's presentation on China's policy for the development of its western region was very helpful for business leaders in understanding China. For the past few decades, China has been pursuing rapid growth, he said, but now it is entering an era where greater value is placed on quality than pace. Many problems have emerged in Chinese society due to its rapid growth, making now the ideal time to reduce that speed. Chairman QUAN added that China is determined to carry out open door policies in future and asked for everyone's understanding on this.

Important of Chinese global leadership

JEUNG Duck-Koo, Chairman of the NEAR Foundation, said that China is also being affected by the crisis in Europe, America's slow recovery, as well as the slowdown and frustration in the Japanese market. As it approaches the level of USD 5,000 GDP per capita, China faces a transitional period where economic issues are folding into social and political issues. Chairman JEUNG said that China has a system where capitalism and socialism are sewn together like a baseball, and the country must be increasingly concerned about its sustainable development. It is obvious, he said, that China is worried about how to both create policies and implement them.

The substitution effect increases when a portion of the national income rises, Chairman JEUNG said. Unbalanced growth, however, may generate anger. An effective political system can stop complaints from turning into anger, he said, and an increasingly worried Communist Party leadership is keenly aware of this.

China's case can be described, Chairman JEUNG said, as "compressed advancement," in which the pre-modern, modern, and post-modern coexist. In development economics, when high growth countries that depend heavily on foreign trade reach a certain level of economic attainment, they face a clash between open door policies and underdeveloped areas. If this happens, a state of crisis may arise. Chairman JEUNG asked whether

China will be an exception to this rule. The country appears to be keenly watching the difficult road that other middle income countries faced, while benchmarking South Korea. Another factor is that world political leadership is shifting. New leaderships are soon to take office across the world, Chairman JEUNG said, and how this will affect China, and how China will respond as a global leader, are two key questions.

Chairman JEUNG said that China is like an oversized cabbage. In scope it is big enough to be one of the “G2,” but it lacks substance compared to the United States. In its effort to secure resources and transportation, it is inevitable that China will clash with the United States and its Western allies. Because it has seen the collapse of a hard power nation like the Soviet Union, its primary task is to become a major soft power. It is in the process of moving from a government-led economy to one that is centered on the market. But, Chairman JEUNG said, China must remember that while the market can be an angel and a savior, if it stays too long, it can also become a tyrant.

If South Korea is a small building, Chairman JEUNG said, China is a big building standing next to it. For this reason, Korea cannot but be concerned for its safety. In this regard, Chairman JEUNG said that he hopes for further cooperation between the two countries in the future. He said that despite significant material exchanges over the last 20 years, the gap between the two peoples has not been narrowed much. Programs like the Jeju Forum can help narrow this gap, Chairman JEUNG said, as well as build trust between the two countries. China’s progress will contribute to peace in East Asia and South Korea’s past experience can also contribute in this regard.

Professor LI Yi Ping stressed that the Chinese people also value the relationship with South Korea, and this relationship may influence China’s future direction. In solving its own problems, China is trying to learn from South Korea’s economic growth model. However, many capable people are still choosing to go overseas and innovative ideas are slow to emerge – problems that can be attributed to China’s education system.

Professor LI added that innovation is especially strong

Many problems have emerged in Chinese society due to its rapid growth, making now the ideal time to reduce that speed. China is determined to carry out open door policies in future and asked for everyone’s understanding on this.

among Israelis because they combine religion and education. While the key issues are what kind of education or what educational content is most suitable, the Chinese system concentrates too heavily on college entrance because of administrative issues. In China, innovation in research and development is also closely linked to problems of adequate distribution of science and technology resources. Interference by the government often takes the form of excessive administrative intervention, the Professor said, and the private sector also needs to undergo change. Indeed, investment issues and other concerns prompt many Chinese to go overseas.

Regarding China's socialist system, there are major differences of opinion among the country's scholars, Professor LI said. Indeed, it is often hard to tell whether the economy comprises mixed ownership or a co-ownership, as the Communist Party insists. Though the number of private businesses has increased, they play a far smaller role than in other market economies, the Professor said, with debate raging on how such companies should even be defined. The fact that politics is not changing when so much change is happening economically does not make sense. When there is a transition of power, Professor LI said, both politics and economics will become more modernized.

POLICY IMPLICATIONS

- China has achieved quantitative advancement to a level that it can be considered a G2 country. But it is still struggling with the problem of realizing qualitative growth. The gap between China and the United States is still very wide. Not only this, China also lacks the substance to create more compelling content. In future, China is expected to focus on transforming its economic growth pattern and elevating the quality of its products to their optimal value. Meanwhile, private businesses and companies must concentrate on strengthening their self-sufficiency, rather than relying on policy benefits from the government. China needs both to complete its market economy, and establish a new economic growth pattern.
- As China stands on the verge of attaining per capita GDP of US\$5,000, China is in a transitional period, where its economic concerns are becoming social and political issues. At a time of new leaderships taking power around the world, China's direction will greatly affect peace in East Asia and the entire world. For this reason, China must reflect deeply on the effect its economic, social, and political issues will have on the global stage, and also strategic areas for coexistence and cooperative relations with South Korea.

EDITED BY

CHO Woo-jin Professor,
Tama University

CHANG So-young Director,
Korea Human Development
Institute

NEW PARADIGM OF JAPANESE COMPANIES AND MANAGEMENT

Korea Human Development Institute

Japanese economic size has been significantly reduced, from a G2 to G3 economic status, as a result of the ‘lost 10 or 20 years’ that lasted through the 1980s and 1990s. The earthquake in East Japan and the tsunami in March of 2011 devastated the Japanese economy. We forecasted the future of the Japanese economy by taking a look at the newly emerged Japanese economic policy and a new paradigm for business management, awakening from a long period of depression and the survival of crisis and natural calamity.

MODERATOR

KIM Young-ho Chair Professor,
University of Dankook

MAIN SPEAKER

KOMIYAMA Hiroshi Chairman, Mitsubishi
Research Institute, Inc. / President
Emeritus, The University of Tokyo

DISCUSSANTS

KIM Do-hyung Visiting Professor,
Dongseo University

YOSHINORI Funato President & CEO,
Asia Alliance Holdings

CHO Woo-jin Professor, Tama University

MOON Kook-hyun President, New
Paradigm Institute

KOMIYAMA Hiroshi, Chairman of the Mitsubishi Research Institute, discussed how Japan is dealing with its key challenges in the 21st century, and its vision of a “Platinum Society.”

Chairman KOMIYAMA began with the premise that the main topics of the 21st century are “finite earth, aging society and abundance of information.” He explained that this finite world is overpopulated, meaning that demand and domestic consumption are also saturated.

He added that the world is aging fast, as is Japan itself. Low fertility is a problem that needs to be addressed, he added. Considering that more people are living longer and healthier lives, defining the economically active age as 15 to 64 is no longer appropriate: it is necessary to create a dynamic society that will include the activities of the elderly.

Chairman KOMIYAMA then explained what Japan is doing about this in the 21st century. First, he discussed how Japan experienced an energy crisis in the 1930’s but was able to overcome it through efforts for the effective use of energy. Second, the chairman said that Japan has tried to pursue ways to improve the quality of living and put forward the concept of a “Platinum Society.” He predicted a time when all the peoples of the world will be able to enjoy the benefits that only advanced

countries have today, a development that will be led by local, rather than national, governments, with people pursuing quality of life rather than material wealth.

Third, Chairman KOMIYAMA discussed the recycling of energy and the revitalization of forestry.

As mineral resources get used up, the recycling of other resources will become increasingly important, with Japan and South Korea taking the lead in solving these issues. This idea, he said, lies at the heart of the 'Platinum Society': the realization of a green revolution through 70% energy, 70% mineral, 70% food, 100% wood, and 100% water. To this end, it is necessary to secure ecological, self-sustaining resources and a society in which the elderly play a central part. It will be, Chairman KOMIYAMA said, abundant in spiritual happiness, rich in substance, and with plenty of job opportunities. Mentioning the concept of "limited growth" Chairman KOMIYAMA said that Japan is currently facing this problem, but having overcome similar challenges in the past, the country will be able to achieve "growth without limits."

The world is aging fast, as is Japan itself. Low fertility is a problem that needs to be addressed. It is necessary to create a dynamic society that will include the activities of the elderly.

Debate on the Vision for a "Platinum Society"

In the debate that followed, **Professor KIM Do-hyung of Dongseo University** said that by reducing its greenhouse gas emissions by 25%, Japan has demonstrated global leadership. However, this reduction is being met with great controversy among industry leaders in Japan, who fear the policy will diminish their international competitiveness. The Professor added that the Japanese government has faced limits on its emissions reduction drive, as the industries targeted most directly by it are already facing serious problems. Japan also faces major challenges in improving its services, where it lags far behind the United States, and opening its agricultural and fishing industries. Japan is delaying the opening up of its low-yielding industries, the Professor said, and if the burden on the generation supporting the Platinum Society gets too great, the generation gap will become wider and even more difficult to overcome.

CHO Woo-Jin, Professor of Tama University said that from the environmental, technological, and civilizational points of view, local governments are taking the lead in creating a Platinum Society – which is a significant development. He added that innovation in Asia must take place through exchanges and communication between the regions.

KIM Jin-hyun, Chairman of the Construction Committee of the National Museum of Korean Contemporary History, said that after reading the book *Sustainable Technology of the World*, he became impressed by the optimistic view held by the mainstream in the environmental debate. The discussion starts from a global perspective, he said, but ultimately emphasizes the role of local governments in solving problems – a refreshing approach. Chairman KIM stressed that a common problem for Japan and South Korea is that their territory is limited relative to the population, so local governments must work toward self-sufficiency.

MOON Kook-hyun, President of New Paradigm Institute, congratulated Japan on its ability to reinvent itself, citing the example of Toyota overcoming crisis to reclaim its position as one of the world's best companies. On the Platinum Society, he said that it was an excellent vision that utilizes natural resources, creates a sustainable society and takes into consideration mankind and the region.

POLICY IMPLICATIONS

Things cannot continue as they are. There are many problems, including economic crises, environmental issues, and the over-exploitation of natural resources. At present, importance is only placed on the economy, but there must be a paradigm shift. Advanced countries are now starting to pursue growth that takes into consideration the environment and genuine improvements to the quality of life. Efforts should be centered on local governments, not dependent on the central government. Technological innovation is desperately needed, as are an optimistic vision and strong determination. Efforts and wisdom must be focused to realize a growth paradigm that goes beyond the limits of growth. Also, South Korea can overcome crises it may face by learning from the difficulties countries such as Japan have faced.

EDITED BY

Alex KWON Korea Human
Development Institute

ENERGY CRISIS AND THE KOREAN ECONOMY

Korea Human Development Institute

As high oil cost derived from the US-Iranian conflict continues, an energy crisis is approaching to the world due to the strong possibility of an Iran-Israel-US military conflict focused on the prevention of Iranian nuclear weapon development, and the nuclear power reactor incident in Japan caused by the East Japan earthquake and tsunami. A monopoly on natural energy resources by China, which has emerged as G2 economy, has also heightened concern regarding an energy crisis among East Asian countries. In a spirit of openness brought by waves of democratization known as the 'Jasmine Revolution' among oil-producing Middle Eastern countries, we discussed the future energy policy for the Korean economy by focusing on the energy crisis and its prospects.

MODERATOR

CHANG Man-key Chairman, Korea Human Development Institute

MAIN SPEAKER

LEE Kwan-sup Deputy Minister for Energy & Resource Policy, Ministry of Knowledge Economy

PRESENTERS & DISCUSSANTS

WHANG Joo-ho President, Korea Institute of Energy Research

SHIN Jeong-shik Chair Professor, Chung-Ang University

LEE Kwan-seop, Director General of Energy and Resources at the Ministry of Knowledge Economy, began by noting that energy prices continue to soar, and that the connection between energy and the world economy has never been more important. Director General LEE emphasized the importance of energy by quoting a German scholar who said that "if there is ever a Third World War, it will be an energy war." Exacerbating this situation, the closure of the Fukujima nuclear power plant following the accident there has triggered a price hike in natural gas in Japan. South Korea, too, must bear the burden of rising energy costs. Director General LEE said that securing the development of renewable energy is extremely important in the long run and at the national level; for this reason, energy policies are important and efforts must be focused on new alternative energy and ways to solve problems related to climate change. Because the oil prices are so volatile, the energy security war is becoming a big issue worldwide. Recent oil price hikes began in early 2008 with prices going up to USD 143, before stabilizing after the Lehman crisis. Due to advances in technology, 300,000 more barrels can be produced per year, translating to an additional 1.5 million barrels over the next five years. This, Director General LEE, said is like seeing the creation of a new oil-producing country equal to Kuwait. In addition, with the

extension of the Panama Canal in 2015, transportation costs from the eastern United States should fall dramatically, boosting the energy competitiveness of the United States.

Speaking about electricity supply and demand in Korea, Director General LEE said that special measures had to be announced a month earlier than in previous years. Backup power should remain at 4 million KW for most of the summer, Director General LEE said; during the third and fourth weeks of August, this is likely to drop to 1.5 million KW. Keeping backup power closer to the safer figure of 5 million KW will require a concerted effort from the entire population, he said.

Director General LEE then presented measures the Korean government is implementing to deal with the situation. Director General LEE first emphasized that to secure energy supply that is stable, energy conservation is essential. The government plans to increase development of petroleum and gas to cover 35% of its needs by 2020, and must develop large new mines to do this. For now, he said, the government has no choice but to try to manage a stable supply of energy until alternative sources that can stabilize electricity prices, reduce greenhouse gas emission and provide adequate electricity supply, become economically viable. One government initiative, called “the fifth energy,” encourages energy efficient by managing energy costs, and is expected to improve energy efficiency by 47% by 2030.

Director General LEE discussed the shutdown of the Kori NPP (nuclear power plant) Unit 1 and how the incident was concealed by managers, as well as the fire at the Boryeong Thermal Plant, which also caused a power shutdown. He said that such incidents showed the need to improve the system for a safe and stable energy supply. The Ministry has plans for a mid- to long-term energy safety measure in which a special private/public joint committee will carry out safety inspections of all energy facilities including nuclear, petroleum and gas installations. The government will also work toward advancing areas of renewable energy, as well as increasing exports of nuclear energy.

The global situation is becoming ever harder, Director General LEE said, thanks to the economic crisis in Europe and growing

Securing the development of renewable energy is extremely important in the long run and at the national level; for this reason, energy policies are important and efforts must be focused on new alternative energy and ways to solve problems related to climate change.

energy demands by China. South Korea will this year construct an additional solar energy facility with 100MW of power, carry out early implementation of the Renewable Portfolio Standard (RPS), further invest in R&D for solar energy, and also implement various measures to strengthen the competitiveness of companies involved in the sector. The government is also working on making nuclear energy technology that is 100% homegrown (currently 95% of the technology is Korean) and fostering experts in this area so that nuclear energy will become one of Korea's key export industries.

Finally, to reduce greenhouse gas emissions and change into a low-carbon industrial structure, the government has set mid-term goals including the implementation of CCS (carbon capture and storage), energy storage systems (ESS), smart grids, and ESCO (energy saving companies). All these projects have been chosen to minimize any harm to industrial competitiveness, while also fostering new energy industries and industries that reduce carbon emission and enhance energy efficiency, Director General LEE said.

WHANG Joo-ho, President of the Korea Institute of Energy Research, said that South Korea could be saving USD 100 billion by using nuclear energy as an alternative to importing energy. This is close to the amount that was needed to bail the country out following the East Asian financial crisis in the late 1990s. President WHANG said that price volatility makes it very difficult to predict demand. He agreed that there is no future without energy and that historically, the discovery of new types of energy has caused revolutions. Because it is dangerous to have investments dictated by oil prices, it is imperative to pursue a policy of distributed power that controls greenhouse gas emissions and provides a stable supply of electricity. The distribution rate of renewable energy in 2006 was 2.5% rising to just 2.8% in 2010 only 2.8% – thus remaining at a standstill.

President WHANG emphasized that it is necessary to make clear which organization is in charge of such policies, and a concrete plan assigning responsibilities is crucial as well. Though he has not been asked what percentage of national policy goals he has met since he became president of the institute, President WHANG said that he will make every effort to meet goals her sets in future, such as a 10% reduction in greenhouse gas emissions. He stressed that it is crucial for the government and affiliated research institutes to work together.

President WHANG said that without energy resources, it is impossible to implement various portfolios. He said that carbon energy, the major cause of climate change, will continue to be an important source of energy for another century. He added that claiming to be competitive just by producing and assembling hardware, which may have weak source technology, was doomed to failure. For the industry to develop solidly, systems must be adequate, with more than just one company in charge of production for exports. President WHANG concluded by saying that the technology for energy preservation and efficiency is very important, and that from next year there will be concentrated investment in this area.

SHIN Jeong-shik, Chair Professor of Business at Chung-Ang University, said that there are three or four mega-trends in the world economy, of which the top two are job creation and low carbon green growth. Discussing the future of Asia at the Jeju Forum is extremely timely, he added. Professor SHIN stressed that the government needs to focus on the creation of a green growth market. He predicted that if low carbon competitiveness can be nurtured with a strong global brand, the resulting business could become as big as Samsung. The problem of electricity supply has reached dangerous levels, Professor SHIN said, adding that managing energy prices is more important even than consumer pricing. He also stressed that the government must take the initiative in protecting the ecosystem by carrying out low carbon green growth.

EDITED BY**CHO Woo-jin** Professor, Tama University**KIM Jin-seong** Korea Human Development Institute

LONG-LIVED COMPANIES AND CSR

Seoul School of Integrated Sciences & Technologies

In recent decades, shareholder-centered management practices and intensified competition between companies have adversely affected the average corporate lifespan. That is why, more than ever, corporate sustainability is emerging as the most important challenge along with corporate social responsibility (CSR) which emphasizes meeting the varied interests of stakeholders while contributing to social welfare and environmental protection for long-term survival. In this session, we learnt lessons from long-lived companies across the world, sharing ideas for co-existence and co-prosperity of businesses and society, and discussing applicable CSR practices.

- Management for sustainable businesses in the changing corporate environment
- Review of sustainability of long-lived European (or Japanese) companies
- Results of Korean companies' CSR practices

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MODERATOR

AHN Se-yeon Research Professor,
Corporate Research Center for
Longevity of Seoul National University

PRESENTERS

PARK Je-hwa Vice Chairman/CEO,
Dongwha Pharm. Co., Ltd

KANG Min-soo Vice President, S-OIL
Corporation

LEE Kyung-muk Professor, Seoul
National University

CHO Dong-sung Professor, Seoul
National University

DISCUSSANT

LEE Yoon-chul Professor, Korea
Aerospace University

YANG Oh-suk Professor, Handong Global
University

CHO Dong-sung, Professor of Business at Seoul National

University, began by asking whether it is appropriate to judge the value of a company merely by looking at its financial performance. The professor said that in his book *Good to Great*, author Jim COLLINS said that good companies must work hard in order to become truly great companies. A typical yardstick is having a financial performance that surpasses the market average, but Mr. COLLINS' book demonstrated that many companies with world-beating financial figures had gone bust as little as 10 years later. Thus, Professor CHO said, financial performance is clearly not the be all and end all. To survive as a long-lived and successful company, corporations must also command the respect and even affection of their customers, Professor CHO said.

PARK Je-hwa, Vice-Chairman of Dongwha Pharmaceuticals, gave a presentation on the history and unique DNA of of Dongwha, which is the oldest Korean company still in existence today. He introduced the social contributions made by past

CEO's and said that since its establishment, the company has maintained a management philosophy of social responsibility, thereby generating genuine affection among the public.

To survive as a long-lived and successful company, corporations must also command the respect and even affection of their customers

Established in the late 19th century, Dongwha Pharmaceuticals was originally set up to distribute previously secret royal medicines, which the palace had released to the public as part of a wider move toward enlightenment. The company has continued to grow with its main brand, the 'hwal-myong-su', for the last 115 years. According to Vice Chairman PARK, Dongwha means "if the people unite, we can all live well," and this remains the company's central value. Past CEOs have contributed to society by supporting the independence movement, for example, and more recently it has modernized its facilities and research institute in a bid to expand overseas.

Dongwha's four business philosophies, said Vice Chairman PARK, are based on the spirit of the dong wha revolution, an important factor in its long history. The four philosophies are: "consumer oriented," "ethical management and degree of management," "respect for talent," and "admit mistakes (business innovation)." This is reflected in the company's making products that conform with the ideal of selling only the best quality medicine to consumers. Also, through two types of leadership (in the pharmaceutical industry and brand-wise), the company secured its position as a long-lasting company. In the pharmaceutical industry it has worked to produce medicine that embodies physical wellbeing, love of country, the success of a Korean national company, and sustenance of the Dongwha spirit. In brand leadership, it has continued to pursue consumer oriented products, the promotion of its mission as a national enterprise, and brand assets.

Lastly, Vice Chairman PARK said that Dongwha is developing and implementing programs to promote flexibility within the organization as well as management that focuses on the happiness of staff. Vice Chairman PARK concluded by saying that the company will continue to sustain and develop its time-honored DNA.

KANG Min-soo, Vice President of S-Oil, presented the content of activities on sustainable business management, with particular emphasis on its strategic systems. He said that S-Oil conducts business based on the finite resource of petroleum, and so issues of sustainable development are always at the forefront of discussions and planning. He said that S-Oil has been recognized both domestically and internationally for its sustainable business, and proceeded to explain how this came about.

In 2009, S-Oil established what it called a sustainable strategic system, which formed the basis for the direction the company would take. The company drafted action plans for each department and, based on these, established a strategic system for its mission of growth from sustainable

Being a long-lasting company include stable growth, sustainable capabilities, transfer of knowhow or capabilities from generation to generation, and adaptation to change.

profits. The strategic system is divided as follows:

- 1) Investment in refinement business (petroleum refining activity)
- 2) Reinforced investment in integrated petrochemical business
- 3) Advance to renewable energy business

The company sought a mission statement, Vice President KANG said, and concluded that its existence was summarized as CEO, or “Customer, Employee, Owner and Stakeholders.” The company researched what is expected from “CEO” and came up with seven strategic tasks. S-Oil is now carrying out economically, socially and environmentally sustainable business management with these in mind.

Vice President KANG’s presentation focused mainly on socially sustainable business management, which is key to S-Oil’s social contributions. This is carried out based on three principles: authenticity, efficiency, and timeliness. Such activities have been recognized both domestically and internationally and S-Oil has received various awards. However, Vice President KANG said, the sustainable business management that S-Oil pursues is ultimately focused on its employees, and it wants everyone to feel satisfaction from taking part in these activities.

LEE Kyung-muk, Professor of Business at Seoul National University, discussed long-lasting corporations and social legitimacy, based on the presentations given at the session. He gave absolute and relative definitions of what a long-lasting corporation is and its pros and cons.

- 1) Absolute definition: definition based on the year of its establishment
 - pros: high reliability and validity in measuring “long-lasting”
 - cons: research is only possible into companies from industries that have existed for a long time
- 2) Relative definition: definition based on average span of industry
 - pros: research is possible on all industries
 - cons: problems of reliability and validity in measuring “long-lasting,” problem of defining industry, problem of

calculating average span of industry, problem of assessing how long is considered “long-lasting” relative to other companies.

The Professor added that the conditions of being a long-lasting company include stable growth, sustainable capabilities, transfer of knowhow or capabilities from generation to generation, and adaptation to change. In addition, businesses must be able to secure social legitimacy, and to do so, they must satisfy the expectations (economic, moral, legal, and discretionary) of stakeholders.

LEE Yoon-chul, Professor of Business at the Korea Aerospace University, said that not only corporations, but also the staff themselves must have their own legitimacy. This, he said, referred to the eyes and brains behind the strategy and planning of the corporations. He added that he wanted to stress the heart, representing authenticity, because without it, it is difficult to overcome difficulties or get help when you need it. CSR (corporate social responsibility) is the ability of businesses to bring together hearts, a tough but crucial task. The heart is every bit as important as the eyes and brains, Professor LEE said, and work must be done with a warm and passionate heart.

YANG Oh-suk, Professor of Business and Economics at Handong Global University, said that in his present research he has found many aspects in common between old Japanese corporations and long-established banks in the United Kingdom. This, he said, is an aspect that will be of great interest to businesses.

Not only corporations, but also the staff themselves must have their own legitimacy. This referred to the eyes and brains behind the strategy and planning of the corporations.

EDITED BY

HONG Su-hyeon Senior Researcher, Institute for Industrial Policy Studies

CULTURAL CONTENTS AND TOURISM BRANDING

China Magazine

With the Korean Wave sweeping through China, and the Chinese government placing considerable weight on the cultural industry as they gain more national power, we sought ways to reinvigorate exchange between Korea and China in a manner that is future-oriented and mutually beneficial for both countries, through examining specific cases of Korea-China exchange in the areas of tourism and culture.

Currently, the focus of the global tourism industry is that of Chinese tourists, and with this in mind, we contemplated the size of and outlook of the Chinese tourism market, examined the status of and problems with Korea-China exchange in terms of tourism, and sought solutions.

When we discuss tourism, we intend to move away from simple sightseeing trips. Through this session, we explored case studies of tour packages that were tailored for each customer with multiple themes that blends both experience and activity with culture or art content, which led to sustained growth of the tourism industry. Through this, we identified a desirable future direction for the tour industry, such as the development of a brand of products that combines tourism with culture.

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MODERATOR

KIM Ock-rang Chairman, Ockrang Cultural Foundation

PRESENTERS

HUANG Fu Shui President, Hongfu Group

LI Zhu Yuan Chairman, CITS International M. I. C. E. CO., Ltd.

Jannings W. LEE President, Believe It or Not Museum Jeju

PING Hui President, National Film Capital

LI FangRui CEO, JingZhu Tibetan Medicine Group Co.,LTD

KANG Han-seop Professor, Seoul Institute of The Arts

Keywords

Multi tourism industry, tourism brand, Korea-China cultural alliance, integration of capital and contents

HUANG Fu Shui, President of Hongfu Group (温都水城), a hot spring theme park in Beijing, said that the success of his theme park can be attributed to 1) long cultural history, 2) clear and distinctive themes for tourism products, 3) pursuit of a synergistic fusion of tourism and culture, and 4) extending the brand to other regions. He particularly emphasized that by transferring his brand, capital and management knowhow, he was able to show that the success of his hot spring facility can be applied to other areas, contributing to the development of tourism and the economy elsewhere, too.

LI Zhu Yuan, Chairman of CITS International M. I. C. E. CO., Ltd., made his presentation on Meeting, Incentives, Convention Events and Exhibitions(MICE), and China's and South Korea's competitive strengths in this area. Discussing China's standing in the MICE industry, he said that compared to advanced countries, China's MICE infrastructure is at a low level, but that it has reached high standards in industrial

areas, where it can make full use of new facilities and processing techniques. Every year, he said, many Chinese companies send their employees on incentive tours either domestically or

China's MICE infrastructure is at a low level, but that it has reached high standards in industrial areas, where it can make full use of new facilities and processing techniques.

overseas. Considering the huge Chinese population of 1.34 billion people, this is a very big MICE market for Korea, which needs to do more to capitalize on this opportunity.

Further discussing South Korea's strengths in MICE, Chairman LI said that while the United States and other Western countries offer excellent facilities and a high level of sophistication, South Korea is very close to China and has other cultural attractions, such as Hallyu. It also has the capacity to host major global events like the Yeosu Expo, attesting to its outstanding infrastructure and service.

Lastly, Chairman LI said that South Korea's key rivals in the MICE industry are Singapore, Hong Kong and other countries close to China. He provided three pieces of advice on how South Korea can improve its competitiveness to prospective Chinese consumers. First, places like Jeju Island, selected as one of the New 7 Wonders of Nature, should be more widely publicized to the Chinese people. Second, branch offices should be set up in China so that they can take on PR activities aimed at Chinese people. Third, administrative tasks, like visa processing, should be handled expeditiously, making it easier for large Chinese tourist groups to visit South Korea.

Chairman LI provided a specific example for the MICE industry, saying that the Bao Jian Group, a very big corporation in China, talked about a visit to Jeju in 2011, generating a huge amount of publicity in both the South Korean and Chinese media.

KANG Han-seop, Professor of the Seoul Institute of the Arts, said in his presentation that South Korea and China must establish a cultural alliance and promote industries related to culture and tourism. The two neighbors have many interests in common, Professor KANG said, and have maintained close and intimate yet at times antagonistic relations. At the moment, in certain industries, the two countries can be hostile to each other. However, he said that it serves neither of their interests for China and South Korea to squabble in the limited Asian market. Rather, the Professor suggested, the two countries should create a cultural alliance and go beyond Asia to compete in the wider world.

Professor KANG said that movies like *My Way* or *The Promise*, which were Korea-China joint productions, failed to draw audiences because they succeeded only in bringing capital investments together, not cultural fusion. The two countries must pursue cultural fusion and when this happens, he said, they will both be able to reap significant economic results at the global level. At the same time, this will promote a deeper understanding of each other's culture through

The problem is that the Korean movie industry has a very small domestic market.

exchanges.

Professor KANG said that an international film fund is currently being put together that will help foster young talents in film academies in both countries. He introduced “Let’s Make Love Story,” an event that, for one week in August, will bring together youths from South Korea, China and Japan. He said that these exchanges will further invigorate cultural fusion among the three countries.

PING Hui, President of the China National Film Capital, introduced his organization and spoke about the pros and cons of the film industry in China and Korea. He said that his organization is entering its second year, following a first year in which it created high revenue from investing in movies starring many famous Chinese and foreign actors. He said that his organization is planning to create even greater profits with systematic financial products and will be investing in promising directors and screenplays.

The movie fund is providing new momentum for growth so that small movie productions or young, talented directors with brilliant ideas but no money can produce good quality movies. For numerous reasons, producing high-quality cinema is difficult in China, President PING said, so Chinese movies are often not very popular among Chinese spectators. To counter this, joint ventures select good screenplays, expert crew and advanced techniques from the West to create top-notch Chinese movies.

President PING then discussed the pros and cons of the South Korean movie industry. South Korea boasts excellent screenplays and licensing is easier than with Japanese movies, he said. For this reason, it is easier for the South’s films to be successful in China. The problem, however, is that the Korean movie industry has a very small domestic market. For example, the Korean movie *Quick*, released in 2011, attracted just 3 million viewers despite critical approval. In China, on the other hand, even a turkey of a film will easily garner 10 million in ticket sales. This market potential creates further market effects. Accordingly, if South Korea and China were to make movies together, it

would produce high-quality movies for a potentially enormous audience. President PING said that his organization has recently invested in two Korea- China joint products.

LI Fang Rui, CEO of Jing Zhu Tibetan Medicine Group explained that his company uses medicinal herbs from Tibet, then processes them using modern pharmaceutical methods to produce medicines that treat cancer, leukemia and other incurable diseases. He said that though his company is a pharmaceutical company, it was able to utilize the name of his brand, “Jing Zhu,” to create a tourist product.

The Jing Zhu Tibetan Medicine Group joined hands with three top companies from other industries to create the “Superiority” union, which has penetrated the tourism industry by creating an investment fund. The union has invested within China, taken over an airport in Germany, and is also planning to invest in promising industries around the world. It is currently negotiating with several companies in Korea.

The last presenter, **LEE Jannings, President of the Believe it or Not Museum Jeju**, spoke about the changes in tourism brought about by the introduction of tourist content for use with smartphones. He also gave his views on how the tourism industry can create opportunities for new ideas and growth.

President LEE said that the tourism industry is changing from large-sized group tours to tours with thematic and cultural experiences for individuals. Tourism is changing to suit people’s individual tastes. There are shopping tours, Hallyu tours, cosmetic surgery tours and many people from China and all the way from Africa take advantage of such packages, further promoting Korean tourism.

President LEE said that to take the tourism industry a step further, it is crucial to develop new tourism trends using smartphones, which can create new products with innovative content, and websites.

President LEE explained that the Believe it or Not Museum on Jeju, which opened in 2011, is owned by famous global brands including Guinness, and that the museum chain acquires tangible and intangible artifacts from around the world that

The tourism industry is changing from large-sized group tours to tours with thematic and cultural experiences for individuals. Tourism is changing to suit people’s individual tastes.

are both entertaining and fun. He said that Believe it or Not Museums around the world hold a yearly conference to decide on items to be exhibited in each museum. Accordingly, all the museums around the world keep their displays fresh with a constant supply of new exhibits. The Believe it or Not Museum in Korea may only be one year old, President LEE said, but its many counterparts overseas have enjoyed big profits over the last 30 years.

POLICY IMPLICATIONS

- Need to create tourism product brands. Need to standardize success factors and create guidelines that can be used and applied in other regions.
- Need for appropriate combination and cooperation between culture and capital.
- Need to create cultural and social alliance between South Korea and China. Mutual understanding must be further promoted so that cooperative efforts will generate greater successes.

LOGISTICS INDUSTRY & DISTRIBUTION CHANNEL

China Magazine

In the business environment like China, with its vast land mass and rapid change, establishing a complete logistics system and appropriate distribution channels, providing consumers with products in a timely manner is the key to success.

E-commerce is becoming universal and we are witnessing the advent of an era of social marketing. Shopping malls and department stores are up-scaling and intermediate margins are being minimized as transactions increasingly occur directly between producer and consumer. Moreover, closer cooperation between online and offline entities and the utilization of real-time data for analyzing sales trends and managing customers are becoming the norm.

Against this backdrop, we invited business figures from various fields in China, such as indigenous and multinational logistics companies, and both online and offline distribution channels, i.e. department stores, franchises, telephone sales businesses and e-commerce, to share their success and failure stories. Through these examples, we discussed the experiences and matters of caution for tapping into the various Chinese distribution channels, on the basis of which we concluded a new business model with minimal risks.

MODERATOR

KIM Hyuk-kyu Chairman, EDD Holdings Co., Ltd

PRESENTERS

YANG Tao President, Ohill International. (U.K.) Ltd

ZHAO Huizhe President, UNITED S&S(BEIJING) INTERNATIONAL Co., Ltd.

LIU Yan Ning Vice Chairman, China Culture for the promotion of Nationalities Trade

PENG Hong President, China National Green Food Industrial Limited Company

LEE Sang-jo President, Yeosu Gwangyang Port Authority

Mu Qiang General Manager, QingDao YuanJian Service&Management Co., Ltd.

PARK Soo-jeon President & CEO, Eastajet

YANG Tao, President of Ohill International. (U.K.) Ltd. said that Jeju Island clearly embodies Korean culture and is a good foundation for South Korea's advancement. He added that South Korea's manufacturing, high-tech and cultural industries are important factors contributing to the global economy. President YANG further said that with 2.2 billion people now online, e-commerce is set to play an increasingly central role in advancing the world economy.

President YANG said that the key to e-commerce is competitiveness in distribution, which will have to change from how it's been done in the past. He cited three factors in distribution: first, it is changing from product-based to consumer-based. Second, it is transferring from the producer to raw materials. Third is the emergence of the third-party trader. Progress in all these areas, President YANG said, will be very ambiguous.

The Ohill President said that a variety of advanced technologies using GPS must be introduced in the distribution industry to ensure its sustainable growth. Currently, the distribution industry occupies an unusually big portion of China's GDP. Usually, with economic development, the cost of distribution gradually reduces, President YANG said, and the trend in China's distribution industry will eventually follow this trend, seeing gradual reduction of distribution costs.

He concluded by saying that in future, small and medium-sized distribution companies will take the lead in their respective regions.

Logistics as an Industry Leader in China

MU Qiang, General Manager of QingDao Yuan Jian Service & Management, said that his company, established in 1997, currently has six different brands, 600 franchises and is operating in seven municipalities. He said that from the beginning the company had considered franchising the company, and it has created a very effective franchise system. The company has set up a central production base with storage in Shantung that supports the different franchises, Mr. MU said.

Mr. MU said that the company's foundation for growth was undertaking joint ventures with well-suited companies, and that he is continuously introducing new management techniques and technologies. Currently, the logistics industry in China is advancing from a "12.5 development phase" to become a central industry. He added that the Chinese government had tackled many problems that were holding the logistics industry back, so Chinese companies were now well placed to compete on the global market. The best time to invest in the industry, Mr. MU said, is in the next five to 10 years, following which, such investments are likely to become much most expensive.

The Uniqueness of China's Logistics Industry

ZHAO Huizhe, President of United S&S (BEIJING) International Co., Ltd., said that China's logistics industry has experienced very rapid growth recently, and cited four key reasons for this. First, the importance of market economy has increased. Second, systematization has also been enhanced. Key markets in China have been set up and the big logistics companies are already well established. Companies that have focused on production in the past are integrating forward and backwards according to the value chain, but the cost of logistics still makes up a big portion of a product's final price. Third, the pace of open-door policies and activities is increasing: tens of thousands of multinational companies are now operating in China. Fourth, the modernization of distribution is proceeding apace. New technologies and new global management methods are being introduced to the industry. Cities like Qingdao and Tianjin are fostering logistics as their main industry.

President ZHAO also said that the logistics industry is greatly affecting the Chinese economy. To further pursue industrialization, China must continue to foster the logistics industry. Advanced

countries have already undertaken the modernization of their distribution channels, he said, but China is only undergoing this phase now. The logistics industry still lags behind manufacturing in China, President ZHAO said, and this may end up becoming an obstacle to the further development of the manufacturing industry. Logistics is a key component of tertiary industry, so its development is crucial to the continued growth of third industries.

Global M&A have also greatly influenced the logistics industry, President ZHAO said, while advances in the financial sector and the expansion of WTO regulations both generated a sense of crisis in China's logistics companies. The industry could also reap benefits from reforms in other existing industries, he said.

President ZHAO said that China has long been known as the world's factory, and that logistics will be a crucial part of moving the country further up the value chain. There will be new demands from traditional industries he said, and achieving progress in logistics will be all about creating high quality distribution with low distribution costs.

President ZHAO concluded by saying that now is a crucial time in the development of China's logistics industry. There will be challenges and opportunities ahead, he said, but he expected to see great advances in the future through such opportunities.

LEE Sang-jo, President of the Yeosu Gwangyang Port Authority, discussed South Korea's logistics industry. According to President LEE, Incheon International Airport is the world's 2nd largest international cargo airport by tonnage (T/S rate 50%) with 2.9 million tons of cargo handled over 992,000m² of land. Among South Korea's ports, Gwangyang Port and Busan Port are, respectively, the 16th and 5th largest in the world. Moreover, South Korea boasts the world's No. 1 shipbuilding facility.

President LEE also noted that South Korea has several free economic zones (FEZ), including major ones in the cities of Busan, Gwangyang, Pyeongtaek, and Incheon, and many multinational companies have set up offices in there. Yeosu Port, which ranked 16th in cargo handling capacity in 2011, is actively pursuing businesses with China and East Asia, while also operating a logistics hub that can accommodate manufacturing companies.

*Keywords**Korea-China aviation cooperation, growth phase of Chinese logistics market, growth of China's luxury goods market, early stages of China's distribution industry*

The logistics industry is greatly affecting the Chinese economy. To further pursue industrialization, China must continue to foster the logistics industry.

President LEE added that companies that are investing in the Gwangyang Port are reaping numerous benefits and advantages, not least rental fees that are cheaper than Tianjin and Qingdao ports. South Korea has created a business environment that is friendly to foreign companies, he said, with outstanding facilities and production rates.

Need for Greater Aviation Liberalization between Korea and China

PARK Soo-jeon, President of Eaststar Jet, said that domestic flights and international cargo are mainly handled by low-cost airlines, which have achieved huge growth rates averaging 88% per year. Low-cost airlines came into existence after travel to China was deregulated in 1994 and they have grown enormously; over the period, air transport between South Korea and China has increased 14 times. While more air transportation takes place between South Korea and Japan, China is catching up fast.

South Korea and China both benefit from the two countries' agreement on deregulating bilateral aviation, President PARK said. There are plans to extend operations to Shandong and Hainan, but further policy changes are required to help bring that about. While further liberalization and deregulation of the aviation industry is expected, President Park said, the two countries' low-cost airlines will also need to strengthen cooperation through hotel packages and other facilities in the future.

LI Bing-chung, Chairman of the Taebang Corrosion Science Co. Ltd. In Shantung, said that the purpose of his visit to South Korea was to pursue a joint venture with a Korean company. He said that he looks forward to working with Korean companies on large-scale projects to develop electrical power networks in China.

Another discussant, **WU Ba-to, Chairman of the China-US Economic Trading Promotion Association in the United States**, said that a new era of cooperation has arisen, and that the role of the logistics industry is becoming ever more important in moving from regional to global economic cooperation. Chairman WU continued that logistics and distribution are the heart and engine of economic activities, and the city of Hunan will be a center that transforms the Chinese economy. But, he said, the development of the western region of China is facing problems because of bottlenecks in logistics and distribution.

Chairman WU said that because Hainan Province lacks the capability for international transportation, it is currently trying to create this capacity by reducing its dependence on road and rail. Traditionally, it has been difficult in China's economy to depend on high cost means of transportation. So, with the growing importance of air cargo and transportation, the development of low-cost airlines has come at a very opportune time, he said. Chairman WU concluded by saying that while problems exist – largely due to the financial and returns systems – there are many opportunities in China's distribution industry.

POLICY IMPLICATIONS

- The future of e-commerce lies in improved governance between technology and existing industries.
- Franchising in China is at its early stages and South Korea companies are expected to penetrate that market soon.
- China's logistics industry is still at an early stage, so South Korean and other multinational companies should take this opportunity to secure China's commitment and the success of their businesses in the country.
- Mutual cooperation and liberalization of aviation and ports among South Korea and China is absolutely essential, and open policies toward logistics and distribution will eventually contribute to economic success.
- China's aviation market is still relatively closed, although an opening is expected soon. Opening up to low-cost airlines will both help the airline industry and contribute to bolstering ties between China and South Korea.
- For the Chinese economy to overcome the current global financial crisis, the country should develop an advanced logistics and distribution network linking its eastern and western regions.
- Central China is also a potentially huge market. Joint ventures with airlines would be an ideal way to begin exploiting it.

EDITED BY

HAN Jun Professor, aSSIST

BRAND MANAGEMENT AND EFFECTIVE MARKETING

China Magazine

China is becoming the world's largest consumer market, which in turn offers foreign companies great opportunities. As price competition becomes fierce, raising product awareness by providing a friendly image for consumers and enhancing brand value through social activities and PR strategies in line with consumer trends are important factors in marketing. Furthermore, these activities play decisive roles for increasing domestic sales and generating profits.

Through this session, we explored the unique and rapidly changing business environment of China, discussed the case of a certain company that has succeeded in brand management, suggested ways to develop and manage a top-ranking brand, and advised on marketing channels and techniques appropriate for China's business environment.

MODERATOR

QIU Yong Deputy Executive Editor,
Global Entrepreneur magazine

PRESENTERS

HUANG Yong-yi Chairman, GuiZhou
Maotai Liquor Industry Operation and
Management Co., Ltd.

NI Jie Chairman, LvYuan Investment
Holdings Group

SONG Guo Xing President, ShanDong
ShanTai Group Co., Ltd.

KIM Hee-nam President, EDD Holdings
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SONG Eun-kyung President, BESECA
Company

HAN Xing President, Wise Way Public

JEON Yong-Joon President, Taejin
International Co.,Ltd.

Keywords

*brand culture, fusion of different industry
brands, new market for electric bicycles,
update of existing industries and
environmental protection, creating luxury
brands, developmental stages of China's
luxury market, new craftsmanship*

HUANG Yong yi, Chairman of GuiZhou Maotai Liquor

Industry Operation and Management Co., Ltd., said that

“brand culture is the spirit of the brand,” and added that modern industry is defined by brands. He said that all products have the right to become brands, and that even as an inventor develops techniques and elevates a product's quality through simple mechanical repetition, he is constantly considering how to create and improve the value of the brand. Without a brand, Chairman HUANG said, even delicious liquor is merely water.

Chairman HUANG explained that his company's Guizhou Maotai Liquor is one of China's best-known alcoholic drinks and has long been at the center of drinking culture in China.

Following the core of the Maotai brand, Chairman HUANG said that the company is in the process of developing both existing brands and new varieties. He added that the market for this kind of clear liquor is at its peak in China at the moment, so many products are vying for market share. Guizhou Maotai targets the medium- to low-end segment, Chairman HUANG said.

NI Jie, Chairman of LvYuan Investment Holdings Group, said that his company entered the Chinese car market in 1997 and has been developing products ever since. Saying that the company is now entering its “spring phase,” with some 2,000 franchises, the Chairman said that the engine behind his company’s success was the “LvYuan” brand, which the company created on its founding 15 years ago. The Chairman added that China’s electric car industry is now entering the second phase of its development, and that, in his view, the next big trend will be products that combine exercise and luxury.

SONG Guo Xing, President of ShanDong ShanTai Group Co., Ltd., said that his company is involved in six different areas of industry, and has targeted sales of CNY10 billion by 2015. He explained that his company produces a variety of products related to LED and the use of solar panels, and is expanding into agricultural production.

HAN Xing, President of Wise Way Public, said that brand management and effective sales are inextricably linked. Splitting them into discrete areas, he said, will result in the failure of your business, and investment in the brand should be closely measures against growth in sales. President HAN used the example of the Equus model being produced by Hyundai Motors. He said that the car’s success in China rests on the company’s ability to establish the model’s brand in the minds of Chinese consumers, a task that can be undertaken through understanding the targeted consumer through surveys of potential buyers. So far, he said, detailed information has been gathered through surveys with about 3,000 partners in the country. He continued that managing the brand is highly dependent on continuously managing the partners who position the brand. Mr. Han concluded by saying that in order to change Hyundai Motors’ image, the company is using diverse, high quality marketing methods.

SONG Eun-kyung, President of BESECA Company and member of the Presidential Council on Nation Branding, said that South Korea’s brand value among major countries ranks 15th in terms of “substance” and 19th for “image.” This means that the image people have of South Korea is weaker than its standing warrants, and a strategy is needed to address this. Among OECD countries, President SONG said, South Korea is slightly higher than the average for substance (101 against an average of 100), but marginally below the average for image (97). However, this represents a steady improvement over its image scores in 2009 and 2010, which came in at 89 and 93, respectively.

President SONG said that a survey conducted in 28 countries discovered that consumers would pay an average of USD 76.60 for a product or service from South Korea, against USD 100 if the product or service was from the United States, the United Kingdom or Japan. With Korean products, out of total score of seven, Korean cellphones got 4.92 points, personal electronics 4.88 points, home appliances 4.82 points, automobiles 4.59, tourism 4.47, and machinery 4.22 points. Foreign consumers who have experienced Korean culture were more likely to give a positive assessment of both the national image and the country’s products and services.

The image people have of South Korea is weaker than its standing warrants, and a strategy is needed to address this.

A luxury product, according to President SONG, is composed of factors including artistic content, craftsmanship, and national image. In order to survive as a competitive company, it is essential to focus efforts on the management of the brand. President SONG said that the four key factors for managing brands are: first, philosophy. The brand's spirit must embody the reason for the company's existence. Second, domain. It is important not to be identified with an ordinary business sector and the domain must be a comprehensive concept that incorporates emotional areas that can't be seen with your eyes alone. Third, capability. The capacity to do better than others must be expressed and displayed in the domain. Fourth, benefit. The brand must incorporate the benefits it can provide not only to customers inside and outside the country, but to society as a whole.

President SONG said that the foundation for a brand must be provided by making the philosophy and vision of the company very clear. Moreover, as a portfolio strategy of a project or business is set, the status and role of each brand must be established along with a mutual management system. Also, President SONG said that a substantial and effective method for managing brands must be set up whereby they are arranged, in operational terms, from the perspective of the consumer. This means establishing a comprehensive new system that assesses the value of the brand along with performance, rather than relying on traditional methods of only measuring revenue and market share. CEOs and executive leaders must improve their capacity as brand managers in order to realize brand based management, President SONG said.

KIM Hee-nam, President of EDD Holdings, said that China is a booming market for luxury items, with demand growing by around 20% per year. He added that despite the global financial crisis in 2009, the Chinese market has continued to grow. President KIM added that the market for luxury goods in 2010 reached CNY 80 billion, a sum that is expected to top CNY 180 billion by 2015. The middle class in China is continuously growing, he said, and the number of people with assets over 10 million yuan reached 880 thousand in 2010. In the newly developed cities, he added, the consumption of luxury goods is also increasing rapidly.

President KIM continued that China's luxury goods market now accounts for 25% of global demand, making it the second largest market for luxury items after Japan. This huge popularity, he said, is largely down to spending biases Chinese people establish while overseas. At present, 20.4% of the purchase of luxury goods takes place while on tourism; 4.6% of the purchase is within their own countries. There was a rise of 20% per individual luxury items but prominent rise was on watches and bags. Cosmetics and perfumes make up 25.5% of the luxury goods market, with the top five brands in bags and jewelry accounting for 60.2% and 57% of their respective luxury goods markets.

President KIM said that the main force behind luxury goods consumption is younger buyers, who account for more than 70% of overall custom, a considerably larger proportion than in Europe and the United States. Of that figure, 73% are under 45 years of age and 45% are under 35. Those over 40, President KIM said, generally purchase luxury goods after learning about the brand through word of mouth or from newspapers from government organizations, while consumers under 40 learn about the products via the Internet and television. Chinese consumers also buy using overseas sites or other internet sales channels, and the amount they spend is growing fast.

President KIM also gave the following analysis of the different types of luxury buying pursued by Chinese consumers. In the past, he said, luxury goods were considered a means to flaunt wealth, but now the reasons for buying are becoming more diverse. Some people buy because they are very demanding for premium quality goods, while others do it to boost their self-esteem. Luxury goods are increasingly bought as gifts. Also, some 28% and 36% of luxury goods in major and secondary cities, respectively, were bought for business reasons – a proportion three times greater than in Hong Kong and Taiwan. Chinese people are increasingly buying their luxury goods overseas, with many of the nouveau riche travelling to South Korea or China on long-weekend shopping expeditions. President KIM concluded that with the right interaction with Chinese brands, there is great potential for South Korea to turn some of its JEON Yong-joon.

In the discussion that followed, **JEON Yong-joon, President of Taejin International**, said that the soul of a product is its quality. He said that companies can only succeed by leaving their consumers with an excellent impression. Good quality products are the basis of this, he said, and his company is focusing on creating a brand identity that will stir consumers' emotions.

As part of this effort, instead of employing famous celebrities, President JEON said that Taejin has been successfully using a fresh approach of "cultural marketing," which includes movie festivals, cultural exchanges, invitation of consumers to different events and exchanges. As part of Taejin's push into China, he said, the company took part in a cultural festival, which also included French brand Hermes, organized with the French Cultural Ministry at the Forbidden City. While securing a marketing channel in China is difficult, President JEON said, numerous foreign brands are already well established there. Taejin's big challenge is trying to enhance its brand recognition while also establishing a marketing channel. He added that South Korea, Japan and China should work together in creating an Asian brand in the future.

POLICY IMPLICATIONS

- For existing brands to break through, they need to fuse with diverse industries. New ways of management will also enhance the value of the brand.
- A brand tends to take on the image of the location, region or country. Thus, the development of a company's brand must be pursued along with the development of the country's or region's brand image.
- Aging societies call for new, innovative products such as bicycles of the future.
- Environmental protection and the prevention of pollution are laying the groundwork for major new industries.
- The use of solar panels in rural areas is an example of existing technologies being utilized to handle new functions in established industries. Technology is breaking down barriers and expanding into new areas, which will greatly contribute to economic development.
- South Korean companies must create luxury brands. This will require a variety of initiatives, including the development of national and regional brands.
- The luxury goods market in China continues to expand, and European and American products remain the dominant forces. South Korean products must enhance their brand image and penetrate the market within five years. Consumption patterns of Chinese consumers are changing and they are becoming far more discerning about quality. South Korean companies must take full advantage of this market in order to turn their products into luxury brands.
- The core to the success of a brand is being able to move the consumer, and craftsmanship is key to this. In such a competitive market, it is necessary to renew the spirit of craftsmanship
- Cultural marketing is a new and effective marketing method that can be clearly distinguished from existing marketing methods.
- The West is dominant in luxury goods; there is need to foster a voice that is more exclusively Asian.

LEAP TO BE A GLOBAL BRAND SPECIALIST!

Seoul School of Integrated Sciences & Technologies

Managers not only know the importance of brand management but also its social recognition in the sharing of strategies and vision in order to foster a strong and competitive brand. In this session, we discussed various aspects of branding: the firm, industry, region and country. We also discussed strategies to strengthen corporate or product brand value, a plan for the Korean Wave to continue to;

- A strategy to strengthen corporate-product brand value
- A plan for the Korean Wave to become a global cultural brand
- A plan to improve regional brand value through design innovation

MODERATOR

HA Su-kyung Vice President, Institute for Industrial Policy Studies

MAIN SPEAKER

CHOE Kwang-shik Minister, The Ministry of Culture, Sports and Tourism

PRESENTERS

SHIN Woo-chang Director, Research Institute in KOOKSOONDANG Brewery CO.,LTD.

LEE Soo-jin Director of Visual Communication Dept., Jeju Olle Foundation

The Status of Hallyu, its Potential Effects and Measures to Foster Hallyu

CHOE Kwang-shik, Minister of Culture, Sports, and Tourism, spoke on the theme of “The Hallyu Road: the creative fusion of the traditional and modern.” He explained that though the term “Hallyu Road” may sound unfamiliar, it refers to something like the Silk Road, the hugely important ancient trading route. Like the Silk Road, where Western and Chinese cultures first came into contact and traded, the Hallyu Road will be the route by which South Korean culture is turned into products and diffused to foreign countries.

Minister CHOE said that the term “Hallyu,” or Korean wave, was introduced in 1999 in the China Youth Daily <中國青年報> and was used to describe the boom in popularity of South Korean pop culture in China. The drama series *Daejanggeum*, or A Jewel in the Palace, provided the momentum to spread Hallyu across China, Japan, and then onto Southeast Asia, Central Asia and now the Middle East. Telling the story of a female cook in the Joseon court, *Daejanggeum* was set against a backdrop of traditional costumes, elaborate food, and historical architecture, thereby showing China, Japan and other regions Korea’s unique traditional culture.

From 1997 to mid-2000s many Korean dramas were

Keywords

Hallyu, traditional liquor, design innovation, globalizing the brand, Jeju Olleh

The industry that benefits the most from the Korea Wave is tourism. There has been a dramatic increase in tourists visiting places such as Nami Island that have served as settings for drama series.

exported and watched widely around the world, although none really succeeded in Europe and the West generally. But K-pop, Minister CHOE said, was a different story. Besides its ongoing success in Japan, large-scale concerts were held in Paris, Australia and elsewhere, providing the opportunity for Hallyu to finally make inroads into Europe. In contrast with the TV shows, which had generated a big fan base among older women, teens and 20-somethings began to enjoy Hallyu, Minister CHOE said, leading to the moniker of Hallyu 2.0.

Minister CHOE said that another effect of Hallyu is that it has encouraged people to learn the Korean language. While some people have decried the overt commercialism and hype surrounding Hallyu, Minister CHOE said, the trend has undoubtedly helped stir interest in other areas of South Korea, including its traditional culture and arts.

Citing one example, Minister CHOE said that SHIN Kyung-sook's novel *Please Take Care of Mom* has been translated and sold in 32 countries around the world, leading to greater demand for other Korean works. This can be attributed, he said, to an interest in Korean culture prompted by K-pop and Korean drama. Another South Korean cultural creation, *Little Penguin Pororo*, now has a viewership of 40% in France. French children who grow up watching Pororo, the Minister said, will learn that South Korea is the land of the little penguin and may also develop an interest in South Korean dramas and K-pop. In the long-run, he said, this will create a virtuous cycle.

According to Minister CHOE, the industry that benefits the most from the Korea Wave is tourism. There has been a dramatic increase in tourists visiting places such as Nami Island that have served as settings for drama series. The number of visitors increases by 1 million a year, he said, and the advancement of Hallyu is also benefitting the export of a range of other Korean products.

Minister CHOE said that people have been predicting the end of Hallyu for some time, giving it a life span of no more than five years. While Minister CHOE acknowledged this could happen, he thought it most likely to only affect K-pop, which may, like J-pop and Hong Kong movies before it, suffer from commercial

limitations. Because of this, he said, it is necessary to keep expanding the Korean Wave into other areas as well.

Minister CHOE said that Hallyu should now focus on Korean food. Korean restaurants can become a venue not just for trying Korean cuisine, but for seeing traditional Korean performances and costume, and experiencing Korean culture. He added that Hallyu must have a focused strategy, and that any new items embody elements of Korean tradition, to ensure they appeal to the widest possible audience. Dramas that combine the traditional and the new, like *Daejanggeum* and *Sun and Moon*, are good examples. They offer the attractiveness of South Korea, but combined with universal themes.

Lastly, the Minister said that when the traditional is merged with the modern, and resonates with a global audience, it will create a sustainable form of Hallyu encompassing the full range of cultural and artistic areas, including animation, gaming, literature, children's literature, visual arts, pottery, music, and traditional opera. Korean culture has both diversity and universality, and when Hallyu can become universal to all, it will advance even further.

Strategy for Globalization of Korean Traditional Liquor

SHIN Woo-chang, Director of the Kooksoondang Brewery Research Institute, gave a lecture on the "Strategy for Globalization of Korean Traditional Liquor." He started by saying that much of Korea's wine and liquor industry remains small and vulnerable, with insufficient market information. To globalize these drinks, it is first necessary to secure a domestic market share of 15%, which itself requires a big change in people's attitudes in South Korea.

Director SHIN said that based on the success of K-pop, there are several steps that must be taken to globalize Korean wines. First is localization. Kooksoondang has 10 different ways of making makgeolli (a traditional rice wine), according to the country it is being exported to. Second, quality must be improved to ever-higher levels. Wine and sake have clear classification standards that are widely known and trusted, he said, but no such system exists for Korean wines and liquors.

Third, product packaging has to improve. With makgeolli, for instance, some people even mistook the packaging for a detergent bottle. Improvements, Director SHIN said, depend on both better design and institutional changes: at present, South Korea imposes tax on alcohol based on its price, providing a disincentive for producers to make up-market drinks. The South Korean system, therefore, can actually be an obstacle to making packaging more sophisticated. Fourth, companies have to widely publicize the wonderful quality and traits of Korean wines. Grape-based red wines, for instance, benefited from becoming known for their antioxidant properties. South Korean wines also have health benefits, Director SHIN said, such as relieving stomach problems and gout. Scientific studies attest to Korean wines' efficacy in the regard, and this information must get greater exposure.

Fifth, Director SHIN said, Korean wines and liquors need their own stories. World famous

Innovative design is very effective in overcoming in a negative country of origin effect in a short space of time

information about the producer, the region, the specifications, the classification, and the alcohol content.

Director SHIN concluded by saying that South Korean wines and liquors should be promoted along with the country's food and culinary culture. People around the world know about the best combinations of red wine with steak, white wine with oysters, and so on, and South Korea should be doing the same with its offerings. This, Director SHIN said, will create a much greater impact worldwide.

Brand Strategy through Design Innovation

Eric CHO, Professor of Design Management at Parsons School of Design, made his presentation on "Brand Strategy through Design Innovation." He said that with globalization, the "country of origin effect" refers to consumers' assessment of a product and related behaviors. Not all countries enjoy a positive "origin effect," the Professor said, and it can take many year to change these impressions.

However, Professor CHO said, innovative design is very effective in overcoming in a negative country of origin effect in a short space of time. Indeed, a design strategy can block the formation of a bad origin effect in the first place, and prompt consumer to see the authenticity and cultural experience that comes with a given product.

Professor CHO said that since first appearing in 2008 "ethnic-inspired design approaches" have appeared in Africa, China, India and other newly emerging economies as a means to boost their domestic markets. Even a very American brand like GUESS is also taking on these ethnic designs. However, these approaches must not merely be visual, the Professor said; they also must contain a story and must be approached with a socially responsible attitude.

The Success and Future of the Jeju Olle Brand

LEE Soo-jin, Director of Visual Communication of Jeju Olle Foundation made her presentation on "The road taken by the Jeju Olle and its future." Director LEE explained that Jeju's Olle Trail has won many accolades in the tourism and environmental sectors, enjoyed widespread media coverage, and welcomed many visitors who both enjoy the walks, and see the Trail as an example of excellence for their own industries. Currently, she said, there are around 70 walking trails with more under development.

alcoholic drinks have a story, and Korean tradition provides a rich well of narrative from which to draw. Sixth, better communication is needed so that people will have more confidence and trust in Korean wines. Labels must contain

She added that the Olle trails were created based on the beautiful natural scenery of Jeju, which stirs genuinely emotional responses from those who visit. Just adding a sign post here or a landmark there won't suffice in an environment like Jeju's, Director LEE said; the foremost aspect must always be the natural scenery, supported by a culture and infrastructure that moves the consumer to love the brand.

According to Director LEE, more than one million people visited the Olle trails in 2011, so exhausting some of the trails that caretakers are considering closing them temporarily. The creation of the Olle Trails has changed tourism on Jeju, she added. People now come for extended stays, for options including private personal trips, tours by bus and taxi, and visits to markets, villages and different parts of Jeju. People also re-visit Jeju to experience the different seasons of the island, Director LEE said. The economy has revived and accommodations, restaurants and the service industries in general are much more active, creating many jobs.

Director LEE said that the Jeju Olle trails were planned around the environment, with construction conducted in an environmentally friendly manner using local raw materials and production methods. Landmark signs were kept to a minimum, with even souvenirs using low-carbon, environmentally conscious materials. The Jeju Olle concept is witnessing unprecedented success, thanks to factors including analogue content, a consistent design policy, genuinely emotive marketing, and aggressive overseas PR. Director LEE concluded by saying that her organization will continue to make efforts to polish and bring out the beauty of this gem called Jeju, without letting go of the passion that first started the project.

POLICY IMPLICATIONS

- To create a global brand, it is crucial to find universal appeal in Korean concepts.
- To promote the brand overseas, common ground with diverse, international consumers must be established using local stories and philosophies.
- To become sustainable, brands must also be socially responsible.

EDITED BY

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INTELLECTUAL PROPERTY PORTFOLIO MANAGEMENT OF THE MEDIA & ENTERTAINMENT CORPORATION: METHODOLOGY AND PRACTICE

Seoul School of Integrated Sciences & Technologies

This session was designed;

- To increase awareness of strategic intellectual property management for media & entertainment companies
- To introduce state-of-the-art technologies for efficient and effective intellectual property portfolio management
- To introduce one of the most systematic and practical analysis tools for intellectual property portfolio management

_ Value Articulation Analysis for IP Portfolio Management

_ Systematic IP Portfolio Management: Paramount Case Study

_ Impact of the Korea-US FTA: Implications for Korean media & entertainment companies

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MODERATOR

PARK Seong-joon Director-General,
Presidential Council on Intellectual
Property

PRESENTERS

PARK Sung-pil Professor, KAIST-MIP
YOON Sung-chun Director, The Ministry
of Culture, Sports and Tourism
Colin O'KEEFFE Director, Product
Marketing, Oracle Corporation

DISCUSSANTS

KO Young-hee Professor & Director of
the Case Development Center, aSSIST
KIM Seon-dong Director of Planning
Team, SBS
SON Kye-sung Director, Korean
Broadcasters Association
LEE Dong-hun Expert of Music
Distribution Dept, CJ E&M

PARK Sung-pil, Professor of the Graduate School of Intellectual Property at KAIST made his presentation on “IP Portfolio management / Challenges to Korean Media & Entertainment Enterprises.” He said that traditional intellectual property (IP) and media portfolio management systems are changing, and that these changes are generating significant risks.

Professor PARK said that the media and entertainment industry today is changing so fast, with so many diverse areas linked to the value chain, that it's very difficult to create a coherent overall picture of it. Traditionally, the Professor said, broadcasting companies were dominant in the media industry value chain, making television the dominant form of content distribution. However, with the introduction of cable and satellite communications, and more recently IPTV and smart TV, existing media are integrating into a new system. Accordingly, the industry is composed of selective business models that move away from a wired infrastructure, are interactive, and provide consumers with unlimited choice.

The Professor added that business is expanding on each stage of the value chain and vertical integration is taking place. Moreover, all content can be received via single, multi-use sources – such as the Internet and terminal platforms – and related businesses are expanding. As

Media content expressions and concepts can also be protected as IP. This is like managing a brand and is important in the management of portfolios.

consumers have far greater choice, they have become much more powerful vis-à-vis providers, and if businesses can't recognize this, they are unlikely to survive.

Regarding pop culture, the Professor said that in 2001, K-pop and Korean drama exports were worth KRW 204 billion and KRW 147.7 billion, respectively. Less publicized has been the success of the online gaming industry, which has generated export revenues of KRW 2.5547 trillion. He argued that it is necessary to investigate whether these figures represent a peak, or whether mismanaged portfolios or missed opportunities are denying those industries even greater opportunities for growth.

Regarding IP portfolio management, the Professor said it can be done in rem with protection being offered to functional items. However, media content expressions and concepts can also be protected as IP. This, he said, is like managing a brand and is important in the management of portfolios.

The Professor added that there are many types of contract relationships realized throughout each stage of the value chain, and even if content is made well, poor sales and contract management may lead to losses. This means that different types of platform contract management for licensing or franchising are crucial.

The Professor cited the example of Disney, which earns over USD9 billion through licensing the Mickey Mouse character. This success came about from a change in contract management, which had been causing losses. Disney's princess characters also earn USD4.4 billion through this contract management system.

The Professor said there are also opportunities to create new types of financial products. In 1988, Prudential created a securities product based on the copyright earnings of David Bowie. Taking into consideration that copyright is protected for 70 years after an artist's death, this could be a potentially lucrative source of revenue in financial products.

However, Professor PARK said, though new business is emerging and the market for IP and copyright is expanding, there is a need to create a system to protect IP, that also has a good understanding of contracts and the value of content.

YOON Sung-chun, Director of the IP Industry at the Ministry of Culture, Sports and Tourism, gave a presentation titled "Tasks on Copyright for the advancement of media entertainment in the FTA global era." Director YOON said that in 2008, the government created

With the FTA's establishment in the area of media entertainment, the government is focusing on measures to deal with copyright violations in order to invigorate the retail market.

a new bureau within the Ministry with three divisions in charge of the copyright issue. This meant that activities for the protection of copyright, which had been carried out by the Copyright Protection Center since its establishment in 2005, were further strengthened. While going to great effort to deal with copyright issues

on- and offline, Director YOON said, the bureau operates what is called a Copyright Protection Consultation Body to improve the understanding of copyright issues and reinforce crackdowns on illegal activities.

Currently, Director YOON said, the government is focusing on: 1) stern measures against violations of copyright, 2) reinforcement of PR and education to raise awareness, 3) creation of an environment to invigorate the copyright business.

Director YOON said that after slumping from 2004, the music industry began to grow again with the introduction of online music in 2005. He said that while music industries elsewhere in the world have suffered terribly due to their inability to curb illegal music downloads, the South Korean authorities have tackled this aggressively, leading to renewed growth in the country's music industry. The South Korea case was presented in *The Economist* magazine, and the country's efforts in copyright protection were recognized in the United States, which removed South Korea from its copyright watch list.

According to recent statistics, Director YOON said, all elements of South Korea's media-entertainment industry are now growing, but especially broadcasting and music. Music and game exports are doing very well, with Japan the largest market and North America generating the highest revenue. In addition, exports to China are growing by 35% per year. As elsewhere, the video rental market is in decline, but the on-line VOD market is increasing rapidly. Director YOON noted that all download industries are now enjoying steady growth.

Director YOON continued that the FTA between Korea and the US became effective as of March 15 2012, with the following revisions to copyright laws: 1) temporary storage was incorporated in the concept of replication, 2) a ban on neutralization of technological protection mechanisms, 3) maintenance of a disclaimer provision for on-line service providers, 4) a ban on distribution of illegal labels and the secret filming of movies being shown in theaters,

5) introduction of legal system for compensation of damages, 6) introduction of a general fair use system, 7) expansion of non-personal complaint system, 8) period of copyright protection extended to 70 years.

The resulting policies from these changes include: 1) development of a sustainable growth model in the music market, 2) invigoration of value-added markets in the film industry, 3) reinforcement of crackdown on illegal distribution, 4) proactive measures to monitor copyright infringements overseas, 5) expansion of enforcement of alternative dispute resolutions, 6) advancement in copyright technology, 7) introduction of expanded ECL system, 8) expansion of shared copyright products and invigoration of distribution, 9) establishment of a fair and transparent copyright environment (programs that follow autonomous observation of regulations, and establishment of verification systems), and 10) promotion of businesses that recognize international copyright.

Director YOON said that with the FTA's establishment in the area of media entertainment, the government is focusing on measures to deal with copyright violations in order to invigorate the retail market. Also, prolonging the period of copyright protection, he said, should help create a favorable environment for the games and animation industries

Colin O'KEEFFE, Director of Product Marketing at Oracle Corporation, made a presentation titled "Managing intellectual property for media and entertainment." He said that Charlie Chaplin first emerged around 100 years ago, and had since appeared in everything from dolls and t-shirts to a variety of other items. This, he said, highlighted the importance of IP to all media companies, and especially broadcasting and film. Many such companies are just starting to manage their IP, and need to undergo major changes in their business processes, including contract and team management. As they look for opportunities to take their characters and music to new platforms, he said, they need to understand how those platforms and digital domains work.

Generally, he said, media companies sell their literary, music or broadcast content to Hollywood studios or market it themselves domestically or internationally. By contrast, broadcasters sell their contents via TV channels or mobile platforms.

Library films and licenses are distributed and sold through different channels, so they need information and contacts through intermediaries in order to sell contracts governing use of their content. Improperly devised contracts can lead to big falls in revenue, the Director said, so new measures to avoid this are necessary.

He said that previously, media companies drafted contracts or undertook IP lawsuits with the help of lawyers. But now the companies themselves must have a good understanding of the issues involved and be able to find hidden benefits from their work. The Director then introduced the "Oracle Media Intellectual Property Management (OM IPM)," a system that can rapidly execute licensing procedures, initiate content contracts, and set appropriate pricing and revenue levels. The system also provides suitable use of content in libraries, he said, as well as fast and appropriate business solutions.

The OM IPM system, the Director said, has four features: First, the agility to adopt new business models. The system can propose new business items by flexibly finding new opportunities in the market. Second, it is easy to integrate, and so can easily and swiftly combine all existing tools. Third, it can be quickly scaled up to manage content for companies as big as Paramount Pictures. Fourth, it has strong partnerships for global reach, which makes media go beyond the region to pursue global partnerships.

In the discussion following the presentation, **SON Kye-sung, Director of the Korea Broadcasters Association**, said that advertising revenue for broadcasting companies has been at a standstill of late. Thus, the major source of profits for broadcasting companies is actually their manpower and content.

New platforms are providing a very important source for exporting content, and South Korea's three broadcasting companies have somewhat different approaches in approaching this. According to Director SON, MBC (the Munhwa Broadcasting Corporation) conducts direct sales and has the largest revenue. SBS (Seoul Broadcasting System) and KBS (Korea Broadcasting System), have subsidiary companies. Mr. Sohn added that from the managerial point of view, the distribution and sale of content must be discussed among corporations.

KIM Seon-dong, Director of Planning Team at SBS, said that the volume of both viewership and advertising is falling at the major broadcasting corporations. Advertisers nowadays prefer to advertise their products through the internet rather than on television, and the balance of revenue is maintained via VOD or through advertisements on their websites. Because viewership is low during the actual broadcast time, Director KIM said, broadcasters have to expand and diversify their offerings to include, among other things, reruns on cable channels.

The drama *Daejanggeum*, for instance, it was able to create value for MBC, but because the network failed to register its trademark before selling the show overseas, it was not able to generate revenue from it. This was a tough lesson for MBC, Director KIM said, which responded by setting up a department dealing specifically with IP and licensing issues. As the Hallyu market began to soar, growing by between 50 and 100% since late 2007, the broadcast companies began to make up for past losses by protecting their copyright more zealously, he said. SBS is also consolidating its efforts in securing an integrated on- and offline distribution system through its exclusive distribution company.

LEE Dong-hun, Director of CJ E&M, said it is inevitable that the IP of content continues to grow, and that the management of content is even more important than sales. Mistakes in handling IP, he said, could lead to costly lawsuits. CJ Entertainment, which deals with content in movies, music, games and broadcasting, set up an IP management department in June of last year to strengthen the manpower and resources available to take care of this task. If this area can be improved further, Director LEE said, it will create greater business opportunities for Hallyu and IP related businesses.

KOH Young-hee, Professor at Seoul School of Integrated Sciences and Technologies, said that mergers and fusions are taking place in line with broader changes in the industry. The Professor added that the Ministry of Culture, Tourism and Sports is making efforts in enhancing the legal system to systematically manage revenues from copyright. Professor KOH added that contract relations must also be managed systematically so that no royalty payments are missed. The major concern for companies, the Professor said, is how to work with other industries to turn content into a profitable business. Media companies must exert great effort in advancing and growing, by using the right manpower in managing copyright, technology and legal issues.

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SECURITY POLICY FOR TOMORROW

Seoul School of Integrated Sciences & Technologies

Borders between countries are being removed and competition among companies becoming more fierce with the rise of globalization. It is important for a company to develop new technology and strengthen its competitiveness, but it is also essential for it to effectively protect technology previously developed by investing substantial funds and effort.

Industrial security, an important factor in corporate management, is more reliable and necessary than insurance as it strengthens a company's foundation and ensures against future compromise. We took a look at the flow and direction of domestic and overseas industrial security policies, and discussed the effects of the Personal Information Protection Act on corporate management.

- Recent overseas industrial security policy trends
- Current situation and improvement plan of Korean industrial security
- Effects of the establishment of the Personal Information Protection Act on corporate management

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MODERATOR

LEE Kil-kyu Professor, Graduate School of Technology & Innovation Management, Hanyang University

PRESENTERS

PARK Young-woo Research Fellow, Korea Internet & Security Agency

YOO Chang-ha Legal Director, Daum Communications Corp.

LIM Jong-in Dean, Graduate School of Information Security, Korea University

DISCUSSANTS

JEONG Jin-hong Dean, Graduate School of Industrial Security MBA, aSSIST

CHO Byung-chul Visiting Professor, former Director of Forensic Team, Graduate School of National Intelligence

PARK Young-woo, Research Fellow at the Korea Internet & Security Agency, delivered a presentation on partnerships in cyber-security. He stated that informatization, the development of related technology and services, and social changes have resulted in the emergence of cyber-security terminology and concepts that are causing confusion. However, he also added that changes in perception are under way as cyber security assumes an important place among policy priorities. The globalization of risk is turning the building of domestic and international partnerships into an important issue for countries and companies alike. According to Dr. PARK, who cooperates and how will be an important consideration going ahead.

YOO Chang-ha, Legal Director at Daum Communications, presented on the effects of personal information protection law on Internet business management. Director YOO said that the environment for Internet businesses is currently changing, with social media representing one example of changes in terms of

technological elements. He cited Facebook as being a symbol of globalization, having finally passed Google in 2009 with 70% of its users outside the United States. As another example, he mentioned the emergence of mobile networks such as 3G, 4G, LTE, and cloud computing.

Director YOO also pointed to the increased value of personal information in other respects, noting changes in Google's privacy policy as a specific response to this, namely the simplifying of consent policies to integrate personal information databases from various services. These policy changes were part of an attempt to make aggressive use of personal information while also benchmarking, and competing with, Facebook and its staggering growth. At the same time, the use of location information has risen enormously with the application of smart devices and mobile networks.

As a recent phenomenon, Director YOO mentioned the emergence of big data. With this development, the value of accumulated stores of information has risen over time. Volume, speed, and diversity were highlighted as big data standards. Director YOO also cited a survey predicting that big data could save USD 3 billion a year in the U.S. healthcare system. However, he also mentioned changes in laws related to personal information, which are linked to a massive increase in leaks, a lack of clarity in the scope of what constitutes personal information, excessively stringent criminal regulations, and reverse discrimination against South Korean companies. Dilemmas for Internet businesses include finding the balance between active use and aggressive protection of personal information in business, and, in terms of personnel management, employee use of smart devices and personal information.

LIM Jong-in, Dean of Graduate School of Information Security at Korea University, discussed the paramount importance of privacy compliance in a presentation on "The Future of Personal Information." He mentioned the increasing number of regulations around the world stipulating strong company obligations to protect personal information, arguing that personal information and industrial security may be seen as having congruent goals. He also warned that where personal information protection is inadequate, an industrial security leak could result.

Informatization, the development of related technology and services, and social changes have resulted in the emergence of cyber-security terminology and concepts that are causing confusion.

Dean LIM stressed the importance of steps to address reverse discrimination against Korean companies. Personal information includes not only data collected directly, but also tremendous amounts of indirectly collected data. Dean LIM argued that the shift in the burden of proof on personal information leaks – a result of conflicting laws – is disproportionately benefitting foreign companies.

In his analysis, corporate investment and social pressure are intensifying because responsibility for personal information divulgence lies ultimately with the CEO. For potential responses, Dean LIM suggested the development of password authentication technology, increases in rational security, and rational investment relative to costs.

POLICY IMPLICATIONS

- A balance should be struck between active use and aggressive protection of personal information.
- Increasing social pressure to protect personal information will require increased corporate investment.
- Improved corporate competitiveness and efforts to harmonize personal information protections are crucial in the use of big data, but the future of industrial security is hopeful.

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THE NEW PARADIGM OF BRAND MANAGEMENT

Seoul School of Integrated Sciences & Technologies

Korean companies of the 21st century need to be prepared for and adapt to change, and become more competitive by using change as opportunity. A company's strong brand is its core competitive edge for not only adapting to change but advancing as a result. In this session, flows of corporate brands and new trends in brand management according to industry were suggested. In addition, theory and case studies of neuro-marketing, which has recently been garnering attention, was introduced.

MODERATOR

NA Woon-bong Professor, Kyunghee University

PRESENTERS

KIM Tae-young CEO, Philips Electronics Korea

KIM Hack-jin Professor, Korea University

CHOI Byung-oh Chairman & CEO, Fashion Group Hyungji

DISCUSSANTS

SHIN Cheol-ho Vice President, Sungshin Women's University

KIM Tae-young, CEO of Philips Electronics Korea, said that Philips has a history of 120 years, employs over 120 thousand people worldwide, and has a brand that generates EUR 23 billion a year. The 47th largest company in the world, Philips business sectors can be divided into three major areas: healthcare, consumer lifestyle, and lighting.

The CEO noted some major global trends, including aging societies, wellbeing, climate change, the rise of newly industrialized powers like China, India, Brazil and Russia, and energy. Based on these, he said, Philips is establishing a brand strategy that analyzes both macro- and microeconomic aspects. He added that as the central value at Philips, innovation is turning observation into innovative solutions, and creating things that give meaning to life.

Mr. KIM explained that healthcare is one of the company's central businesses because health is the most important issue facing everyone at the global level. He added that healthcare needs for middle class and niche markets are steadily expanding, and that these will eventually account for about 20% of the country's GDP.

The central concept of the company's lighting business is energy, Mr. KIM said, and all its businesses are based on the philosophy that meaningful success is achieved through a human-centered fusion of innovation and concepts. Philips is

Keywords

brand strategy, new paradigm for brands, corporate brand strategy models, Fashion Group Hyung-ji, Philips, Neuro marketing

focusing on LED lighting, he said, as by realizing energy efficiency, it genuinely touches consumers' emotions.

The Philips' CEO concluded by reiterating his company's fundamental philosophy of continuous striving to improve and enhance the quality of life through innovation in basic technologies.

KIM Hack-jin, Professor of Korea University gave his presentation on "Neuro marketing." Neuro marketing is a new method of marketing that evaluates consumer psychology by measuring unconscious psychological states. It uses techniques such as Functional Magnetic Resonance Imaging (fMRI), Intracranial electric brain stimulation, Nucleus Accumbens, and mPFC. He added that a lot of research in brain science is being conducted in connection with consumer psychology, which is giving rise to a host of ethical issues.

Through the study of mPFC, the reaction of the consumer at seeing the difference between the actual price and expected price can be examined. Researchers discovered that if the same product has different prices, a consumer's brain will react to the product with the higher price. These results have triggered further research into price as a marketing factor.

The Professor added that fMRI is used to assess the psychology of consumers before a product is put onto the market, thus providing valuable insights for the design process. The Professor said it is interesting to note that in place of a specific technical solution, some of this psychological research is being used to solve the problem of the smell of products used by people suffering from incontinence. The Professor said that brain science research can provide analysis of areas that consumers didn't even know or realize about themselves. This research can then be used in both brand strategy and marketing.

CHOI Byung-ho, CEO of Fashion Group Hyungji, said that the success of his company has been down to brand management that looked at trends from different perspectives. He introduced his company's unique take on distinguishing its products from others that attempt to add value through their brand ideas and fashion sense.

Mr. CHOI said that ideas for their products begin in the fashion markets of Dongdaemun. This is followed by a brand management strategy that is based on people. Rather than relying on distribution to big department stores, the company focuses on expanding its brand through consumer-centered street distribution and commercial areas in other regions. To attract an adult consumer group, Hyungji uses signs written in the Korean script, rather than English, Mr. CHOI said.

With brands such as Crocodile and Olivia Hussler, Mr. CHOI said that his company has focused on fashion for middle-aged and older women, paying particular attention to the difficulties they

Through analysis of domestic and global companies, as well as discussions on new marketing methods, it was clear that brand and marketing paradigms are shifting and changing.

can face in finding the right sizes. Hyungji also looks to make comfortable clothes for active women, he said. New sizes were developed using new multi-dimensional patterns. Casual women's clothing was fused with golf wear, with color used to inject a more vibrant, youthful look. The company employed famous actresses in its advertising, but using specific information gained from its CRM systems. They succeeded in creating a good image, Mr. CHOI said, and kept pace with more famous fashion brands that are mainly distributed in big department stores.

Mr. CHOI said that Hyungji paid special attention to its franchises – including both owners and sales people – so that consumers could become the brand's "fans." A special program is carried out for such training. The franchises are also provided with margins of close to 35%, with various educational and training programs for franchise owners, including workshops, leadership classes, college level classes, seminars, and CS education. The CEO concluded by saying that his life motto has been: "be half of half a step ahead of everyone else," and that this has worked well for his company.

POLICY IMPLICATIONS

- By looking at the differences between domestic and global brands, a new approach can be derived.
- By seeking a new method of marketing analysis, an approach to the concepts behind "Neuro Marketing" becomes easier.
- Fashion Group Hyungji followed conventional tenets of marketing, and succeeded by sticking rigorously to its convictions and philosophy.
- Philips's corporate philosophy is that the quality of life should be improved and enhanced through innovation, while always respecting the central ideals of humanity.
- Through analysis of domestic and global companies, as well as discussions on new marketing methods, it was clear that brand and marketing paradigms are shifting and changing. It was also clear that only corporations that put human ideals and sincerity at the heart of their operations can survive in this new environment.

EDITED BY

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THE GLOBAL TREND OF SUSTAINABILITY MANAGEMENT I

Seoul School of Integrated Sciences & Technologies

There is worldwide emphasis on individual practice of sustainability management as a significant aspect in establishing sustainable development. In addition, companies are producing consistent results by considering economic profitability, environmental soundness and social responsibility with the aim of becoming a 'sustainable corporation.'

In this session, we discussed sustainability management, a paradigm to gain the ultimate competitive edge, from the perspective of both individuals and corporations.

- A method to improve value through the development of an Individual Sustainability Management Report
- Introduction to sustainability management and the current status of Korean companies regarding same
- Case studies of global companies with positive outcomes in the sustainability management field

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MODERATOR

CHOI Eun-soo Editor, Maeil Business Newspaper

PRESENTERS&DISCUSSANTS

PARK Tae-jin President, Business Institute for Sustainable Development Korea Chamber of Commerce

RIM Jeong-taik President, DuPont Korea Inc.

CHO Dong-sung Professor, Seoul National University

CHOE Kyo-bok President & CEO, Yuhan-Kimberly

The average lifespan of a company in the United States is 30 years. In this session, in order to discuss how to achieve sustainable advancement and growth, two CEOs discussed their own successes.

CHO Dong-sung, Professor of Seoul National University said that the concept of sustainable management is now mainstream worldwide, and is increasingly becoming institutionalized and standardized. The Professor said he would focus on three areas behind increased CSR investments by corporations. The number of companies that publish sustainability reports increased to 6,000 in 2011, and their expectations for CSR activities continue to rise, based on the role of their CEOs.

All corporations must write an annual sales report, with listed companies also obliged to make theirs public, the Professor said. Sustainability reports must also be able to demonstrate a corporation's social, environmental and business outcomes. Such activities must become institutionalized in future-oriented

Keywords

Sustainability Report, sustainable management standard, global trend, sustainable management of a corporation

countries and corporations, the Professor argued, but not too many countries are implementing them yet. In 2010, however, China made these activities mandatory for companies there. While South Korea does not yet have this requirement, many of the country's globally oriented companies view such activities as an opportunity.

Overseas, CRS is becoming standardized through ISO26000. According to the Professor, corporations emphasizing CSR enjoy strong financial results, which allow for greater investment. In South Korea the SRI market in 2011 was KRW 4.26 trillion, compared with USD 3.69 trillion and GBP 260 billion in the United States and the UK, respectively, in 2010. As there is more recognition for the value of SRI, the Professor said, SR funds are spreading at a very rapid pace.

The Professor noted that while there isn't a general formula in drafting sustainability reports, there are common guidelines. The GRI guideline is based on the Triple Bottom Line or TBL, while the OECD guideline and UN Global Compact focus on the corporate pledge to voluntarily follow the UN's code of conduct. The code recommends 10 items that corporations should follow.

The Professor further said that the negative aspect of such guidelines is that they have been drafted by NGOs, so they tend to reflect inherent biases against corporations. In other words, he said, the guidelines reflect the desire of NGOs to control corporations that have made money using "bad" methods so that they will start doing business in the "right" manner. For this reason, there are parts that do not apply to small and medium-sized companies: it is unrealistic, the Professor said, to try to apply standards directed toward big corporations on smaller companies.

Professor CHO said that the Institute for Industrial Policy Studies along with the Ministry of Knowledge Economy are working on establishing what is known as "BEST" (Business Ethics is the Source of Top performance Forum), a guideline that will enable companies to realize the TBL using a basic statement on social activities. The guideline incorporates ethical corporate management, CSR, environmental protection, and sustainable development.

Business management deals with factory machines and the employees, client management deals with the employee and the consumer, ethical management deals with the consumer and society and environmental management deals with the environment, the Professor said. But the BEST system is comprehensive. The core of the BEST guideline is outcomes in a corporation's finance, client relations, social activities and environment, in combination with other features including corporate ethics, innovation and creativity. The goal is to achieve or reach four objectives (finance, client relations, social activities, and environment) through four processes (existing business management, ethics, innovation, creativity management) and by supporting the management through this system, the company will be able to realize TBL. Also, for the past six years, the

The concept of sustainable management is now mainstream worldwide, and is increasingly becoming institutionalized and standardized.

Institute and the Ministry have jointly awarded the Sustainable Management Award for outstanding corporations.

PARK Tae-jin, President of the Business Institute for Sustainable Development at the Korea Chamber of Commerce said that the global trend is the reinforcement of international standards for sustainable management. The trend is also to evaluate how much CSR is conducted by the companies and increase investment in such companies. The ISO26000 became effective as of November of 2010 and many corporations are paying attention to this. But generally, South Korea's CEOs tend to place little importance on the ISO26000 as compared with existing rules and regulations.

President PARK said that there is also increased interest in the introduction of human rights management and emphasized that corporations have responsibility for preventing human rights violations. South Korean companies are also taking active part in social contributions when doing business overseas. LG, for example, is taking part in activities involving environmental protection and combating disease, which are part of the eight Millennium Development Goals. Also, the concept of CSR is expanding further by connecting CSR and ODA to create a CSR + "In" (character for Human), which includes projects to help those at the bottom of the pyramid, provide appropriate technology, civilian partnership projects, and more.

The leaders in pushing sustainability reporting are mainly European countries, while South Korea and China are categorized as advanced corporations. Domestic companies that publish sustainability reports have been on the rise from 2003 to 2009. There was a slight decrease in 2010, the Professor said, because many CEOs began to realize that the ISO26000 is not mandatory.

On the question of how South Korea is preparing for the ISO26000, President PARK responded that preparation is about 41% complete, which

he conceded is rather low. Big corporations tend to follow global trends, but many smaller companies do not comply with international standards. Ordinary consumers respond that they will use environmentally friendly products and many say that they would even do so if the price is 10 to 20% higher. According to President PARK, people tend to respond this way, not because of social responsibility or because they are conscious of global environmental issues, but because they are more

The leaders in pushing sustainability reporting are mainly European countries, while South Korea and China are categorized as advanced corporations.

concerned about the wellbeing of their family in the future. This reflects a very selfish consumer pattern, he said. President PARK concluded by saying that sustainability reports are currently very general, divided into financial and non-financial performance alongside some interactive characteristics.

CHOI Kyoo-bok, CEO of Yuhan-Kimberly, made a presentation titled “Good to GREAT, Good to SMART.” He said that Yuhan-Kimberly has been practicing sustainable management since the 1970s, and as a result it has been named Korea’s most respected corporation for nine years in a row. Moreover, for the next 40 years of sustainable management, Yuhan Kimberley has adopted what it calls “Vision 2020.” Mr. CHOI said that the company continues to advance its campaign, started by former CEO MOON Kook-hyun, of “Keep Korea Green.” And to help boost South Korea’s low fertility rate, the company has also introduced family-friendly management. It is also carrying out major SR activities for sound and healthy growth.

As part of the “Keep Korea Green” campaign, Mr. CHOI said the company has plans to plant 50 million trees in 2012. Besides the environmental benefits of planting the trees, the campaign aims to build confidence in a better life through the healthy coexistence of human and forests. Its ultimate goal, he said, is going beyond nature so that nature itself will become a cultural space. To this end, the company is encouraging all its staff to take part.

Mr. CHOI said that family-friendly management aims to revitalize individuals and organizations through innovative changes to work, whereby work and life is balanced and integrated. Remuneration aims to strike a balance between the material and values, and work is done through smart work and flexible hours. It is a highly practical plan, Mr. CHOI argued, balancing work and quality of life by elevating quality time spent with your family. By implementing family-friendly management, one is able to create a sound family life that can be the foundation for a sound society. In order to achieve this, Mr. CHOI said that Yuhan Kimberley is pursuing the kind of management that looks to solve social issues going beyond the boundaries of welfare.

Mr. CHOI continued that Vision 2020, a system for lifelong learning that the company established in the 1990s, generates a family-friendly culture by supporting a healthy work-life balance. This foundation, he said, provides the energy staff need to take on new challenges and work creatively. More concretely, smart work is being implemented, embodying values for family, work, and community that help increase concentration and productivity, prevent accidents, increase creativity, and generally make staff better equipped to take on different challenges.

Ultimately, by creating a balance between work, personal life and quality of life, a sound family culture will emerge that will also help address South Korea’s low fertility rate, Mr. CHOI said. The smart office is the new manifestation of the company’s Vision 2020 and the means by which communication, innovation, creativity, balance of work and life, and cooperation between industries take place.

A smart office, Mr. CHOI said, is an open office space with interchangeable seats and free-zones. Through this setting, office space can be used effectively (meeting rooms, flexible work, personal work, child care space, shower and hygiene facilities) and can encourage environmentally conscious activities (paperless office, reduction of carbon emissions). All office lights go off at 7:30 pm, ensuring everyone goes home at a reasonable time.

Mr. CHOI continued that Yuhan Kimberley's office space resembles a library, with a coffee shop and some cubicles where staff can carry out more concentrated or quiet work. This setting increases productivity, he said, while creating a paperless office and reducing the use of personal heaters or electric fans. Some 46% of the space is used for seats, 54% for meeting rooms, and 35% for executive offices. Having previously used six and a half floors, Mr. CHOI said, the changes made it possible for the company to reduce its presence to five and a half.

The company implemented flexible time in the 1990s, flexible space in 2011, and is now pursuing flexible resources, or the flexible management of manpower, organization and space. Through such innovative methods, Mr. Choi said, the company is realizing sustainable management. And by carrying out and realizing the company's vision for "Keep Korea Green" and family-friendly management, it is becoming a stronger and more virtuous corporation.

RIM Jeong-taik, President of DuPont Korea, made a presentation titled "Sustainable Growth through Core Values and Innovations." He explained how his company had survived for 210 years, and what it was doing to shape the future.

Mr. RIM said that DuPont's vision is to provide products that are sustainable and healthy, while providing a safer and better world for humans. When DuPont was created in 1802, it had only 40 employees. Today, more than 70,000 people work for the company, in operations spread across 210 locations in 90 countries around the world.

DuPont came to Korea 35 years ago, he said, and has now reached USD 700 million in earnings.

For its first 100 years, Mr. RIM said, DuPont's business was concentrated in chemicals, while the period from 1920 to 1990 was marked by high growth and a focus on chemicals and energy.

Today, the company's future businesses include

For sustainable management of corporations to work, regulations are required that compel companies to produce institutionalized sustainability reports.

bio, chemical, material science, and nanotechnology. In addition, Mr. RIM continued, it manages three business portfolios in the areas of food, energy and environmental protection, working toward solutions for food shortages, bio fuel development, alternative energy development and human and environmental protection.

He added that the company's aspiration for these three mega-trends is shared by all of DuPont's employees. This unity of purpose, he said, is providing a big, solid framework for achieving sustainable management.

In 2011, the company invested USD 2 billion on an R&D program involving 9,500 world-renowned scientists, and created an Innovation Center to create swift channels of communication with consumers. Mr. RIM said that the company has also implemented infrastructure that will allow the scientists to deal promptly with any problems that arise. One of the first centers to open was in Korea, and more are scheduled to open in Taiwan, Thailand, India and other locations.

Lastly, Mr. RIM explained that DuPont's foundation for sustainable management (2010) lies at the center of the company's values of "safety and health", "environmental stewardship," "highest ethical behavior," and "respect for people." DuPont appreciates and treasures these values over its financial performance. DuPont's mission, according to the CEO, is to achieve sustainable growth and sustainable management, an ideal that will see the company through the next 200 years while also helping solve the key problems facing humanity.

POLICY IMPLICATIONS

- For sustainable management of corporations to work, regulations are required that compel companies to produce institutionalized sustainability reports. This trend is expanding worldwide, and in South Korea, the government, and corporate sector and civic groups must work together to ensure that BEST guideline advance into a system that is commonly and institutionally utilized.
- Programs and seminars must be developed where attendants can discuss policies for developing standardized sustainability reports that can be applied to small and medium-sized business as well as big corporations.
- Programs on sustainable management carried out by the Institute for Industrial Policy Studies must be recognized as a public project. Registration certificates issued after the implementation of the program should become a mandatory requirement.

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THE GLOBAL TREND OF SUSTAINABILITY MANAGEMENT II

Seoul School of Integrated Sciences & Technologies

The 'Sustainability Management Report' provides the current sustainability management status and performance of more than 50,000 companies worldwide. It has become the global standard and is becoming increasingly important to internal and external stakeholders as companies' performance is publicized and made available for the evaluation of performance.

- Sharing best practices in the sustainability management report
- Sharing sustainability management report guidelines and relevant international trends and prospects

MODERATOR

KIM Jae-eun President, Institute for Industrial Policy Studies

PRESENTERS & DISCUSSANTS

KIM Tae-kon Expert Advisor, Institute for Industrial Policy Studies

KIM Dong-deok Director of Sustainability Management Team, SK Hynix Inc.

SHIN Goan-soo General Manager of CSR Environmental Management Team, KIA MOTORS

YU Weon-mu Executive Director of Compliance Office, Pulmuone Holdings Co.,Ltd

HAN Sang-chul Senior Manager, KT

This session looked at how the issues of social responsibility, CSR and the concepts of sustainable management discussed in session I are specifically applied to corporations. SK Hynix, KIA Motors, Pulmuone and KT were observed to see how sustainable management boosted the competitiveness of these companies.

The Case of SK Hynix

KIM Dong-deuk, Director of Sustainability Management Team, SK Hynix Inc,

said that SK Hynix has been carrying out concrete efforts for sustainable management since the beginning of 2000. More specifically, it is changing its environment to conform with global standards on social responsibility such as the ISO, UN Global Compact, Dow Jones Sustainability Index (DJSI), and the Electronics Industry Code of Conduct (EICC). For the past three years SK Hynix has been adhering to the DJSI, but it is now keen to follow the provisions of the EICC, which focuses specifically on the electronics sector and is widely used by companies including IBM and Dell. Created in 2004, the EICC is a code of conduct for the electronics industry.

Director KIM explained that Apple, one of its client companies, conducted due diligence of SK Hynix and concluded that even though SK was diligently following domestic laws,

Keywords

Sustainable management, sustainability report, CSR, environmental management

Apple's standards were higher. This was especially so in the environmental sector; Apple demanded to know the country of origin of all the metals it used. In addition, although the United States in February 2012 enacted a ban on metals from the Congo region, Apple had been flagging this issue as early as 2003, thus ensuring it avoided any serious problems.

Apple also conducted a thorough audit of personnel regulations, and suggested that SK Hynix revise what it considered to be ill-advised provisions on cutting pay. Accordingly, Director KIM said, SK Hynix changed those rules. IBM also raised concerns about SK's work practices. In 2011, the US tech giant, upon learning that factory workers in China were working overtime exceeding 60 hours, informed SK Hynix that it could no longer do business with the company. Although the problem was eventually resolved, the companies continue to have differences regarding overtime practices, with five more disputes arising in 2011 alone. An assessment by Dell concluded that, despite a very heavy workload, SK Hynix did not have any particular problems.

Director KIM said that SK Hynix has been focusing on sustainable management since 2007 and has steadily improved. It is soon expected to become the third South Korean company, after LG and Samsung, to be part of the EICC. The company is also planning to push its partner companies to further develop their CSR activities, Director KIM said, and to develop a CSR assessment index including assessments of the work place, and incentives.

The Case of KIA Motors

SHIN Kwan-soo, General Manager of CSR Environmental Management Team, KIA MOTORS, discussed KIA Motors' CSR efforts, focusing on its community service volunteers (CSV) initiative. Mr. SHIN said that KIA works primarily with teens as part of its SR activities but also carries out activities including safeguarding school zones, planting trees in Mali, volunteer projects for executive leadership, special events for Korean War veterans in the US, and constructing houses in parts of China.

The company began its SR activities at the global level after receiving a very low score in social and social contributions in its DJSI evaluation. This, Mr. SHIN said, turned into a good opportunity. The first thing was to assess why it was important for the company to make social contributions. The research soon discovered that, despite earning relatively good salaries, KIA employees lacked both satisfaction in their work and pride in the company. To solve this problem, the company decided to pursue a common value, a concept that the company and its customers could share. Mr. SHIN said that after conceiving and defining the common value, the company

CSR is different from voluntary work and social contribution activities. It is sometimes seen as an expense that companies cannot avoid, and CSR campaigns are often incompatible with the wider goals of a company.

reached a point where KIA's values met the expectation of its customers worldwide.

Mr. SHIN defined KIA's common value as "mobility and challenge." Mobility may refer, for example, to the mobility of the disabled, but it may also mean that KIA will provide consumers with the power to move. Thus, it refers to the unique mobility of the automobiles, and under the title of "KIA Green Light," Mr. SHIN said, the company is pursuing cooperative projects worldwide. KIA is carrying out initiatives in Tanzania and Mali to contribute to their society through automobiles. The company is trying to provide mobility to people faced with limitations in their movement. By doing so, Mr. SHIN concluded, KIA can take on new challenges, take part in the development of society, and develop new markets, thus creating a virtuous cycle.

The Case of Pulmuone

YU Weon-mu, Executive Director of Compliance Office at Pulmuone Holdings said that Pulmuone wants to be known as a purveyor of great food, but also as a company that is really cherished by society. The spirit of Pulmuone, he said, is the love of neighbor and respect for life.

In the 1970s, Mr. YU said, in an attempt to resolve a shortfall in food, the South Korean government applied huge amounts of fertilizer nationwide, a move that hurt people and greatly damaged the environment. Against this backdrop, Pulmuone became the first company in the country to develop products using organic methods, a principal it stuck to as it sought to help protect the environment.

Mr. YU added that CSR is different from voluntary work and social contribution activities. It is sometimes seen as an expense that companies cannot avoid, he said, and CSR campaigns are often incompatible with the wider goals of a company. In fact, Mr. YU said, CSR can be broadly divided into two areas: reactive (reactionary) and strategic. Reactionary CSR is defined as activities carried out in order to meet demands from stakeholders or when a major social issue arises. Strategic CSR, of the type Pulmuone implements, are activities compatible with the company's mission as a LOHAS (Lifestyles of Health and Sustainability) corporation that places central value in people and nature. As Pulmuone practices it, CSR can be used as an engine for new opportunities, innovation, and competitive advantage. With this in mind, Mr. YU described Pulmuone's strategic CSR is as follows:

- Pulmuone's Food Safety Management Principles: These are more stringent than South Korea's domestic regulations. For instance, Pulmuone does not use ginseng in its products because of the high amount of pesticides used in their production.
- Traceability System: The origin and process of food products can be traced through their bar codes.
- Full labeling: Follows guidelines from the US FDA.
- The "right foods" campaign: 240 training and educational sessions are lined up for elementary school children in 2012.

- LOHAS Academy: No disposal products or geothermal heating are used.
- Recommendations to cut down on the use of sodium.

The Case of KT

HAN Sang-chul, Senior Manager of the

KT CSR Secretariat, made a presentation focusing on the microeconomic observations of the sustainability report. According to Mr. HAN, KT has been publishing sustainability reports since 2006, when it became the first telecommunications company in South Korea to do so. KT uses the GRI guide as the foundation of its report, but has also been using South Korea's own BEST guidelines since 2008. Since last year, Mr. Han said, the company has also been using the provisions in the ISO 26000.

To compile a good report, Mr. HAN said, the following conditions must be met: 1) it must contain details of the business, along with the knowhow gained from specific events; 2) solid design; 3) readability and understanding. The report must carry similar weight to the company's sales figures, Mr. HAN said, adding that its objective is to observe innovation, marketing, risk, management, communication, reputation management, orders, and trends.

Mr. HAN added that the essence of company management lies in handling the relationship between stakeholders, and this process must be intimately linked with sustainable management. KT has received many accolades domestically and internationally for its sustainable management policies, he said, and was awarded the top spot in the field of telecommunication among DJSI companies.

Due Diligence Verification

Sustainability reporting as a means of verifying due diligence is carried out from the perspective of the stakeholders. When using the report as verification, the following process should take place: content and pertinent documents compared and other evidence demanded, explanation of mandatory regulations, hearing, discussion, and evaluation.

In addition, the report also takes into consideration whether the evaluation process is sufficiently robust in important issues, the description of major

There is a tendency for companies to view such reports as little more than a PR activity, but they should be considered an opportunity to reflect on good and bad points, and to involve the entire company.

issues, and a balanced description of positive and negative aspects, and whether the matters discussed are actually put into practice. Most sustainability reports, however, tend to function primarily as publicity documents describing the accomplishments of the company. They are usually divided into economic, social and environmental sections in lined with guidelines such as the IS or BEST.

On the negative side, from the evaluator's point of view, sustainability reports can be ambiguous and vaguely worded, they can gloss over negative aspects, and they can lack concrete supporting evidence. It can also be difficult to confirm whether the process has been carried out as reported, changes can take place without explanation, and key components (such as stakeholder questionnaires) may be absent. Descriptions of social contribution activities can also just read like a dry series of statistics.

Sustainability reports present companies with the opportunity to implement real reforms. There is a tendency for companies to view such reports as little more than a PR activity, but they should be considered an opportunity to reflect on good and bad points, and to involve the entire company, not just the small group of people in charge of drafting the report.

POLICY IMPLICATIONS

- In order to realize sustainable management, corporate ethics and social responsibility should be mandatory aspects of corporate management. Accordingly, all corporations are working toward creating institutional and procedural foundations for ethical management, while carrying out social responsibility by promoting understanding among their stakeholders.
- In the initial stages of ethical management, CSR meant little more than staff carrying out voluntary work. Today, however, CSR activities are a key part of company strategy, with corporations aiming to rebrand themselves as truly indispensable parts of society. To this end, companies must devise sustainable social responsibility plans that link their capacities with their central values.

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‘LOCBALIZATION’: MOVING THE WORLD

Seoul School of Integrated Sciences & Technologies

The individual 244 local Korean governments have been considered to be the primary agent in terms of local development as the local autonomy era has developed.

Generally, this social phenomenon has been explained as ‘Globalization’ and ‘Localization’ but there is a limitation in explaining how each concept embraces interaction locally and globally since ‘Globalization’ and ‘Localization’ are separate approaches.

‘Locbalization’ is a more evolved concept compared to ‘Globalization,’ and ‘Localization’, Suggested by CHO Dong-sung, Professor at Seoul National University. According to Professor CHO, local governments should be playing a pivotal role as an active primary agent and not just be passive units accepting new global flows.

In other words, the development of individual local governments’ is the important stepping-stone to achieving the whole development of the country. Moreover, in the long run, it will be the barometer of the country’s global competitiveness.

This session explored the implications for local governments to develop their local competitiveness in the era of ‘Locbalization.’ It is based on case studies showing best examples of ‘local governments that have shown successful ‘local management’, unique characteristics and ‘local businesses’ which have acted as the driving force for the growth of Korea.

- New paradigm- The era of ‘Locbalization’
- Best practices of ‘Locbalization’

MODERATOR

KANG Jung-ho Dean & Professor,
Sustainability Education, aSSIST

MAIN SPEAKER

MIMURA Shingo Governor, Aomori
Prefecture, Japan

PRESENTERS

KANG Shin-kyum Professor, Chonnam
National University

SO Jin-kwang Vice-President, Gachon
University

LEE Yoon-chul Professor, Korea
Aerospace University

CHO Dong-sung Professor, Seoul
National University

CHO Dong-sung, Professor of Seoul National University said that he came up with the idea of locbalization after spending time studying corporations’ international management activities. First, he said that four areas could be identified for these activities, depending on whether they were taking place in a single country or the markets of several different countries, and whether the source of the company’s competitiveness stemmed from the company itself or its home country. The four areas were globalization, localization, glocalization, and locbalization.

The four areas can be separated into four quadrants, with the axis being the management focus and the axis being the management mechanism:

- Quadrant 1: Globalization is when a company succeeds in internationalizing. One famous example is BMW, which succeeded through its motors.
- Quadrant 3: Localization entails achieving internationalization through management based in the resources of a particular region. This is the opposite concept to international management.
- Quadrant 2: Glocalization is when a company uses its specific capabilities to achieve a localized presence overseas. One example is Coca-Cola establishing on-site factories.
- Quadrant 4: Localization is a recent trend in which companies based in underdeveloped or developing countries make inroads overseas and internationalize their local capabilities.

Of these four, the topic of this session, localization, was explained in terms of two patterns:

* Type 1: A company that has begun localization achieves localization as it moves overseas (shift from Quadrant 3 to Quadrant 4).

- Example: By first achieving growth in the domestic market, Hyundai Motor established a base in domestic demand. Today, it is competing throughout the world with new products and an overseas presence. In the future, it is expected to become a success story in globalization along the lines of GE.

* Type 2: A company that has succeeded in localization proceeds into another overseas area (shift from Quadrant 2 to Quadrant 3 and on to Quadrant 4).

- Example: Yuhan-Kimberly, a collaboration between the Yuhan Corporation and Kimberly-Clark, enjoys relatively strong levels of customer loyalty in Korea, with a market share of over 60%. Factors in its success at home include support from customers for the transparency, ethics, social responsibility, and environmental concern it has shown in its management. It has continued its evolution with the development of new products (especially ones tailored to regional characteristics) based on research into customer behavior. It ranks first in the Korean market with its ventilated diapers, which were developed to suit children's skin, and its employee education is recognized as being at a global standard.

Kimberly-Clark succeeded at globalization, while Yuhan-Kimberly achieved glocalization early on. Through its merger, it achieved localization (Quadrant 3), and its inroads into China could be viewed as localization.

Thus, with its success at product development and advancement into China, Yuhan-Kimberly is viewed as having achieved Type 2 localization, and is expected to globalize like Kimberly-Clark going forward. According to Professor CHO, this model may be proposed and applied to different forms of corporation and region in the future.

MIMURA Shingo, Governor of Aomori Prefecture, Japan, introduced his prefecture's current food tourism brand strategy. First, he said that the different local governments of Japan, understanding their national economy to be in a severe recession at the moment, have made various efforts to secure their own financial resources. In this context, he introduced some of the prefecture's strong points, specialties that include food and renewal energy resources.

Aomori is a distribution center located three hours from Tokyo by bullet train. It has a cool climate with clear seasonal differences. It is home to Shirakami-Sanchi, a UNESCO World

Heritage Center, as well as the site of increasing interaction with major cities in neighboring countries.

The aforementioned seasonal characteristics ensure a variety of seasonal farm products; Aomori apples in particular are famous around the world for their quality, developing into a brand on a par with Chanel in terms of brand recognition. Mr. MIMURA noted that the Aomori apples have grown from their beginnings as three saplings to an expanse of farmland covering 2.02 million hectares today. The prefecture is also home to Japan's only research institute for apples. The apples come in around 50 varieties – most famously Fuji, but also Tsugaru, Gold, and Orin. The governor went on to say that the brand strategies adopted in Japan and overseas for these varieties allow for the supply of different flavors (sweet, sour, etc.) according to export region and target customer.

In terms of technology, he noted the development of an apple production manual through research with producers and testing, which has helped to develop the capabilities of farmers cultivating apples. He also said that the prefecture has facilities with 410,000 tons of storage capacity, allowing for a stable supply of high-quality apples even in hot summer months.

Four-Pronged Brand Strategy for Aomori Apples

1. Customer Confidence: Certification system for specially cultivated farming products unique to Aomori Prefecture (stickers certify that products were cultivated with less than 50 percent or zero use of chemical fertilizers, and pesticides).
2. Seasonal Apple Production: Accentuating sweetness for sale by preserving apples in snow at subzero temperatures
3. System: A famous inorganic farmer named Akinori Kimura introduced a system for distinguishing size, shape, and sweetness through light-speed sensors and other equipment. Mr. Kimura has been leading the way in the development of processed goods, with cakes and jams sold through various processing companies within the prefecture. Nitrogen storage has allowed for the cultivation of extremely sweet and juicy apples even during the summer months.
4. Activities and Exchange: Strategy for customer interaction, including opportunities allowing prefecture visitors to experience apple harvesting for themselves

Tourism Industry-linked Strategies to Promote Overseas Sales

Mr. MIMURA said that his prefecture is working to gain wider attention through foreign visitors, with plans under development to use the Aomori apple brand in boosting overseas sales. Many activities are already under way, including a sake-linked promotion tailored to South Korea's "well-being" trend and the filming of Korean miniseries on location in Aomori. One strategy for the Chinese market involves promoting the prefecture by making it available for the filming of cinematic co-productions.

Another area where Aomori Prefecture has gained global recognition is for being the first

locality in the world to implement a smart grid with solar and wind power, an effort made possible by many years of research with specialists in the academic community. The result of this has been a system integrating the renewable energies that represent the future for humankind. According to Mr. MIMURA, the cutting-edge Japanese city has received joint research offers from Abu Dhabi in the United Arab Emirates, as well as the governments of Germany, Great Britain, and France.

Aomori is producing up to 300,000 kilowatts of energy through wind, having developed the world's first condenser-linked wind power technology. This green electricity, Mr. MIMURA said, is now being supplied to nearby buildings. He added that the prefecture has plans to develop and export a renewable energy package system, helping to promote the local economy. He also said that he has ambitions to help the world through energy systems just as Bill Gates did with IT. In the past, Ryokashima, one of East Asia's largest institutions, developed and marketed high-tech energy solutions that allowed the use of electricity even after the whole country suffered blackouts in the wake of the March 2011 Tohoku earthquake and tsunami. Mr. MIMURA said that plans are afoot to further develop and export package systems of this type – not just for business purposes but as technology aid in Africa.

The governor concluded by saying that a prefecture brand strategy that started with apples is now actively expanding and developing from farming into energy.

Creative Culture Tourism Strategies for the Localization Era

KANG Shin-kyum, Professor of Chonnam National University offered some potential creative cultural tourism strategies for the localization era. The arrival of globalization brought rapid developments in technology and transportation, facilitating the free movement of people, things, and capital and ushering in rapid changes to the environments surrounding the world's localities. However, the values that currently inform regional responses to these changes are hitting something of a wall, necessitating a new paradigm for a new environment.

The limits in question start with knowledge base imbalances: in the past, localities missed out on opportunities for growth, and lost confidence, owing to a lack of resources, talented human resources, and knowledge capabilities. According to Professor KANG, the only way to overcome this trend is to make the most of the creativity and distinctiveness that regions possess and to formulate a model for development that improves residents' quality of life by linking culture and tourism.

With this example, Professor KANG introduced representative cases of creative local development, including Kanagawa in Japan, Edinburgh in Scotland, and Bologna in Italy. According to the Professor KANG, these examples highlight the need to focus on a creative urban strategy for growth and development.

Professor KANG also addressed a number of significant attempts being made by small South Korean cities. In particular, he cited the example of a trout festival staged in Hwacheon, a

community of 28,000 people that ranks fifth from last in population among South Korea's 244 local governments. Hwacheon was offered as an excellent example of developing one of Asia's top three festivals by turning potential risk factors (low population, a dearth of tourism resources, cold weather) into opportunities for active resident participation and strong leadership.

Professor KANG went on to introduce a number of other examples from the South Korean context, including the Yeosu Expo; Tongyeong, which used its area's abundant marine resources to develop a tourism industry; Andong, which was developed into a tourism mecca through use of its rich traditional resources, including a World Cultural Heritage site; Yeongdong, which is promoting its wine industry as part of a 50-year plan; Jeungdo Island, which succeeded in setting its apart with a "slow city" concept; and Wanju, which revitalized its region with community business.

One common factor behind these communities' success has been the establishment and rediscovery of new visions and goals. By developing a creative vision based in regional resources and using it to uncover new concepts, as well as imaginative ideas emerging from a "reverse strategy," they succeeded in triumphing over limitations in resources, markets, and investment. Secondly, they have made active efforts to incorporate local traditional culture and arts: using the entire community as a culture and arts venue, or developing culture and arts into a key tourism resource and linking local industries with the tourism industry.

Third, they have been establishing linkages with specific local industries. Not all local governments in South Korea have the option of working in high-tech industry; established local attributes must be given priority consideration. Fourth, they have worked to develop creative spaces. Viewing distinctive and creative spaces and scenery as key to promoting the local economy, they have come up unique local "lifestyles" to serve as engines driving sustainable development. Fifth, they have been fostering creative minds. Communities should take advantage of a creative workforce and network with a well-cultivated sense of openness, interacting with citizens and experts in laying the groundwork for development of the local brand.

SO Jin-kwang, Vice President of Gachon University discussed localization in the public sector as opposed to corporate management. He argued for the importance of being able to demonstrate the local base in an international context, enabling the smooth functioning of the local community for localization efforts. He likened the community to cells in the body, comparing the cells working together for the health of the body to the actors working toward internationalization of localities.

A new paradigm is required for the central and local governments that have fast been emerging as key agents in local development with the entrenchment of South Korea's popularly elected local government system.

Responding to the question “Why the local community in the 21st century?”, Professor SO noted that humans are territorial and tend to exclude other people. He also said that they tend to base their interactions in space, even in the context of information-based revolutions. He went on to note five factors in this, saying that people generally operate within limited spheres based on spatial frictions, capital flows, and movements of government, labor, and technology. For this reason, he said that the formation of national and global economies should be explained in terms of a process of production flows, offering a graphic overview for local economic development.

Professor SO defined local identity as a person’s identification with his or her region (space), which he said included both temporal and spatial dimensions. He emphasized the possibility of successful internationalization based on a solid community and localization, adding that this would improve quality of life and that the final outcome of localization would be internationalization.

The Professor went on to explain that compared to the past, when national development was prioritized in development of the local community, the climate today is one where personal health leads to development for the local community – in other words, the system is becoming one of governance in which all stakeholders participate.

Communities today are transitioning from a perspective of economies of scale to one of “economies of difference”; in physical terms, they are returning to the human scale. Professor SO said that three factors are responsible for the functioning of local communities today: community governance, acquisition of social capital, and approaches to sustainability. He also said that the current situation demands that South Korea’s communities take all three of these into serious consideration. In terms of methods to ensure the smooth functioning of the local community, he said that communities must work for the country as a whole to grow. In other words, community governance can contribute to better development as local quality of life improves through the acquisition of social capital and investments in sustainability.

LEE Yoon-chul, Professor of Korea Aerospace University said that a new paradigm is required for the central and local governments that have fast been emerging as key agents in local development with the entrenchment of South Korea’s popularly elected local government system. While the globalization and localization approaches of the past did include an emphasis on the roles of these governments, critics have argued that the separation of the “locality” from the “world” has resulted in insufficient discussion of the interaction between the two. In contrast, localization, as proposed by Professor CHO argues for taking a step forward so that localities are not simply adopters of new global trends, but play a more active and leading role. In other words, the emphasis is on the role of the locality in the interaction between the local and global, the idea being that developments in individual regions ultimately ripple outward to the rest of the world. In the 21st century, regions are taking the lead in social development around the world. No longer are localities lagging behind – today, they are fast emerging as engines for growth in their countries and the global village as a whole.

In response to this trend, Professor LEE looked at and drew implications from examples of South Korean tourism/leisure and event/leisure communities that have succeeded in innovation in the localization era by taking advantage of their unique qualities.

First, he cited examples of tourism/leisure cities around the world, including La Grande-Motte in France, Las Vegas, and Dubai's Palm Islands. For La Grande-Motte, the French government took a very determined approach in developing disused land, devising institutional measures to ensure sustainability (allowing for some consistency in the development approach), and entrusting all authority to an expert development headquarters. The result, Professor Lee said, was a resort that has stimulated the local economy with over 400 million euros in tourism revenues from its 1.2 million tourists per year.

Las Vegas was cited as an example of turning crisis into opportunity, its success showing the importance of a value-maximizing strategy tying together bold investment in the gambling industry by the US federal government (which had been searching for future food industry avenues in its attempt to overcome the economic depression of the 1930s), active support from the local community, and a convention industry with strong related industry effects.

The Palm Islands were cited as a case where strong and consistent leadership (by Sheikh Mohammed) enabled development of a Middle Eastern tourism and distribution hub through a proactive strategy of drawing foreign investment by taking advantage of geopolitical advantages.

As event/leisure cities, Professor LEE gave the exams of Münster and Kassel in Germany. The former is a small, quiet northwest German educational community, most of whose residents are students. Despite these relatively disadvantageous conditions, Münster successfully employed a strategy using the creative content of sculpture, organizing an event in which the entire city becomes an exhibition. Despite only taking place once every decade, the event has led to an explosive increase in tourism visits. (One example of an event is a "treasure hunt," in which exhibition items are positioned throughout the community.)

Kassel, which was hit harder than most German cities during the Second World War due to its

Compared to the past, when national development was prioritized in development of the local community, the climate today is one where personal health leads to development for the local community

many munitions factories, successfully implemented a unique exhibition concept in which works of culture and art are displayed with no restrictions of theme. The result has been praised by observers for breaking down boundaries of culture, Professor Lee said.

Based on these examples of local innovation, Professor LEE arrived at the following implications. First, central and local governments need to guarantee the autonomy and continuity of those developing ventures, while placing their own focus on infrastructure support. Second, strong leadership is required from both central and local governments. Third, tourism/leisure and event/leisure cities need to establish unique concepts suited to their respective development goals.

Lee also said that while his presentation focused on overseas examples, he was also aware of many examples of local innovation in South Korea. He called for systematic, objective assessments to discover such cases, offering the Local Industry Policy Awards (given for several years now by the Institute for Industrial Policy Studies) as one strong potential candidate.

POLICY IMPLICATIONS

South Korea's local governments now find themselves once again facing the test of finding their way amid the irreversible tide of globalization and a worldwide economic slump. Efforts are needed from local and central governments to ensure that the former are self-sustaining despite their lack of human and material resources.

First, they need to rediscover and set new visions and goals. This will require formulating creative visions based on local resources, using this to uncover imaginative ideas through new concepts and reverse strategy to overcome limitations on resources, markets, and investment.

Second, efforts should be linked with local traditional culture and arts. The entire community can be used as a cultural/artistic venue, an effort that should link local industries and tourism through the development of culture and art into key tourism content.

Third, linkages should be established with established local industries. Not all local governments can work in high-tech industry; priority consideration should be given to the region's established industries.

Fourth, creative spaces should be built. Distinctive and creative spaces and scenery should be viewed as keys to promoting the local economy through the development of unique local "lifestyles" to serve as engines driving sustainable development.

Fifth, creative minds should be fostered. Communities should take advantage of a creative workforce and network with a well-cultivated sense of openness, interacting with citizens and experts in laying the groundwork for development of the local brand.

EDITED BY

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CONDITIONS FOR EFFECTIVE UTILIZATION OF INFORMATION IN THE DIGITAL ENVIRONMENT

Seoul School of Integrated Sciences & Technologies

Digital technology provides easy opportunities for the production, distribution and utilization of information (literary works or content), but the legalities are unable to match the advances in technology. Thus information producers are not receiving a corresponding reward for the production of information, and illegitimate use by of said information by others often leads to a problematic cycle for the production and utilization of information.

To solve this, a virtuous-circle of production, distribution and utilization of information should be built for the protection of information producers, providing legal distribution channels for wide use and ensuring the production of new information.

This session discussed the legal status and direction for improvement of effective production, distribution and utilization of information in the digital environment.

- Types of information utilization in the digital environment
- Status of production, distribution and utilization of information
 - : collective management, literary works licensing, statutory licensing, payment of compensation
 - : electronic publishing
- Direction for improvement of the legal system
 - : ECL(Extended Collective Licensing)

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MODERATOR

PYO Jeong-ho Director, Korean Association of Academic Societies / Professor of International Economics & Law, SoonChunHyang University

MAIN SPEAKER

LEE Dae-hee Professor, Korea University

DISCUSSANTS

KANG Bong-seok Director, Korean Society of Authors

KWON Dae-woo Chairman, Korean Society of Authors

YOON Chung-kwang Director, Korean Radio & TV Writers Association

JEON Moon-young Lawyer

Rapid developments in digital technology in recent years have provided more people with access to a greater variety of content than ever before, but laws and systems are failing to keep pace. A vicious cycle has resulted in an environment for production, use, and application of information where producers fail to receive compensation for their creativity and intellectual property, while users are denied the opportunity to use information lawfully. Putting an end to this state of affairs and changing it to a virtuous cycle will require a legal system that protects producers and allows the spread of information through lawful procedures, as well as ideas for putting this system to work. This was the context for the current session, led by **PYO Jeong-ho, Director of Korean Association of Academic Societies.**

First, **Lee Dae-hee, Professor of Korea University Law School** presented on the question of how information can be effectively and legally provided in a digital environment. Rapid developments in computer and communications technology have transformed this environment to allow the replication and distribution of audio and video files and other forms of content with great ease. In particular, Professor LEE noted that the current digital environment has cloud services and social media that are used to deliver such things with far greater ease than in the past. Whereas people previously had to visit libraries or similar places to use information and commit great effort and time to producing books and other information content, the recent situation is one where people can access information anywhere, at any time, through ebooks, notebooks, and mobile technology. According to Professor LEE, this necessitates developments in the law that recognize these changes and regulate them appropriately.

The current legal framework on the production, use, and application of information includes copyright laws, which protect information by giving the producers exclusive rights to it, allowing them to produce outstanding information. In particular, Professor Lee noted that the motivation to produce outstanding work is of great importance in a capital society, arguing that the situation urgently demands a solution to problems related to e-publishing (which can inhibit this kind of motivation), management of work after its copyright has lapsed, and the management and use of work with unclear ownership (“orphans”).

Professor LEE had a number of suggestions for possible solutions. First, he stated that technological measures should be applied in appropriate combinations, including technology to regulate access to content and the use of content once accessed. Second, he said that payment to creators should be clearly defined and calculated according to the form and use of the content. He went on to say that collaboration between public and private organizations is crucial in this respect, noting that while South Korea currently has around 13 collective management groups doing work related to the creator products (enforcing laws on their use and violation of their copyrights, distributing the usage fees collected), a number of problems are

Technological measures should be applied in appropriate combinations, including technology to regulate access to content and the use of content once accessed.

still present, including issues related to transparency in the distribution process and the overall governance structure. In closing, he said that the situation most crucially required a change in public awareness toward respect for intangible assets and adherence to related laws.

KWON Dae-woo, Chairman of the Korean Society of Authors, said that the copyright system needs to function in a way that promotes creative activities by authors and ensures their motivation to create. He went on to say that achieving this would require solutions to a number of problem areas. To begin with, he pointed to the need for transparent and stringent protections for the deferred payment system, in which users access content before paying the copyright holder.

He also argued that authors need to be given the authority to decide not only the financial outcome but also whether the work should be used or applied, what methods and distribution channels should be used for the content, and how content should be distributed. In particular, he noted that most publishing contracts give digital information rights to the publisher, resulting in many instances where the work is published in methods and with content that are against the wishes of the author. According to Chairman KWON, this area of contracts warrants additional consideration.

He went on to point to the need for environmental improvements in terms not only of copyrights but also the various stages of distribution, as well as research into ways of calculating and appropriately compensating distributors in light of the diminishing consumer base for analog publication. In terms of collective management, Chairman KWON said that appropriate regulations were needed to minimize unnecessary expenses in many areas. He finished by highlighting the remaining issue of making improvements so that users have easy access to the content they want when and where they want it.

YOON Chung-kwang, Director of Korean Radio & TV Writers Association, called for changes in the South Korean public's awareness on the issue of copyright, arguing that the country as a whole has been too lenient on information use and abuse. He also argued for the need to increase enforcement and effectiveness of the law to help bring about this shift.

KANG Bong-seok, Director of Korean Society of Authors, approached the issue in terms of the value of information. He noted a

Rapid developments in digital technology in recent years have provided more people with access to a greater variety of content than ever before, but laws and systems are failing to keep pace.

contrast between the past, when information was monopolized by the few, and the present, where anyone determined enough to do so can access it at any time at virtually no cost. For information to have value, the author must receive suitable compensation, and the government should be empowered to take appropriate action to prevent piracy. In terms of users, a suitable balance must be struck between their ability to use information as they wish on one hand, and appropriate compensation to the author on the other. Achieving this, Director KANG said, would require an expanded and developed device-based compensation system. Under this system, the value of information is protected through payment of compensation for devices related to the product (copy machines, film recording equipment, etc.). In terms of the Internet, which is the most widely used device today, Director KANG suggested as one possible method the charging of information usage fees by information channel, such as payment of a portion of Internet fees toward information usage.

JEON Moon-young, a lawyer, cited actual litigation in presenting his views on problems of information use and their solutions. The first area in which information use-related litigation occurred in South Korea was music: awareness of the issue's seriousness in legal terms was raised by high-profile cases involving Bugs and Soribada in 2000. According to Mr. JEON, the confusion stemmed from the fact that no concept of replication, distribution, and transmission had been established; while a law was created in 2003, the approach of resolving matters through copyright law has been plagued with problems due to the technical complexity of the areas in question and the continuous emergence of new services.

Today, it has been concluded that it is impossible to respond to these technical developments at the individual level, and that technical measures need to be introduced alongside the legal ones – one example being the mandatory use of filtering technology by Soribada and various web administrators. Mr. JEON concluded by saying that many problems remain to be solved today, noting that technology must be used on a continual basis to see who is using copyrighted work and where. He also said that not only administrators but managers need to know how to use filtering technology, and that technical issues such as filtering must be part of our approach to issues of distribution and circulation of the product.

Moderator PYO Jung-ho closed the session by highlighting the need for more people to understand that the producer and user are not in opposition and that both stand to benefit. He ended by stressing the need to reach a level of awareness on information use that conforms to a “developed country” standard.

it is impossible to respond to these technical developments at the individual level, and that technical measures need to be introduced alongside the legal ones

POLICY IMPLICATIONS

First, newly developed technology in various environments requires appropriate technological measures. As new technologies and cultures are introduced, attention must be paid to the resulting changes in the environment, allowing for examination of the copyrights that may be infringed and the development of approaches such as device-based compensation.

Second, clear definitions and calculations of compensation must be made according to the form and use of copyrighted products. Developing appropriate action will require organizations and specialists to collaborate on various forms of research to determine the extent to which copyrighted products are used, the methods of initiation, and the resulting effects.

Finally, changes are needed in the law's position on the people who use information. From the standpoint of the information user, the very use of the term "copyright infringement" may elicit a sense of being unfairly accused. A new system is required that strikes a suitable balance between the perspectives of the producer, distributor, and user of information.

EDITED BY

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CSV (CREATING SHARED VALUE): CONDITION FOR SUCCESSFUL GLOBAL BUSINESS

Seoul School of Integrated Sciences & Technologies

For decades, the focus of many companies has been on improving short-term financial performance, and both the government and civic groups have brought about a crisis by passing on the costs necessary for the solution of social issues. To overcome such crisis, companies need to improve economic performance and focus on Creating Shared Values (CSV), which creates social benefits at the same time in order to accept social demands from the outside world and solve problems. We discussed in which direction Korean companies need to go in this new capitalist era in which companies are shifting from Corporate Social Responsibility (CSR) to Creating Shared Values (CSV).

MODERATOR

KIM Ki-yong Korea Representative/
Chairman, Cargill Korea

PRESENTERS & DISCUSSANTS

MIN Bok-ki CEO, EXR Korea

LEE Young-geun Executive Vice
President, Incheon International Airport
Corp.

CHAE Eun-mi Managing Director, FedEx
Korea

KIM Young-Kee Vice President,
LG Corp.

Before the session started, **KIM Ki-yong, Representative of Cargill Korea**, pointed to an excellent example of Creating Shared Value at the very venue of the 7th Jeju Forum, noting that the decision, based on close cooperation with Jeju residents, to change the name of Pyoseon Beach to “Pyoseon Haebichi Beach” was an example of a company working closely with the local community for the latter’s development.

Observing that many companies have been focusing on their brand in recent years – advertising the brand, rather than its products, in their TV commercials – Mr. KIM said that company growth is a form of collaboration with the local community rather than something intended solely for profits and gains. He went on to cite the case of Cargill. An American company with a history dating back 147 years, it has 147,000 employees in 65 countries today, with sales of USD 120 billion. Mr. KIM observed that while the company had previously adhered to a passive approach in its CSR, recent years have seen a fundamental change in which a growing interest in brand management has led to a shift toward strategic social responsibility and the formulation of a response strategy. The aim, he explained, is to provide opportunities for strategic social contributions and to benefit society through a strategy

Company growth is a form of collaboration with the local community rather than something intended solely for profits and gains.

of responsible product development as a responsible supplier in a stable food supply network amid a broad range of concerns related to the environment, ethics, food safety, society, and people.

Cargill expects food demand to more than double in the future. Currently, the company is working on an overall corporate strategy formulated in terms of social responsibility, using manure from the livestock industry, following removal of odor-causing agents and environmental contaminants. At a biogas factory operated in conjunction with the province

and Jeju National University, Cargill is working to help local vegetable farmers and greenhouses with profits from the production and sale of electricity developed from manure to the Korea Electric Power Corporation (KEPCO). Mr. KIM said that the company can use methods like these to produce around 50 million tons in Korea (representing value creation of around KRW 900 million), thereby contributing to mitigating global warming, climate change, and carbon dioxide emissions.

CHAE Eun-mi, Managing Director of FedEx Korea, used FedEx as an example of how a company can create shared value as part of its economic performance. The worldwide distribution and transportation service adheres to a management philosophy called PSP (“People, Service, Profit”): satisfied customers result in better services, and ultimately higher earnings. According to Director CHAE, true CSV demands that a company meet its social obligations to create a healthier and more abundant world, offering a model to others while also reaping economic rewards. She went on to talk about the various ways in which FedEx is working to achieve both economic and social gains, offering the example of its efforts to create an exclusive CSV organization, which has made various efforts to curb fuel use and carbon emissions.

Director CHAE also said that FedEx has replaced its aircraft and land transportation vehicles to reduce fuel consumption, a measure that has saved it 276,000 gallons of fuel, and used solar energy as a way of cutting its carbon emissions, generating the same effect as the planting of 100,000 trees in one year through these reductions. She went on to talk about another effort to cut carbon emissions through an “ecodriving” campaign barring engine idling by drivers. She further discussed FedEx’s “2020” campaign (increasing fuel efficiency on 20% of vehicles by 2020) and “2030” campaign (using alternative energy for 30% of all fuel by 2030). Finally, she noted plans for a “sustainable FedEx” through ongoing research and efforts on renewable energy sources.

MIN Bok-ki, CEO of EXR Korea said that his company, EXR Korea, rose from its 2001 beginnings as a rough sketch on a memo pad to sustain over a decade of continuous growth as a South Korean fashion brand. Based on its early efforts to achieve its mission and vision of becoming a global brand, it reached the milestone of KRW 500 billion in sales last year; by 2010,

Social responsibility is becoming ever more important, with widespread exposure in books such as *The Age of Accountability*, as well as the ISO26000 system.

it had completed phase one of its CSR, with a focus on corporate activity and marketing. Mr. MIN went on to describe a second phase of customer-oriented CSR and a third phase (starting in the second half of 2011) that introduced the concept of CSV for development into a global business. He also said the company plans to engage in continued efforts in the years to come.

The first phase included the establishment of a school to coincide with the anniversary of the company's establishment, while the second stage included overseas volunteering, support for underdeveloped countries, and assistance for the underprivileged in South Korea. As part of its third phase of CSR, the company has founded elementary, middle, and high schools in Vietnam and worked to furnish opportunities for local community development by building professional fashion high schools to train knowledge workers. Mr. MIN said that he believed these activities would both develop core capabilities of the local community and the company, and be a great boon to the company's long-term growth strategy. He acknowledged many inadequacies in CSV to date, but said that he plans to continue developing the area through the addition of more workers.

LEE Young-geun, Executive Vice President of Incheon International Airport, noted the numerous problems that arose during the reclamation effort for the building of Incheon International Airport (ICN) in 1994, including destruction of the ecosystem and excessive compensation demands from local residents. However, he went on to say that the airport's successful management allayed concerns and led to outstanding performance, including selection as the world's top airport for seven years running as of 2012.

According to Mr. LEE, ICN is emphasizing CSR as a way of increasing aviation demand, dividing the process up into three stages. The first stage originated with charitable efforts for the community – in particular, financial compensation to address residents' complaints about damages suffered during the airport's building. The second stage involved regionally focused social contributions based on an analysis of resident needs. As an example, Mr. LEE described the planning of an elementary and high school

specialization program (based on the determination that resident needs were focused on education, culture, and the environment) and the building of a World Peace Forest and a cultural center near the airport; these efforts helped the airport earn the trust of residents.

For the third and final stage, ICN has worked to make social contributions by expanding its focus from the region and customers to the global community. Using its previous locally focused social contribution efforts as a foundation, it has established a multicultural singing ensemble, with proceeds going to help the poor; organized classical music performances for culturally deprived segments of the population; and worked to share Korean culture with foreigners. It also offers a free aviation education program that has helped develop aviation industries in developing countries, as well as overseas aviation consulting education as part of an effort to furnish opportunities for creating economic value in the long term.

In closing, Mr. LEE said that ICN hopes to gradually move ahead from its locally integrated social contributions toward a form of CSV. Not content to rest on its laurels as a global public enterprise, it hopes to become a company whose strategy earns it the respect of all aviation companies.

KIM Young-ki, Vice President at LG, said that social responsibility is becoming ever more important, with widespread exposure in books such as *The Age of Accountability*, as well as the ISO26000 system. He went on to introduce the efforts of the LG Group, which are modeled on founder and chairman KOO In-hoi's management philosophy of "always finding ways to benefit society in managing the company."

The Vice President KIM said that he views CSV as part of CSR and that it has been an increasingly active area recently. He went on to discuss a number of examples of CSR and CSV by LG in terms of marketing, services, and the value chain. In terms of marketing (and public interest marketing in particular), he described a program in which LG, having learned about high breast cancer rates among Kazakh women as a result of nuclear testing in the days of the Soviet Union, provided a cancer screening bus for 56,000 women – an effort that also succeeded in promoting brand value, since an LG logo was printed on the side of the bus. He also talked about campaigning with Doctors without Borders as part of marketing for LG's Borderless TV; organizing the use of LG products in advertisements on hunger and poverty; donating to a fund for water tanks in poor countries for every purchase of a water- and energy-saving LG washing machine; and solving water shortage

problems by providing water to people in need of it.

LG has also been engaged in a range of CSV efforts: saving water and energy and reducing environmental pollution through the development of convenient detergent sheets, as well as developing air conditioners that use harmless waves to ward off mosquitos in regions that have suffered heavy casualties from dengue fever – an effort that has both helped keep customers safe and resulted in sales of 70,000 to 80,000 units in Indonesia. It is now working to support the visually impaired with mobile phones that read books aloud, another venture that also produces profits for the company. Vice President KIM said that LG plans to work with Google in taking the product worldwide.

In terms of services, LG is promoting charity by developing Smart TVs with an application that allows people to make a donation after watching a video on poverty or hunger; raising KRW 200 million to help severely ill children by donating KRW 200 for every mobile phone bill received electronically rather than by post; and providing support for labor union members to put their abilities to work teaching technology and developing processes for social enterprises, an effort that it is linking to increased sales in the long term. These activities, Vice President KIM said, are a way of taking advantage of individual capabilities to promote the brand, contribute to society, and create gains for the company.

Conclusion

KIM Ki-yong said that CSV in Korea is only in its initial stages, but added that many examples of it are already present in previous CSR.

Referring to ICN's role as a superior airport in a world of high-quality services and diverse cultural activities, LEE Young-geun said that customer service, employee dedication, and efforts for local residents were all important elements in the airport's ability to undertake both CSR and CSV in such a short time as a private enterprise. He added that ICN intends to continue working to improve its international standing through social contributions (aviation education in particular) at the global level.

KIM Young-ki said that because the LG Group, a global business with origins in Korea, sees much of its sales coming from overseas, it is working to address and resolve issues of hunger, disease, and the environment for the global public. To achieve this, it has established the LG Hope School, LG

CSV in Korea is only in its initial stages, but added that many examples of it are already present in previous CSR.

Hope Village, and LG Hope Family in places like Kenya, Ethiopia, and Bangladesh; founded independent schools, trade schools, and farming community schools; and provided employment support for households with descendants of Korean War veterans. The company also pays regular visits to these schools and provides environmental improvements and continued support.

Mr. MIN said that he had also personally attended the opening of a school established by his company. He also said that he paid continued visits to older and new schools to provide additional support for their athletic facilities and libraries, among other areas. He added that he expected his own visits as president to help hasten the decision-making process for such activities and guarantee more active support.

CHAE Eun-mi stressed the importance of continuity in a company's CSV, adding that it needs to be linked with the company's core capabilities. When asked about specific CSV activities in Korea that FedEx is involved in as a global business, she mentioned an effort with the non-profit group Safe Kids to support traffic safety education for young people.

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ANALYSIS OF GLOBAL HEALTHCARE AS THE NEW GROWTH ENGINE

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Medical demands are increasing at an explosive rate due to increased income, lifespan and the development of anti-aging medical technologies, and the scope of the medical service industry through a convergence of sectors. Consumers pursue well-being in both treatment and prevention, giving rise to international competition in the fast-growing global healthcare market. This is intensifying as more and more patients cross borders and seek lower-costing and higher-quality medical services due to increase in global medical expenditure.

The development of a high value-added global healthcare industry is creating additional new industries through the convergence of such relevant sectors as manufacturing, financial, education and communication. This has had a ripple effect on job creation as well as on the sudden expansion of domestic demand, and is increasingly recognized as the next generation growth engine.

In this session, we listened to the opinions of experts from various fields regarding the future prospect of the global healthcare industry as the new growth engine and the convergence of medical sectors to devise a development strategy.

- Future prospects and development directions of the global healthcare industry
- Current status of policies to foster domestic and overseas global healthcare industries
- Case studies of smart healthcare through the convergence of sectors

MODERATOR

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Samjong KPMG Healthcare Group

PRESENTERS

YOON In-mo Head, Unimedi Plastic
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LEE Myoung-ho Professor Emeritus,
Yonsei University

CHOI Jae-hoon Sr. General Director,
Korea Digital Hospital Export Agency

HONG Gyung-pyo Vice President of
Enterprise Fast Incubation Center, G&E
Group. KT

YOON In-mo, Head of Unimedi Plastic Surgery Clinic, outlined a course of improvement for the shared development of the healthcare industry in terms of a business administration perspective based on industrial ecology. According to Dr. YOON, examination of the Korean healthcare industry in terms of that framework showed it ill-prepared for high value-added for the following reasons: low likelihood of a transition from the clinical stages to marketing in pharmaceuticals and medical equipment; restrictions on the value-centered competition system in related industries of communications, distribution, and finance; deficiencies in a human resource training system geared to industry diversification and development; institutional improvements influenced by imminent elections rather than

rational and far-sighted approaches; and the lack of an inter-industry collaboration interface and management.

Stating that the most critical concept in industrial ecology ecosystem is that of the equilibrium-symbiosis-cycle, MDr. YOON said the Korean healthcare industry demands a change toward a healthy healthcare business ecosystem based on such a cycle. Citing the examples of Medison and Motorola, he said that this industrial ecology cycle is founded in a repeated pattern of integration and separation. For the healthcare ecosystem to operate smoothly, the shared development course for the South Korean healthcare industry ecosystem can be benchmarked with the Organizational Dynamic Capability Model in the Double Helix Model, which provides a detailed account of industry cycles and symbiosis through integration, modularization, and orientation to product and cost. Major elements of this include systems for ecosystem entry and exit based on fair evaluation of competitiveness, systems for incubation, systems for an efficient industry environment with a smooth individual-industry-organization interface, and systems to build capabilities in developing research findings into products, including support for securing ideas, key research and development efforts, and establishing a clinical market.

LEE Myung-ho, Professor Emeritus at Yonsei University, presented on “Ubiquitous health” as a new growth engine. Explaining that the concept emerged from South Korea’s aging society and low birth rate, he said that U-health services are a ubiquitous computing-based system for sharing health and hospital information between doctors and patients. Its most central element, he said, is the electronic health record (EHR). Based on his analysis of the current situation, Professor LEE said that South Korea, as an IT power, could also be an EHR leader, noting that efforts are now under way to build an environment where this IT strength can be used to benefit the country. He went on to say that South Korea has developed a greater range of U-health products than other countries, including remote health services, safety management for the elderly living alone, citizen health management services, emergency treatment services, and the KHM, a device worn on the wrist to measure blood sugar without extracting blood.

However, he also warned that South Korea, despite its superior technology, has not protected its technology with patents or intellectual property rights, putting it behind other countries that have succeeded with the U-health business model.

Because of this, he stressed the need for institutional support for commercialization. In closing, he called for South Korea’s government agencies to collaborate on developing an efficient U-health industry by working together on a success model. He concluded by stressing the paramount need for legal support, introducing U-health laws that would allow South Korea to become a world leader in the field.

South Korea, as an IT power, could also be an EHR leader, noting that efforts are now under way to build an environment where this IT strength can be used to benefit the country.

Korean healthcare industry demands a change toward a healthy healthcare business ecosystem based on such a cycle.

CHOI Jae-hoon, General Director of Korea Digital Hospital Export Agency, defined the “digital hospital” as a comprehensive IT-based system for patient treatment. At root, it is a system where technology and interface capabilities converge in IT platforms, resulting in hospitals that operate “organically” (much like the human nervous system) to respond quickly in terms of their treatment system, management, and finances. Statistics from the US have demonstrated the improvements a digital hospital brings in terms of patient safety, showing that it is possible to eliminate up to 80% of medical error (the cause of 98,000 deaths every year). According to Mr. Choi, it will be essential infrastructure for the hospitals of the future, allowing them to work more quickly, precisely, and efficiently in EHR, resource management (maintained by resource suppliers), remote education, and maintenance. In addition, he predicted that South Korea could also promote medical tourism to overseas patients seeking a higher level of health care services by exporting a digital hospital model based in South Korea’s highly developed IT infrastructure. By doing so, South Korea could increase the standard of healthcare infrastructure in developing countries.

HONG Gyung-pyo, Vice President of Enterprise Fast Incubation Center of G&E Group at KT, characterized the healthcare industry as a public asset that aims to guarantee the patient’s safety, cut medical costs, and improve the level of medical services it offers. He also said that changes have been happening quickly in recent years due to customer demands, a new competitive environment, technological development, new regulations, and global interaction. Some of these changes have been negative: rising healthcare costs due to South Korea’s low birth rate and aging society, restrictions on public healthcare spending due to the KORUS FTA, increased competition due to healthcare market openness, and an order imbalance in healthcare services.

While acknowledging the need for healthcare-ICT convergence industry service innovations to bridge the gap with the goals of healthcare services and promote customer (patient) satisfaction, Mr. HONG also underscored the importance of an industry- and customer-centered approach rather than the existing one focused on IT engineers. To this end, he suggested a five-

point course for ICT-based healthcare: 1) reducing overlapping treatment through exchanges of treatment and imaging information; 2) cutting TCO with clinic information storage, search, and access services; 3) informatizing smaller hospitals with cloud-based hospital information systems (HIS); 4) building a collaborative healthcare system through remote joint diagnosis systems between hospitals; and 5) distributing e-health platforms to areas with underdeveloped healthcare facilities.

In closing, Mr. HONG predicted that ICT would serve as an “enabler” for sustainable growth in the roles of medical industry services “from the cradle to the grave.”

EDITED BY

IM Min-young Chief of
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Studies

CLIMB TO THE TOP WITH THE BRAND, BLACKYAK

Seoul School of Integrated Sciences & Technologies

BLACKYAK has recently celebrated its 39th anniversary, having begun as DONGJINSANAK in 1973. It has contributed to the market expansion of the domestic leisure mountain-climbing industry, led by mountaineer Oh Eun-sun who has completed a total of 14 mountains over 8,000m in height. In addition, backed by its efforts to meet with 10,000 customers by the ‘14 Korean Mountain Climbing Challenge Club with Oh’ program, it has been recognized as the top Korean outdoor brand through winning such awards as ‘Most Beloved Korean Brand 2011’ and ‘Award for Contribution to Enhancing Social Happiness 2011.’

BLACKYAK chairman Tae-sun Kang announced his goal to diversify its market to include Europe, the United States and Russia, improve the brand value, and ultimately to become one of the top 5 global brands.

As the first among the domestic outdoor industry to be certified in both ISO9001 (Quality Management System) and ISO4001 (Environment Management System), BLACKYAK has laid the foundation to advance into the global market and demonstrated its willingness toward brand management and growth engines.

MODERATOR

HUR Jeong-ok Professor, aSSIST

MAIN SPEAKER

KANG Tae-sun President, BLACKYAK CO., LTD

DISCUSSANT

SHIN Ho-sang Professor & Director of Admission Office, aSSIST

CLOSING SPEAKER

CHO Dong-sung Seoul National University

The rapid growth of Korea’s outdoor market has made hiking equipment a part of daily life. At a time when most companies are looking to popularize or “fashionize” their brand, Black Yak has focused on setting itself apart with its identity, positioning itself as a brand for professional mountaineers. It has also come up with innovative products through continued technical improvements based in domestic technological developments and research in environmentally friendly materials, which has helped upgrade South Korea’s outdoor market as a whole. This session was moderated by **Professor HUR Jeong-ok of the Seoul School of Intergrated Sciences & Technologies.**

KANG Tae-sun, President of BlackYak, began his talk by mentioning a personal story about what brought him into the outdoor industry. Describing the launch of BlackYak, he talked about his own experiences with adversity – from industry crises after his establishment of Dongjin Leisure in 1973, to his own ideas for the future of the business based on a 1994 encounter

with a black yak in the Himalayas, and on to his brand's positioning as a leader in the burgeoning market for outdoor goods in the 2000s.

President KANG went on to talk about BlackYak's brand identity strategy, outlining its current situation, product innovations, and strategy to set itself apart from other brands. With an annual growth rate averaging over 50%, Black Yak has dominated the outdoor brand field by merging Himalayan culture and color into a story under the "Himalayan Original" slogan, developing a distinct brand identity through stronger product functionality and design and the image of "extreme genuine hiking goods."

As other major factors in BlackYak's success in developing a distinctive image among consumers, President KANG pointed to the support of mountaineers, various social contributions, and the "Designed by Mountaineers" line.

President KANG confidently stated that BlackYak's bolstering of its image as a purveyor of genuine hiking goods in the outdoor market had clearly had a positive effect, solidly forging a distinctive identity for the brand. He went on to declare a "global vision" of parlaying this distinctiveness into a position among world's top five brands by 2015. He finished by declaring plans to increase the brand's value further by moving beyond South Korea and China (where it is already on the market) and into markets like the US, Russia, and Europe.

Professor SHIN Ho-sang of Seoul School of Integrated Sciences & Technologies discussed BlackYak's sustainability in terms of CSV (Creating Shared Value). The brand currently ranks third in sales among South Korea's outdoor brands (after Kolon Sport and K2), a "first mover" that has been consistently been among the first companies to take on new challenges.

Analyzed in terms of sustainability (economy, society, environment), Black Yak's economic success has already been shown with the results outlined by President KANG, as well as its third-place ranking in hiking gear according

to the Brand Stock Top Index (BSTI), an indicator brand value.

In terms of the environment, it was South Korea's first outdoor company to simultaneously earn ISO9001 (quality management) and ISO14001 (environmental management) accreditation. Also, its honors at the Eco Friendly Awards (outdoor category) and commendation by the Korean Minister of Culture, Sports and Tourism at the Korea Sports Industry Awards offer proof of its commitment to protecting the environment.

Creation is founded in science, and that it is achieved not only by artists but my managers as well.

Black Yak's management philosophy – serving the community and humankind – gives evidence of President KANG's determination to contribute to society, and its 2011 Social Contribution Grand Prix for Sharing Happiness honors testify to the company's growth as a social enterprise. As these indicators show, BlackYak can be viewed as having a framework for sustainable management addressing all three areas of economy, society, and environment.

With the leadership of a CEO who has been known to take months off at a time for hiking, BlackYak demonstrates that it has a systematic management framework of responsibility, transparency, high ethical standards, and direct engagement. Professor SHIN said that it provides an excellent example of a company using the mountains as a way of successfully creating shared value, harmonizing both corporate strategy and social contributions.

In particular, he pointed to BlackYak's ad copy from 2011 – “The moment I let go of myself, I met the Himalayas. The moment I transcended myself, I became BlackYak.” – as a major factor in communicating a sense of authenticity to consumers. Professor SHIN said that this expressed an overlap between President KANG's own life of adversity and the meaning of the black yak in the Himalayas, flavored with an additional “present tense” element.

CHO Dong-sung, Professor of Seoul National University opened by saying that creation is founded in science, and that it is achieved not only by artists but my managers as well. In that sense, BlackYak was not an accident, he argued, but something wrought systematically, objectively, and incrementally on a solid foundation of science, traceable to President KANG's own experience scaling the peaks of the Himalayas.

Professor CHO stressed that a good brand does not come from slapping a logo onto any product whatsoever, but is created as everything comes together in a process (science) of shaping a brand. He closed the session by saying that he expected to see Black Yak emerging as a global leader in mountaineering equipment.

POLICY IMPLICATIONS

- BlackYak has presented a consistent message of “communication” emphasizing the theme of the Himalayas. This has promoted a sense of authenticity with consumers through fusing the experience of technique of Himalayan climbing into product development. BlackYak may be a South Korean brand, but this is also a way of emphasizing its expertise as a specialized mountaineering equipment brand.
- BlackYak’s distinctive brand image is an engine that could allow it to prevail in the fiercely competitive outdoor market, as well as an important element in building its own customer base. At the same time, its emphasis on the Himalayas in its image, despite its being a South Korean brand, underscores the need to consider plans for incorporating Korea’s own mountains (especially Mt. Halla on Kang Tae-sun’s home island of Jeju) into its brand communication.
- If BlackYak does continue using the Himalayas message as a means of maintaining brand image consistency, marketing, and taking the next step as a global brand, it will need to firmly establish itself as a leading outdoor brand at home by focusing attention on South Korea’s major mountains in its future social contribution efforts.

EDITED BY

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TRUST-BASED MANAGEMENT OF TATA GROUP

Seoul School of Integrated Sciences & Technologies

‘Trust-Based Management’, the management philosophy of Tata Group, is recognized worldwide and respected as a management model with strong corporate core values, including integrity, corporate social responsibility and innovation. Mr. Ratan TATA, the current chairman of Tata Group, believes and lives in ‘Trust’. As the leader of a global company, he believes that Tata Group should maintain ‘Trust in employees’ and ‘Trust for customers’ as its guiding principles.

Tata Group has grown into a very successful company boasting a USD 100 billion market capitalization and USD 10 billion brand value with more than 140 years of history. This lecture shed light on the management philosophy of Tata Group and how such philosophy is being implemented in Korea for Tata Daewoo Commercial Vehicle Co., Ltd.

MODERATOR

KIM Joo-nam Head of Career Development Center, aSSIST/ former President of North America Head Office, KOTRA

MAIN SPEAKER

KIM Jong-shik President & CEO, Tata Daewoo Commercial Vehicle Company Limited

For this session, **KIM Jong-shik, CEO of Tata Daewoo Commercial Vehicle**, delivered a talk on trust-based management at the Tata Group, discussing the engine for its consistent growth for more than a century and describing how the core values of Tata Daewoo Commercial Vehicle are reflected in the different cultural environment of South Korea.

Mr. KIM said that management at the company was an “expression of the CEO’s philosophy.” In other words, the particular philosophy and personality of a company’s CEO are ultimately represented in the form of management applied there.

South Korea’s companies are receiving major attention in the world market thanks to their rapid growth, and many talented young people view them as ideal places of employment. However, it is unclear at the moment just whether customers respect them. From this standpoint, KIM said, the TATA Group provides an excellent example with many implications for the managing philosophies that companies should consider adopting.

The Tata Group was founded more than 140 years ago by Jamsetji TATA at a time when India was under British rule. It started out as a trading company before going on to develop as a group with the building of India’s first large-scale steelworks. It went on to achieve major growth, primarily catering to the local

The Tata Group is famous for founding the Indian Institute of Science, the Tata Memorial Centre for cancer research and treatment, and the National Centre for the Performing Arts.

population in India. It branched out into cars, aviation, hotels, and many other areas, making inroads overseas in countries like South Korea, China, and Japan. In the process, it has become one of India's biggest companies.

The Tata Group is famous for founding the Indian Institute of Science (considered one of India's premier educational institutions today), the Tata Memorial Centre for cancer research and treatment, and the National Centre for the Performing Arts. In other words, the CEO's management approach embodied his belief that the country, then under another nation's rule, could only rise up on its own through the advancement of its science, technology, and business. Based on this personal conviction, he launched an effort for the sake of his country, bringing about quiet change – not through armed revolution, but through education. Mr. KIM said that it is a philosophy that has been passed down to current chairman Ratan TATA, who represents the fifth generation of leaders, and continues to be a key figure in the company's activities.

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The Tata Group's image as a company that serves the public is also evident in its human resources system. The group introduced an eight-hour workday in 1912, and leave for expectant mothers in 1928. This was considerably ahead of its time, given that it took Great Britain (India's colonial ruler until 1947) until 1914 to first introduce the 12-hour workday system.

Most of the profits that the group earns from its corporative activities are given back to society. Tata Sons, its holding company, donated two-thirds of its stock holdings to set up a charitable foundation, creating a mechanism by which various volunteer groups and NGOs could become major shareholders. Mr. KIM drew a comparison with other companies where such enterprises are used as a way of passing wealth on to the next generation, saying that it provided proof of the outstanding trust-based management philosophy guiding the group.

This management approach also applies at its overseas affiliates. In South Korea, a brand usage fee is paid for the "Tata Daewoo" name, with two-thirds of profits passed along to charitable groups around the world. This

complete embodiment of the manager's philosophy is internalized as a matter of course by the people within the company. The mechanism is one in which the philosophy can be manifested at the point of contact between Tata Group employees and customers.

A case in point was seen in November 2008, when a terrorist attack occurred at Mumbai's Taj Mahal Hotel, which was owned by the group. At the time of the attack, which resulted in many deaths and injuries, the hotel's managers and employees famously stayed put for the sake of the guests, despite all the risks. Chairman Ratan TATA also showed consideration for the victims by assuming responsibility for the health insurance of their family members and children in perpetuity, paying them lifelong benefits, and taking responsibility for the children's education with opportunities to study anywhere in the world. This can be described as an instance where the manager's philosophy was clearly evidenced in both management activity and interactions with customers.

The Nano: Another Example of the Management Philosophy

This management philosophy is also visible in the products and services that the company provides. The Indian public faces frequent dangers and social problems caused by a combination of high population density and low economic growth. It is not uncommon to see a family of five riding on a single motorcycle. The Tata Group considered what kind of car it might develop to address problems such as threats to public safety. It would have to be safe, but also affordable.

When Ratan Tata announced plans in 2003 for a car geared to the public, he gave the target price of around INR 100,000 – in the neighborhood of USD230–270. This was a shock to many, given the typical price for a compact car, and the chairman of a rival company gave an interview in which he said that “no responsible car company would develop a car that fails to meet emissions regulations and safety standards.”

Tata's announcement was actually an off-the-cuff response to persistent questioning from a Financial Times reporter about the car of the future, but it ended up being reported all over the world the next month. He nonetheless went ahead with developing a car for the public; after five years of research and development, he kept his word with the 2008 release of the Nano. Initially, he chose Singur, a city in India's particularly underdeveloped east, as the site for a factory mass-producing the car. It was ultimately relocated 2,100 KM away to the west Indian city of Sanand due to problems with local residents. This hardly seemed the most efficient choice, given the massive USD 350 million cost of the building and subsequent relocation, but Tata was resolved to keep his promise with the Nano. “A promise is a promise,” he declared.

With these examples, KIM stressed the importance of responsibility on the part of businesspeople. A true manager, he said, shows greatness rather than personal ambition with the way he responds to a crisis for the company.

Trust-based management at Tata Daewoo

While trust-based management can be characterized as an attempt to achieve continued development through trust between company and customer (or the company and various stakeholders), it is not easy to define it or suggest ideas for practicing it.

While the past few decades have seen a sharp rise in the quality of South Korea's products and services, the country is still arguably lagging in terms of trust as social capital and the levels of its awareness. KIM Jong-shik stated that what South Korea most urgently needs to enjoy long-term growth founded in trust-based management is an approach of "communication" and "consideration."

Tata Daewoo has been embodying just this type of management. The company was founded when Tata Motors acquired Daewoo Motors' truck division. Notoriously, it experienced regular labor union strikes every June. Equally famously, an agreement to avoid strikes was reached in 2011 when the union signed on for a negotiation draft submitted by the company, its first in 13 years. According to Mr. KIM, the most crucial catalyst in this process was communication, specifically the company's consideration for its workers' position based in the group's philosophy of trust-based management.

The founder's philosophy of a "company serving the public" is expressed in all of the company's activities: the products it makes contribute to improving quality of life, the profits it earns are given back through social infrastructure investments for public welfare, and the entire process takes place through the internalization of the philosophy not only by the company's managers but by its employees as well.

As defined by Tata Group's example, trust-based management is an expression of a manager's philosophy so that the full gamut of stakeholders – managers, employees, and society alike – all share in the gains.

POLICY IMPLICATIONS

The examples of the Tata Group in India and Tata Daewoo in South Korea show the importance of trust-based management founded in the corporate manager's philosophy. They highlight the need for policies to establish a social consensus toward shared growth based in trust among different stakeholders: the company (its managers), its constituents (employees), and society (customers and the public at large).

Developing examples of and strategies for TBM: Underscoring the need for changes in the underlying corporate awareness toward advocating values shared with the community rather than approaching the community in terms of corporate charity; developing various examples of TBM by South Korean companies and formulating strategies for embodying them.

Building networks for mutually beneficial management between Indian and South Korean Companies: Making inroads into the Indian market (traditionally difficult for South Korean businesses due to cultural differences), establishing forums and fairs for exchange with outstanding Indian companies

EDITED BY

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ORGANIZATION AND MANAGEMENT PLAN FOR KOREAN AND CHINESE JOINT VENTURE FUND

China Magazine

In this session, we sought realistic preconditions for establishing a Korea-China joint venture fund. Accordingly, we proceeded with in-depth discussions on how to create a Korea-China matched fund and share the investment objectives, the differences between the two countries in terms of operating such a fund, and methods of efficient management.

We began by exploring the overall matters concerned with this subject, such as the types of Chinese funds and how they are created, proportion of investors, methods and objects of investment, predicted rates of earning, division of returns and management models.

Ultimately, we gained an understanding of the institutional and circumstantial differences between Korea and China, and delve into ways for resolving any restrictions to the establishment of a joint fund, having the parties cross-invest with the same amounts of funds, sharing the investment objective, and efficiently managing the joint fund. In so doing, we concluded with suggestions for ways to stimulate cooperation between our two countries in regard to the financial sector (VC/PE/M&A).

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MODERATOR

RHEE Sang-gi Chairman, Beijing GNS Co., Ltd.

PRESENTERS

WANG Da Ming Chairman, China Venture Capital Co., Ltd.

CUI Ming Partner, LightHouse Capital Management LLC, China

ZHANG Peng Director, JIUDING CAPITAL

YANG In-mo Director, KTB Investment & Securities Co., Ltd.

LEE Sang-mun CEO, SMHEDGE

HAN Bing Director, H&J Law Firm

TANG Xiao Dan Chairman, Silversun Group

HAN Bing, Director of H & J Law Firm, Beijing, said that the Chinese financial industry is still in its early stages in funds, private equity, and other areas, and has much to learn from South Korea. He went on to say that because China still has many regulations on foreign funds and financial products, collaboration in the financial sector is the only practical means for the South Korean financial industry to enter the Chinese market.

According to Director HAN, venture capital and private equity are already emerging as leading financial products in China, with the scale of private equity funds in particular showing rapid growth over the past few years. The biggest problem, he said, was that the legal system has failed to keep pace with market growth, something that could be an impediment to the future development of private equity funds in China.

Most private equity funds in China have operated through

initial public offerings (IPOs), enjoying strong growth in terms of performance and profitability. Director HAN said that the market is very favorable for a Korean-Chinese joint fund in private equity, but that consideration should also

be given to the inadequacies of the country's legal system for private equity funds. In particular, he advised referring to examples from Europe, the US, and elsewhere in the developed world for ideas on collaboration in the areas of venture capital and private equity.

In closing, Director HAN pointed to the issues of investor oversight and oversight between countries as requiring particular attention in any joint fund. Because most Chinese private equity funds involve individual investors, systemic risk prevention is key, he argued. Also, because the two countries have different financial regulations for private equity funds, cooperation should proceed in a way that protects investors.

CUI Ming, Partner of Light house Capital Management, presented on three issues for foreign investors: how to enter the Chinese market with a fund, how to manage a private equity fund in China, and how the environment differs from South Korea's. As reasons for investing overseas funds in China, Mr. CUI pointed to (1) the 8 to 9% annual growth rate of the Chinese economy, (2) China's enormous market, (3) the strength of the CNY, (4) the largest foreign reserves in the world, (5) guaranteed profits for foreign investors, and (6) a large increase in the number of advanced degree holders.

To open the discussion on a joint Korea-China private equity fund, Mr. CUI cited the example of a China-US fund that has been highly profitable over the past seven years. According to Mr. CUI, private companies (rather than central companies under the continued management of the National Capital Planning Commission) are preferred investment targets; private equity funds would travel around looking for suitable investment projects, choosing companies that met their investment conditions. The typical approach is to invest just prior to an IPO, and Mr. CUI advised examining factors such as history, scale, and growth potential – in particular, he said that investment targets should be companies that have existed for at least a decade and gone through multiple growth cycles.

Mr. CUI also talked about his company's investment committee, which was formed after an examination of company accounts with the help of the country's four major accounting services. He explained that a decision to invest in a company can only be made with the agreement of all five of its members. In terms of investment methods, he said that the company typically does not purchase a controlling share in the investment target, but asks for one to two seats on its board. He also said that the company must report regularly to investors and that the entire investment is pulled after three years.

According to Mr. CUI, investing capital alone is not enough, since the entire population is

Because most Chinese private equity funds involve individual investors, systemic risk prevention is key.

now involved in private equity and companies can choose investors. An outstanding private equity fund, he said, is one where the parties can both profit at the same time by sharing not only capital with the investment target, but also experience operating in a rich capital market: strategic counsel, global market channels, and improvements to the governing structure.

ZHANG Feng, Director of JIUDING Capital, noted the rapid growth of China's funds over the past 10 year, as well as the amounts invested. Since 2010, he explained, investments in the private equity industry have risen sharply due to an improved policy environment, as well as external factors such as the opening of an entrepreneurs' stock board in 2009. While most investors are individuals, private equity funds are actively seeking out institutional investors. Also, while the managers are generally younger, they are also staffed with people with experience at institutions such as the People's Bank of China, helping them establish outstanding competitiveness as private equity fund managers. The predominant investment strategy is one of taking part in company affairs as shareholders just before the IPO and taking advantage of opportunities such as mergers and acquisition or restructuring at state-owned enterprises. However, Director ZHANG also said that a number of realistic problems (including the country's laws) require consideration when pursuing mergers and acquisitions, which has led many to prefer companies poised for an IPO.

In terms of investment style, private equity funds that hope to succeed will need to prioritize stability (rather than only going after high profitability) and manage risk appropriately with a comprehensive risk management system. In particular, Director ZHANG said that experts should be assigned to the companies post-investment to help with the listing, management, and process improvements, and to improve the incentive system. Also, teams of experts should be established to offer strategic ideas to the company following investment, providing services geared to the company's substantive growth, including ideas for industry restructuring, M&A targets and approaches, corporate brand development, and the building and improvement of relations with the media.

Director ZHANG closed with an early conception of a Korea-China joint fund. The investment targets for this would be mature companies growing with South Korea and China, companies entering major Chinese markets, and companies possessing independently developed technology or seeking to expand their overseas efforts through mergers and acquisitions. He added that managers need to look for and decide on a broader range of investment opportunities, bringing in outstanding human resources from the investment fund companies in both countries to contribute their strengths and address weaknesses, as well as to offer companies investment opportunities in both countries and communicate their investment experience. He suggested using funds for the South Korean and Chinese governments for investment, while listing potential services for investment target companies such as consulting for the respective markets, searching for M&A targets, suggesting restructuring improvements, and establishing linkages between cooperating South Korean and Chinese companies.

TANG Xiaodan, Chairman of Silversun Group, offered the Chinatown project as an area where a joint Korean-Chinese fund might invest. Chinatowns began appearing throughout the world in the years after 1985, but none currently exists in Korea. Whereas past Chinatowns could be seen as places developed independently by overseas Chinese for their own livelihood purposes, Chairman TANG said that the current Chinatown should be a place serving multiple roles as a representative of China in areas such as food, shopping, entertainment, housing, cultural education, leisure activities, and healthcare.

LEE Sang-moon, CEO of SMHEDGE, said that transactions between South Korea and China have primarily been centered on manufacturing and trade, with relatively little in the way of financial transactions. As reasons for this, he pointed to a lack of information or success stories. He added that this was attributable both to the absence of information on financial transactions and to cultural differences, saying that severe problems with information regulations have restricted the activities of South Korean hedge funds.

YANG In-mo, Director of KTB Investment & Securities, pointed to basic cultural differences and legal issues as problems that must be addressed if Korean-Chinese financial cooperation is to come to fruition.

POLICY IMPLICATIONS

Differences in South Korean and Chinese law are arguably the single biggest consideration when establishing a joint fund. Fund companies have to clearly understand and obey the other country's securities law and fund-related regulations.

- Differences in culture and sentiment also require attention when operating a joint fund. South Korea and China have a long history of friendly relations, and the success of a joint fund will require a “win-win” strategy that benefits both sides, along with a dialogue-based approach to resolving conflicts and clashes.
- Finally, in selecting outstanding South Korean, Chinese, or foreign companies for joint fund investments, sufficient consideration of the partner's opinion is needed to minimize clashing, and a successful fund will have to maximize benefits for both sides. While many countries are strong investment candidates, any decision will require appropriate consideration and a careful decision.
- A successful joint fund demands that responsibility and profits be clearly divided between the partners, and that risk and rewards be distributed evenly.

EDITED BY

HAN Bing Director of H&J
Law Firm

STRENGTHENING THE KOREAN FINANCIAL INDUSTRY: COMPETITIVENESS OF THE ANALYSTS

Hankyung Business

The influence of stock analyst reports is so strong that it sometimes dominates the entire stock market. Nevertheless, the truly unbiased report is rare as there are too many stakeholders involved which, consequentially, can be an obstacle in developing the stock market. This concern results in questions such as how to improve the quality of reports, and solutions for advanced countries in the field of finance.

In order to debate this topic, prominent figures in the global market was invited as speakers and representatives of research centers in Korea join as panelists.

MODERATOR

CHO Yun-nam Research Head, DaeShin Securities

PRESENTERS

YOON Young-Mok Director of Asset Management Strategy National Pension Service

KIM Young-ick Vice President, Korea Creative Investment

DISCUSSANTS

SHIN Seong-ho Chief of Research, Woori Investment & Securities

CHO Byung-moon Director of Research Center, Eugene Investment & Securities

The need for predictions reflecting industry structure changes from a long-term perspective

YOON Young-mok, Director of Asset Management Strategy, National Pension Service, explained that the NPS, which

invests from a sizeable fund, operates with a capital turnover rate of about 61% per year, and that it has no other option besides long-term investment in which structural change is a serious consideration. Given that the country's top five asset management companies have annual turnover rates of 200%, the NPS rate is extremely low compared to other asset management companies. Director YOON also said that the NPS faces many restrictions, the most representative of them being the so-called "ten percent rule." According to this rule, various restrictions apply when the NPS obtains a share of more than 10% in one area; Director YOON explained that this reinforces the perceived need for long-term investment in multiple areas.

For this reason, the NPS has been forced to focus more on reports that take into account structural industry changes rather than the short-term momentum of individual companies that has received attention recently. By way of example, Director YOON said that analysis of recent reports in the automobile industry showed 139 "simple reports," compared to just four that

The strategy reports currently published by securities companies generally look no farther than one year ahead in their longer-term forecasts, while few if any went beyond this to three to five years ahead.

discussed structural changes. He went on to note that South Korea's five main securities companies had an average of five target stock value fluctuations a year; in Director YOON's opinion, while it may be normal for stock values to change, it suggested an excessively myopic view of the market to have this happening on the order of once every two months.

Director YOON also made particular note of what he perceived as the "fact-centeredness" of many analysts' reports, a characteristic he observed in many reports in general. He went on to say that NPS

fund managers would prefer a distribution of 5 to 10% facts to 90 to 95% predictions, adding that they did not view length as very important.

After that, he expressed the wish that fewer reports excessively emphasized buying, noting that while it has long been understood that analyst reports often favor buying, the number of such reports has risen from around 80% in the early 2000s to 93% today; Director YOON asked whether the South Korean stock market really is chronically undervalued to such a degree. Pointing out that the NPS is bound by regulations to invest a certain percentage of its holdings in stocks, he said that the most helpful information for NPS fund managements would be analyses to assist with portfolio management.

In addition, Director YOON said that the strategy reports currently published by securities companies generally look no farther than one year ahead in their longer-term forecasts, while few if any went beyond this to three to five years ahead. An NPS examination found only around 10 mid- to long-term reports for every 300 simple comment reports.

Director YOON predicted an increase in NPS's global investment going ahead, noting that overseas investments accounted for 13.2% of its fund operation amount in 2011 and forecasting that the percentage would continue to rise. He added that the NPS would be taking a passive management approach to direct domestic investment, while using trust management by asset management companies for active management.

Director YOON went on to voice his own view that South Korean stock market conditions themselves had hit something of a wall in terms of being able to continue producing reports with simple investment opinions on individual stock types. As an example, he said that if the

Analysts should at the very least focus more on figuring out the direction stock values are heading.

NPS found 150 stocks in which it could potentially invest, the reports should venture “relative investment” opinions as to which ones would be more profitable based on stock-by-stock comparisons.

Honing insights from the humanities to predict structural change
KIM Young-ick, Vice President of Korea Creative Investment Counseling, described an analyst as someone who interprets yesterday today. In particular, he noted that profit predictions, one of the analyst’s key duties, tend to lag behind by two to three months – in other words, when an actual company’s profits fall, the consensus takes another two to three months to drop.

Mr. KIM said that imagination was important for the analyst. Beyond simple accounting knowledge, he said, analysts need to possess a range of knowledge in the humanities and history, using that as a basis for their insights. He went on to ask that analysts comment on major structural changes. He gave the example of a securities company report some time before that reexamined the paradigm of South Korea’s focus on exports.

Mr. KIM described it as a report that he kept highlighting as he went along. He also voiced his hopes that analysts would be simpler and clearer when compiling their data.

Mr. KIM said that he makes sure to read reports that are written by analysts who: are market-trusted, provide continuous updates on particular issues, and have opinions that differ from the majority. In closing, he acknowledged the near-impossibility of analysts actually predicting stock values correctly, saying this was true even when the “net was cast wide.” For this reason, he said, analysts should at the very least focus more on figuring out the direction stock values are heading.

In the ensuing discussion, **SHIN Seong-ho, Chief of Research at Woori Investment & Securities,** said that his conclusion after working in finance for 32 years was that “stock prices don’t lie” – they accurately reflect corporate profits and interest. The problem, he said, was how difficult it was to predict either of these. Mr. SHIN argued that this had to do with the analyst’s “fragmentary” view of the market. He cited an example from the 1980s, when the Daewoo Economic Research Institute asked an analyst to come up with

a 10-year industry forecast. Quite apart from whether this was even possible, Mr. SHIN said that he believed such things contributed greatly to boosting an analyst's competitiveness. He added that the budget was naturally an issue, and that the use of a limited workforce to perform a limited range of work posed clear limits, but added that analysts needed a fundamental perspective to help them read industry changes and changes in global trends.

CHO Byung-moon, Director of Research Center Chief, Eugene Investment & Securities, said he felt that while customer acuity was increasing, analysts were stuck in the same place and needed to take another step forward.

KIM Ho-jin, Executive Director of the Investment Strategy Committee, MIRAEASSET Fund Management, expressed a hope for greater "diversity" among South Korean analysts, commenting that their reports were not worth reading when they are all identically produced. According to Mr. Kim, unique perspectives hold far greater appeal to the fund manager.

Mr. KIM also said he hoped for reports tailored to the hedge fund era, as well as those from industry analysts containing ideas on stocks with similar investment trends. He concluded by saying that he looked forward to reports with in-depth analyses of specific facts rather than assortments of different facts.

Director CHO said that many analysts apply similar standards (PER, PBR, etc.) to every kind of stock, even though each industry and company has different characteristics. Based on this, he said that analysts should focus more on key elements that drive stock prices, looking at why a certain stock is rising or falling.

Director CHO also said that the research center heads assembled for the discussion had the job of training more analysts equipped with such insights, adding that analysts who "mass-produced" reports would not be very helpful to the growth of the investment market.

CHO Yong-joon, Research Center Chief at Shinyoung Securities, said that analysts need to be able to develop models – estimating the profits of their companies, as well as discovering profitable stocks and observing their trends. He added that it would be possible to find inflection points once those models matured, and that the inflection point would hone the analyst's eye for stocks.

POLICY IMPLICATIONS

- Securities companies' research center heads and fund managers would like reports with longer-term predictions.
- They also predict that analysts will only develop when there are more reports available from unique perspectives.

EDITED BY

LEE Hong-pyo Journalist,
Hankyung Business

THE KOREAN FINANCIAL INDUSTRY & RELATED LAWS

Hankyung Business

Korean finance companies are accelerating to advance into overseas market aiming at being global players. They have been trying to go to Asia's financial markets like China and Indonesia as increasing their working capital and arranging for specialists such as researchers. What's more, they're dreaming of being global level IB.

Korean government and relating authorities have been enacting and administering several law and regulations in order to promote a financial market's innovation and a fair competition and to protect investors. Nowadays, It is prepared to revise (Financial Investment Service and Capital Market Act) which include removing the boundaries among different financial investment services as well as shifting to functional regulation.

This session reviewed carefully the revised (Financial Investment Service and Capital Market Act) in advance and to talk about how to apply to business practically.

MODERATOR

CHO Yun-nam Research Head, DaeShin
Securities

PRESENTERS

LEE Je-won Partner, Law Firm LEE&KO

LEE Je-won, Partner at Lee & Ko, said that South Korea has a wide range of investment funds, pointing to private equity and hedge funds as areas of particular interest in recent years. Private equity funds began emerging in earnest in the latter half of 2004; as of 2011, around 180 were registered, while Financial Supervisory Service figures showed more than 200 as of May 2012. Total holdings now stand at over KRW 30 trillion. Hedge funds numbered around 13 as of late 2011, with around 17 registered and holdings of approximately KRW 500 billion. Mr. LEE said that hedge funds appear poised to take off in the long term and questioned how much the hedge fund market is disrupting the market as a whole.

Mr. LEE also said that current private equity funds could be classified into three types: those run directly by financial institutions, pure private equity companies developed by financial holding companies (e.g., Shinhan, Woori), and independent private equity houses. While they have been emerging out of established securities and management companies, they have also been quite active because of the

While the PEF industry looks poised for rapid growth, the prospects for hedge funds are not strong.

venture capital moving into that area – a trend that applies just as much to the rest of the world as it does to South Korea.

According to Mr. LEE, the reason for this is the low profitability of venture investment due to the economic recession, as well as the fact that private equity funds allow for large investment: for those investing at least once, the investment units are in the tens of billions of won. In contrast, venture capital is a relatively frustrating area, since investments have to be distributed among various areas. In particular, Mr. LEE noted the financial investment focus of private equity funds, since they do not have the ability to buy out companies. He added that while this requires a good CEO, South Korea currently lacks a market for them. As a second point, he noted that that financial investment companies managing private equity funds are ill-equipped to withstand principal losses. For this reason, he said, one characteristic of Korean private equity funds is their many safeguards.

While private equity funds in Korea are easy to establish but severely restricted in management, the situation overseas is the reverse. Noting the recent trend of private equity funds investing in bonds with warrant, Mr. LEE said that this was especially favorable to existing shareholders, since they can increase their stake. He went on to identify rising overseas investment as a characteristic of PEF management, but noted the problem of the inability of asset managers (who are “not omniscient”) to know whether the overseas investments were working out. For this reason, Mr. LEE said that the services of an overseas law firm were essential. In particular, he cited the example of Chinese businesses, noting that those wishing to invest must receive permission from the commerce ministry and register with the Administration for Industry and Commerce and the tax office.

By way of illustration, Mr. LEE noted an experience investing in Dubai in 2007. The values of his construction company stock rose tenfold, but he soon learned that the emirate only applied the concept of “usage rights,” without any concept of land ownership (since all of Dubai was considered to belong to the king). This exemplified a problem area in foreign investment.

South Korea has moved recently from being an investment target to an investment source, with an ever greater number of investment specialists and intensifying competition between funds. Mr. LEE said that while the PEF

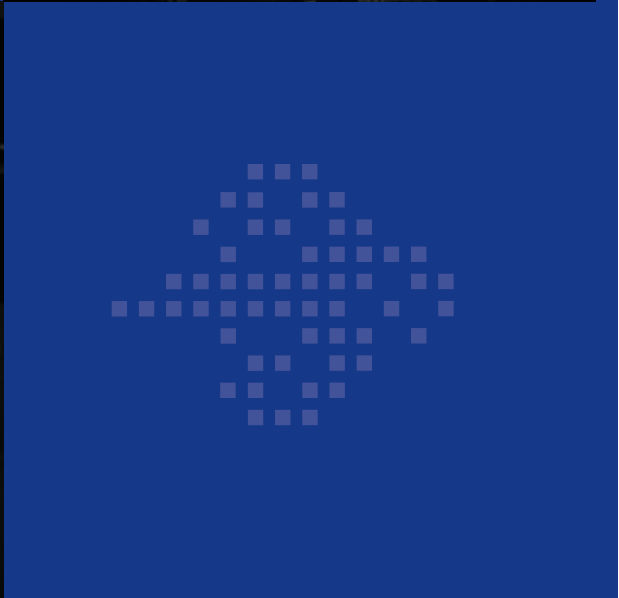
industry looks poised for rapid growth, the prospects for hedge funds are not strong, although he did expect to see steady growth. The reason he believed any more growth was unlikely was the lack of specialists and the high-risk, high-reward nature of the funds. While he believed the current economic situation would allow some shouldering of risk in investment, he also foresaw difficulties raising capital.

POLICY IMPLICATIONS

- The development of private equity funds demands deregulation.
- The inroads PEFs are making overseas represent a significant opportunity, but close consideration needs to be given to the legal systems, which differ from South Korea's in many respects.
- Hedge funds are growing, but appear unlikely to do much in the near future because of problems raising capital and a shortage of managers.

EDITED BY

LEE Hong-pyo Journalist,
Hankyung Business



Part V

WOMEN AND ENVIRONMENT



GENDER AND DISABILITY

Korean Institute for Gender Equality Promotion and Education

The future of the Asian-Pacific region should strive towards a balanced development between a qualitative and quantitative economic growth. To achieve this, the session aspires to shed light on the need and importance of policies and changed perceptions which include women and the minority class, especially women with disabilities, as part of the society.

Disabilities, gender discrimination, violence are themes that are typically shied away, felt as too difficult to approach or an issue that is somebody else's problem.

The session with the congratulatory performance of well-known pianist 'LEE Hee-ah', who has only but four fingers brought these issues out in the air by starting the session with her personal story as a women with a disability.

MODERATOR

SONG Gyung-jin Vice President, Institute for Global Economics

CONGRATULATORY PERFORMANCE

LEE Hee-ah Four-fingered pianist

CONGRATULATORY ADDRESS

KIM Tae-seok Vice Minister, Ministry of Gender Equality and Family

PRESENTERS & DISCUSSANTS

KIM Hyung-shik Professor, Korea University of International Studies, Korean Representative of the Committee on the Rights of Persons with Disabilities

Joan DUROCHER Director, National Council on Disability

Hilary BROWN Professor, Canterbury Christ Church

CLOSING ADDRESS

MOON Sook-kyung President, Korean Institute for Gender Equality Promotion and Education

A society that does not protect and care for its weak is neither fair nor just. Likewise, if there is no care for women with disabilities, the wider problem of gender inequality will never be solved. Disabled women are often the weakest in their societies, and so are deserving of special attention. They are also frequently the most vulnerable to violence, discrimination and other types of harm.

What can the government do to protect the rights of such women and alleviate their suffering? What role can academia and welfare organizations play? And what responsibilities and roles should the recipients of such care take on? All these questions were addressed in this session under the moderation of **SONG Gyung-jin, Vice President of the Institute for Global Economics.**

KIM Hyung-shik, Professor of Korea University and Korean Representative of the Committee on the Rights of Persons with Disabilities, said that disability can be a 'tragedy and disaster,' resulting in exclusion, discrimination and other disadvantages. Women with disabilities, he added, can end up suffering discrimination on two fronts: one for their gender, and another for their disability.

Professor KIM said that women with disabilities also tend to be more exposed to violent situations than able-bodied women, because of their high physical, economic and psychological dependence on other people. The inevitability of women with disability being dependent on others, he said, makes them more vulnerable to violence. Also, women who have been victims of sexual violence are more likely to suffer from continued or more violent assaults, making them a particular area of concern. To protect disabled women who are exposed to violence and to prevent further assaults in private, institutional or social settings, Professor KIM said that the identities of convicted aggressors should be made public, and existing laws pertaining to violence should be reinforced.

A proactive way to achieve this, Professor KIM said, would be to create a fund that can support awareness campaigns against violence and sexual assaults on disabled women or children. In addition, Professor KIM stressed that government support must be made available to help disabled women enjoy a healthy and sound family life, and to break free from the shackles of poverty.

Joan DUROCHER, Director of the US National Council on Disability, said that the Constitution of the United States protects the human rights of women and bars discrimination against them, and that specific laws and regulations support these aims. However, she said that there are no laws aimed specifically at disabled women, and urged the adoption of such statutes to protect disabled women as, in recent times, they have become more isolated compared to able-bodied women. Director DUROCHER said it was imperative that awareness was raised about the needs of disabled women, and that care and support should be available to anyone suffering from social discrimination.

Director DUROCHER said she strongly opposes the pigeonholing of disabled women as being only “handicapped,” noting that these women are in all likelihood someone’s sister or mother as well. Women with disabilities want to be recognized as people, not just disabled, Director DUROCHER said, and these prejudices have to be addressed.

Presenting specific cases about the difficulties disabled women face in the United States, she said that women with disabilities find it much more difficult to find jobs than their male counterparts. In addition, Director DUROCHER said that in comparison with disabled men, disabled women are more likely to be the victims of violence from family or strangers, they receive less service support, they get a smaller salary and fewer benefits, and are excluded from more economic opportunities. Many disabled women in the United States are, in fact, living in very harsh conditions, Director DUROCHER said, and resolving this is crucial to realizing true peace and prosperity, the very aims of the Jeju Forum.

In order to provide solutions to such serious problems, Director DUROCHER said that she will

Government support must be made available to help disabled women enjoy a healthy and sound family life, and to break free from the shackles of poverty.

continue to press hard for provisions on the disabled to be included in policies and programs being implemented by the State Department and its international development agency. Governments and NGOs must also make sure that, in all economic and social programs, disabled women are given equal footing with other groups needing care and attention, right through from the planning stages to monitoring and assessment. She stressed that these efforts must result in actions, not just words, and that the government must provide measures that balance progress with the needs and wellbeing of the disabled.

Hilary BROWN, Professor of Canterbury Christchurch University presented on the theme of ‘An Agenda to Deal with and Prevent Sexual Violence against Disabled Women and Girls.’ The Professor said that both disabled women and children are especially vulnerable to violations of their human rights and can be open targets of sexual crime. Even if the attackers are reported to the police, she said, it can be difficult for the victims to receive proper legal protection. This is because, with sexual violence against disabled women and children usually perpetrated through force, coercion, enticements (such as gifts) or lies, victims are often persuaded or threatened by the attacker to keep quiet.

All violence, and especially sexual violence against disabled women and children, is the unilateral expression of dominance by the stronger party against the weaker, Professor BROWN said. She added that sexual violence should be understood fundamentally as a problem of the use of force, a relationship between the strong and weak, and a problem of oppression and domination.

The central point in assessing whether abuse and violence is present in a sexual act is whether that act is consensual. However, she said, ‘consensual’ does not merely mean asking for and receiving consent; it also depends on the circumstances under which the question was asked, and whether the decision was based on accurate facts.

The following examples, Professor BROWN said, cannot be considered consensual: when a person or victim is too young or has a disability that prevents them from fully understanding that they are consenting to a sexual act; when the victim is forced; when a person is pressured by someone he or she trusted or who is in a position of authority; when a person is deceived into giving consent; or when the person was forced into prostitution.

The Professor expressed her agreement with the previous presenter, KIM Hyung-shik, in saying that the more dependent a disabled woman is on someone for her livelihood, the more vulnerable she is to violence. So, women who are poor, are physically or mentally disabled and

Governments and NGOs must also make sure that, in all economic and social programs, disabled women are given equal footing with other groups needing care and attention, right through from the planning stages to monitoring and assessment.

who find it difficult to live independently, face an increased risk of being exposed to sexual violence. In order to protect women with disabilities and children, Professor BROWN said, it is necessary to tackle the problem at the broadest societal level. At the same time, a system must be set up allowing different government ministries and agencies to work flexibly and in mutual cooperation with one another. She continued that laws must be enforced properly to deal with this situation, and to provide appropriate support and compensation for women who are suffering from abuse and violence, whether they are disabled or not.

The Professor further emphasized the importance of sex education to help raise awareness. She emphasized that sex education in schools strengthens the position of women by increasing access to medical services and contraception among younger females.

Lastly, the Professor said that all types of violence must be properly recognized, along with any reasons or institutional causes behind it. Grass-roots partnerships and coalitions are a crucial part of this, Professor BROWN said, and effective measures must be in place so that disabled women and children who have been victimized can receive support, protection and compensation.

The moderator concluded the session by emphasizing that society, both collectively and individually, must focus its attention, effort and support to ensure that disabled women can lead happy and stable lives, including getting married and having families of their own. This can be achieved, she said, by strengthening relevant laws, institutions and the social safety net.

All types of violence must be properly recognized, along with any reasons or institutional causes behind it. Grass-roots partnerships and coalitions are a crucial part of this.

POLICY IMPLICATIONS

One view that all the participants agreed on was that most disabled women who have suffered sexual violence are highly dependent on someone economically and physically. Indeed, the more they rely on external help, the more likely they are to become victims of sexual abuse. Through this, it is evident that there is a pressing need to help disabled women become economically self-sufficient, which is central in ensuring their welfare.

Proposal 1

Though career centers for disabled women in South Korea are operated by the Ministry of Health and Welfare, most labor policies are ineffective in providing jobs for them. There needs to be a specific law

addressing this issue, and big business should be involved in drawing it up. The Ministry of Health and Welfare must also work on creating new policies, while working hard to persuade big businesses to provide more jobs for disabled women. While all disabled people face serious challenges, the situation for disabled women can be worse because of the additional discrimination they face. This means the government must make special efforts to address this situation, and enlist the help of the business world to ensure more direct or indirect hires of disabled women.

Disabled women should not be regarded just as a matter of concern for the individuals and their families, but as a broader societal issue. In this sense, Professor KIM's presentation provides an accurate picture. While individual should do all they can to overcome their own challenges, societal attitudes also have to change so that disability is no longer seen as an insurmountable obstacle. Society at large has to provide the necessary mechanisms to address this situation.

Proposal 2

As presented by Professor KIM, the proposal is to create a special fund that will raise awareness of the difficulties disabled women face in their daily lives. Disabled women have to face the twin discriminations of prejudice against disability and sexism, so a fund specifically aimed at raising awareness and providing them with solutions, education and support could be extremely valuable in improving their lives.

Proposal 3

Even if they do suffer sexual abuse and violence, disabled women can find it very difficult to receive adequate protection from the law – largely because they may not be equipped to take advantage of the protections that are available. Therefore, there is a pressing need to strengthen laws and systems that protect such women and punish their assailants.

A system must be implemented in which specially trained staff can accurately assess disabilities among women who have been sexually assaulted, so that counseling can be offered and an accurate statement drawn up for legal purposes. Explaining and attempting to prove sexual assault can be a very harrowing experience for disabled female victims of sexual abuse, especially when the agencies dealing with it – police, prosecution offices and courts – are symbols of power, male dominated and not generally geared to helping the disabled.

For these reasons, it is essential to have qualified staff on hand who can help victims make accurate statements while also providing them with counseling. In addition, courts and judicial agencies must conduct and institutional regular educational sessions so that people working within the system have a clearer awareness of what disability means.

EDITED BY

YU Chan-ho Catholic Priest and Head, UriMaul Welfare Foundation

IPR(INTELLECTUAL PROPERTY RIGHTS) AND WOMEN

Seoul School of Integrated Sciences & Technologies

In the 21st century, an increasing number of women are participating in social and business ventures. The proportion of female CEOs is also on the rise. “Woman Power,” one of the core components to define our future society, has been proven in many places around the world, and in the knowledge society of the 21st century, women’s creativity and IPR activities are emerging as a new determinant of national economic competitiveness.

In this session, we presented best practices of women’s power leadership and female entrepreneurs, in order to introduce IPR strategies and development plans.

MODERATOR

HAN Mi-young President, Korea Women Inventors Association

MAIN SPEAKER

KIM Jay-woo Chairman, Korea Coach Association / The foundation for broadcast culture

SPEAKERS

KIM Myeong-ja President, Nature & Ginseng

LEE Gum CEO, Gomdoorifood Co., Ltd)

LEE, In-sil Partner, LEE & PARK Patent & Law Firm

KIM Jay-woo, Chairman of the Korea Coaches Association and Chairman of the Foundation for Broadcast Culture, made his presentation under the theme of “If one is able to transform oneself, that is youth.” Chairman KIM began his presentation by saying that if you are not able to change or read the enormous changes taking place, you are increasingly doomed to failure – as is the case with authoritarian governments or once-mighty companies such as Kodak. The answers to the future lie in the present, he said, and if you focus intensely on the present and set goals, you can find insights into the future. Chairman KIM said that everything has become more personal and it can often feel as if things happening around the world are actually happening to us individually. The entire world is a setting where we can dream. The definition of failure, he said, has shifted to one of never having tried something, and the world now encourages people to try new things as much as they want. The emphasis today, Chairman KIM added, is on first winning yourself over and then pursuing your one true purpose while discarding everything else. Just as Steve JOBS repeatedly asked himself, would I want to be doing this if I knew that today was the last day of my life?, Chairman KIM said that it is important to reflect frequently and think about what you are doing today.

Keyword

Women, self-transformation, invention, creation

HAN Mi-young, President of the Korea Women Inventors Association, said that we are living in a time of creativity where diversity and communication, but also fusion and communication, are important, and it is crucial to pursue economic results from the intellectual creativity of women.

President HAN said that innovation can secure economic strength and social advancement. She explained that most Korean women are highly educated, but are caught in a situation whereby after marriage and giving birth they give up on careers and don't bring out their fullest potential. Innovation, she said, is something that women can pursue from home even after having children and while raising them. Furthermore, if the ideas are transferred into sellable products, this will generate a lot of economic benefits.

Inventions needn't be extravagant and grand things, President HAN said; small, lightweight things end up being hugely popular products, and there are endless possibilities for new inventions in our everyday lives. In the era of intellectual property, she said, if women enter the market and challenge themselves, every woman in the country can become an inventor. President HAN concluded by saying she hoped to see this day soon.

LEE In-sil, Partner of LEE and PARK Patent and Law Firm, said that for someone's good ideas and innovative products to become her property and business, she must secure the right legal foundation.

Noting that 90% of Apple's inventions

are intangible assets, Ms. LEE said there will be many patent wars in the future and these will provide a good chance to learn how important it is to protect your products.

Intellectual property can be divided into industrial property rights, copyright, and new knowledge property, Ms. LEE said, and these are applied uniformly all over the world. Everyone must be well aware of this so that inventors can be protected and protect themselves under this system, she said, adding that the laws in Korea are relatively well developed compared to other countries. Today even smells or sounds can be patented or protected, Ms. LEE said, and there are brands for everything. Citing the example of the diaper flap patent suit between Yuhan Kimberly and LG Household and Health Care, she said that even if you are making a generic product, it is advisable to create clear guidelines and know that product very well.

KIM Myung-ja, President of Nature and Ginseng, talked about how they develop products at her company. She said that although Nature and Ginseng had developed outstanding products, consumers were actually focused more on brands than product quality. Because of this, the company had decided to stop the development and production of new items, in favor of researching how they could appeal to consumers without having to constantly explain the products.

Someone's good ideas and innovative products to become her property and business, she must secure the right legal foundation.

After much trial and error, the company focused on making its Red Ginseng Wine an exclusive regional brand. Unlike many traditional liquors in Korea, Red Ginseng Wine is not made with rice, but with fully fermented red ginseng. President KIM said that as well as being top quality and delicious with any kind of food, Red Ginseng Wine is also good for the immune system and circulation.

LEE Gum, CEO of Gomdoorifood, presented her hot-tasting candies. She came up with the idea after thinking about the number of traffic accidents that occur because of people being drowsy or falling asleep behind the wheel. After confirming that hot pepper is effective in fighting off sleep, she began to develop a product that could be commercialized. Having no direct experience or expertise in the field, Ms. LEE faced plenty of skepticism, but had strong backing from her family and also won considerable support after her story was broadcast. She concluded by saying she is ready to take on new challenges in the future.

POLICY IMPLICATIONS

- A woman starting up her own business in Korea is not merely adding to the pool of pre-existing companies. For a country like Korea, where the rate of women returning to the workforce after giving birth is noticeably lower than in the United States or Europe, female entrepreneurs are elevating their own social standing while simultaneously breathing new life into the knowledge economy. Accordingly, it's beneficial to everyone to publicize the success of women in innovation and new ventures as widely as possible.
- Past cases indicate the lack of a specialist body or policies available to women starting up their own businesses. There is, then, a need to create such support networks, especially in certain areas where the most help was needed. The government should also consider implementing policies aimed at helping women entrepreneurs.
- Progressive and solid measures are required to ensure that women have more opportunities to start their own businesses, and that society as a whole begins to view female entrepreneurs more positively.

EDITED BY

LEE, So-young Team
Manager, Academic Affairs
Team of aSSIST

WOMEN AND THE DEVELOPMENT OF BRANDING

Jeju Special Self-Governing Province

In this era of unlimited global competition, the value of branding as intangible property is crucial not only for companies but for regions and nations as well. It is commonly understood that regional and national branding have great influence upon many sectors, including the attraction of international tourism and investment, trade industry, and more. Korea has advanced its development in nearly all aspects, including economy, society and culture; however, the nation's concern and needs for increasing its international role and contribution are growing, along with its self-criticism for not yet having secured the international status commensurate with its capacity.

At the same time, the 'soft power' of women, in traits such as delicacy, sensitivity and creativity, is increasingly recognized and valued. In this session, we discussed ways to enhance Korea's continued sustainability and global competitiveness, including the development of Jeju's branding from the perspective of women. Recalling the importance of intangible property such as design and brand that, in the 21st century, largely determine value, we identified ways to differentiate Jeju's intrinsic culture and unique identity.

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MODERATOR

RYU Hyun-soon Chairperson / News Commentator, Jeju Women Governance Forum / Korean Broadcasting System

MAIN SPEAKER

Anna FANG CEO, Anna Fang Public Relations

PRESENTERS

KIM Eun-shil Professor, Ewha Womans University

KIM Hyo-seon President, The Women's News

PARK Sunny Chairperson, Korea Media Rating Board

LEE Hyae-kyung Chairperson, International Women's Film Festival in Seoul

Anna PANG, CEO of ANNA FANG Public Relations, said that as well as being a center of Korean tourism, Jeju is known as an island of women thanks to its haenyeo (female divers), feminine myths, traditional matriarchy and egalitarian society. Jeju has also received many accolades from UNESCO, Ms. PANG said, and was recently named one of the New 7 Wonders of Nature, demonstrating its appeal as a tourist destination. The island is also increasingly known as a center of international education and for its outstanding health and medical facilities (Jeju Health Town).

Ms. PANG stressed, however, that for Jeju to compete for tourists from China, Asia and general and the whole world, it would need more direct flights from Shanghai and Hong Kong, with airlines such as Dragon Air or China Eastern Airlines. She added that as well as luring additional tourists, travel agencies need to devise marketing strategies aimed at group tours and business trips. To explain, Ms. PANG cited a couple of examples

from other countries.

In the late 1980s, Ms. PANG said, an international hotel in Beijing carried out a campaign called the “White Gloves VIP Tour,” in which 12 of the 120 travel agencies operating tours to Beijing were selected, and guests arriving in Beijing with those companies were picked up in a limousine, and given a 90-minute ride to the hotel with free champagne on board. In another instance, the Santa Cruz Chamber of Commerce in California carried out a campaign called the “Be a Tourist in Your Own Home Town!” On offer in Hong Kong, Japan and other Asian countries, this campaign offered a train tour around the Coast of Santa Cruz County, as well as Ben Lomond Mountain and wineries around the area.

KIM Eun-shil, Professor of Ewha Womans University, discussed methods of branding internal experiences. She said that rather than making money simply from natural scenery, it is important to create something meaningful from experience, wisdom, and any hard time endured.

Professor KIM emphasized that to ensure you capture the identity and uniqueness of a given product, a great deal of thought should go into creating a brand. She added that the Jeju brand should go beyond symbols and must contain values of the future; rather than restricting it to a certain object or figure, Professor KIM said, it should seek out the context of the Jeju brand. Creating a Jeju brand means creating a symbol of what people think about Jeju, thus it is imperative to do extensive market research to discover what exactly a representative brand—one that really captures the Jeju experience—would be.

Lastly, Professor KIM emphasized the need to create a brand that unites or brings together the experience of women in Jeju alongside future-oriented values. She suggested an image that contains the values of healing, peace and coexistence, with the image of a creative woman diver.

KIM Hyo-seon, President of Women’s News, said that her newspaper has helped explore the value of being a woman, as well as giving her personal meaning in society. She said she also has a lot of interest in uncovering the hidden potential

Keywords

Jeju Women Global Brand Creation, second century value creation, feminine myths, women’s narrative, healing, Mother Island, the spirit of Umung, need for conceptualization of brand image

The Jeju brand should go beyond symbols and must contain values of the future; rather than restricting it to a certain object or figure, it should seek out the context of the Jeju brand.

of how Jeju can be marketed, but she stressed that any such attempts must be openly discussed, specifically linked to business goals, produced and then sold.

RYU Hyun-soon, News Commentator at KBS and Chairperson of the Jeju Women Governance Forum, said that her Forum has already discussed the matter of creating a brand for Jeju, and provided some comments on conceptualizing the Jeju brand. Seocho Jeju Women's Forum, the Seoul PR team for the Jeju Women's Governance Forum, the has been discussing how to make a brand for Jeju for some time, Ms. RYU said, and has come up with ideas including healing camps and other practical programs.

Ms. RYU said that it is also important to globalize the value of Jeju women by drawing on their energy. Rather than being a "woman island," Ms. RYU said that Jeju is a "mother island," and throughout its long history, the role of women has been so central to Jeju that it can be considered

In order to create a brand image for Jeju, it is necessary to prioritize projects that conceptualize the island's experience.

the energy that drives the island. Jeju is also renowned for its famous figures, such as the Old Woman Seolmundae and KIM Man-deok. These figures are symbols of the history of Jeju's women, and so merit much more study.

All brands begin with a story, Ms. RYU said, and an appropriate Jeju brand is will emerge when closer examination is made of the culture of motherhood.

PARK Sunny, Chairperson of the Korea Media Rating Board, said when one thinks of women in relation to Jeju there are three concepts that come to mind: women in mythology, women in history and present-day women. The symbols of women in mythology include the Old Woman Seolmundae, the Goddess Jacheongbi, and historical figures including KIM Man-deok, Saekjani, and Hyodeok. But when one tries to think of present-day women of Jeju, Ms. Park said, no one comes to mind. Introducing women like SUH Myung-sook, the President of the Olle Foundation, and writer SHIN Kyoung-sook, Ms. PARK emphasized the need to create a story about Jeju that includes the women divers, the healing workshops of the Olle Trails and the women writers workshop.

LEE Hae-kyung, President of the Executive Committee of the International Women's Film Festival in Seoul, said she is deeply involved with women and movies, and has been collecting and organizing material on women's cultural knowledge. Although her work is not deeply rooted in society, she said, it will play an important role in a rapidly changing Korea.

On the theme of "New Brands and the Future of Asia," President LEE said that women can become an important trend in branding, and that Jeju, which has been a peripheral place, can assume a more prominent role symbolizing femininity and women.

President LEE further emphasized that in order to realize feminist values, an attitude of coexistence, sharing, peace and coexistence is needed. In a social structure of neoliberalism and

unlimited competition, she said, “feminine” values such as these have been pushed aside and a culture of misogyny has become more prominent. For feminine values to spread not only in Jeju and Korea, but across Asia and the world, President LEE said, Jeju must become a forward base for feminine values.

KIM Ahn-keun Professor of Sookmyung Women’s University said that the leadership and strength of Jeju women derives from the spirit of the *umung* (“mother”) who sacrificed herself for the wellbeing and future of her family. The value of this “spirit of motherhood” must be part of the Jeju brand. **KANG Mi-kyung of the Hanbit Shelter for Women**, suggested that “*Iodosana*,” a song sung by women divers when they go deep-sea diving for conchs and oysters, should also be part of the Jeju brand. **HONG Kyung-hee, Publicity Chair of the Korea Federation of Business and Professional Women (BPW)**, said that as a concept related to healing, the image of the comfortable, beautiful and happy women of Jeju Island should also be included in the Jeju brand. **HWANG Eun-mi, former chair of the Korea Federation of the BPW**, said that a new, modern image of Jeju Island must be developed as its brand.

POLICY IMPLICATIONS

- In order to create a brand image for Jeju, it is necessary to prioritize projects that conceptualize the island’s experience.
- Because it is difficult to erase a brand image that’s already been formed, the first step in the creation of the Jeju brand is very important. To create an image of the Jeju experience that works worldwide, the brand will require the input of experts and scholars in the field. Those specialists must also endeavor to create an image that incorporates the past, present and future experiences of the Jeju people, while the brand itself should comprise an open and universal image that embodies the image of feminine mythology, along with the image and spirit of motherhood.
- Widely advertised tourism products are already being marketed for foreign tourism companies.
- Need to push for more direct flights to Jeju from foreign destinations.

EDITED BY

IM Ae-duck Professor,
Teaching Social Policy and
Practice in Jeju National
University

THE UN WEP FOR GENDER EMPOWERMENT AND BPW

Seoul School of Intergrated Sciences & Technologies

The leap toward an advanced economy in the 21st century will only be possible if women are employed more effectively in the workforce. Established in 1930, Business and Professional Women (BPW) devotes itself to realizing genuine economic equality for women, guided by a firm belief that “there is no true equality without an economic foundation.”

To this end, BPW has widely publicized the Women’s Empowerment Principles (WEP) put forward by UNIFEM and the UN Global Compact, and continues to push for an environment that will boost women’s competitiveness in the workplace and promote more female leaders.

The Korea Federation of the BPW has 26 clubs across the country working toward these goals. In this session, some of its members discussed ways to further strengthen the rights of women in society.

MODERATOR

Lim, in-sil Partner, LEE&PARK
Patent & Law firm

PRESENTERS

LEE, Nam-sik President, aSSIST
Park, Hui-Cha President, BPW Korea
Kim, Hyang-sook Member, BPW Korea
HYUN, In-sook Member, BPW Korea

LEE Nam-sik, President of the Seoul School of Integrated Sciences and Technologies, showed participants a dreadful photo published in the August 7, 2010 edition of Time magazine, of an 18-year-old Afghan girl called Aisha. The photo, he said, demonstrated that women’s rights are still being seriously violated across the world. He said that the BWP is working to improve women’s rights by following the UN’s 10 major principles, and explained that the Secretary General of the UN, BAN Ki-moon, has also stressed the importance of the Women’s Empowerment Principles.

The UN Women’s Empowerment Principles

1. Establish high-level corporate leadership for gender equality
2. Treat all women and men fairly at work – respect and support human rights and nondiscrimination
3. Ensure the health, safety and well-being of all women and men workers
4. Promote education, training and professional development for women
5. Implement enterprise development, supply chain and marketing practices that empower women
6. Promote equality through community initiatives and advocacy
7. Measure and publicly report on progress to achieve gender equality

Keywords

Establish high-level corporate leadership, gender equality, empowering women

President LEE said the WEP principles aim to elevate the status of women in important positions of decision-making such as business. When the BPW world conference takes place in 2014, he said, those principles will be one of the key points of discussion. He concluded by saying that Korean corporations must also make sure to actively apply these principles in their workplace.

PARK Hee-ja, Chairperson of the Korea Federation of the BPW, said that the BPW is one of the most influential women's groups in the world, counting 100 countries as members and also being an advisory body to the ECOSOC. Established in Switzerland in 1930, the BPW's headquarters is in London, and it has representatives at UNESCO, the WHO, the FAO, the ILO, UNIDO and other organizations. The BPW takes on activities under a theme that is assigned every three years, said Chairperson PARK. Under its theme for 2011-2014, "Empowered Women Leading Business," the BPW is carrying out campaigns including the Equal Pay Day movement, as well as activities to reinforce the rights of women and elevate their status.

The BPW Korea Federation, Chairperson PARK continued, was set up as a non-profit corporation within the Ministry of Foreign Affairs and Trade in 1968. Today, women belonging to 26 clubs nationwide take part in a variety of activities to elevate the social position of women. The BPW Korea Federation has many achievements to its name, Chairperson PARK said, including the abolition of mandatory retirement after marriage for women working in banks, and discrimination

While the status of women has changed in political, social and environmental terms, the participation of women in making key policies and decisions is still low. The WEP must be applied not just in business but in the wider society too.

in retirement age practices between men and women. The Federation also held a nation-wide signature drive to push for the adoption of the UN Charter on Discrimination against Women, and every year, the group presents a Gold Award to companies that have contributed to elevating the status of women and provided them with more jobs. The BPW Korean Federation carries out programs to foster future women leaders, provide career counseling for young girls, hold leadership camps for female high school students, and provide international internships and mentoring for foreign students in Korea.

Lastly, Chairperson PARK said that while the status of women has changed in political, social and environmental terms, the participation of women in making key policies and decisions is still low. The WEP must be applied not just in business, she said, but in the wider society too.

KIM Hyang-sook, a presenter on the panel, said that she is very proud of all BPW members who are playing important roles in their respective positions, and that BPW members are also assuming key responsibilities on the UN Commission on the Status of Women, which is held every year. She further said that three areas are key in assessing Gender Empowerment Measurement

from among the OECD countries: 1) the number of women in specialized or technical areas, 2) the number of women participating in politics, and 3) the number of women in business and other areas of society. In Korea, only 40% of women are in specialized or technical areas, just 14% of seats are assigned to women in parliament and local legislatures, and women occupy only 3-4% of leadership roles in business and other areas of society. She concluded by saying that women professors are working on improving gender equality.

HYUN In-sook, another presenter on the panel, noted that Korea has advanced enormously, achieving great economic development and transforming from a recipient to a donor country. In Korea, she said, the institutionalization of policies, welfare, training and development works were all undertaken by enacting laws pertaining to women: these efforts have included the development of regional areas following the Saemaetul movement, along with vocational and educational training.

Asked how the MDGs of Jeju women will be carried out or how the WEP will be pursued, Ms. HYUN presented some recommendations. First, she said, it is important to establish the infrastructure. Jeju still lacks the means to carry out research work, education, assessments of gender equality, or policies on women and family, and the staffing and infrastructure of women's organizations are lacking. Compared to organizations in big cities like Seoul – which can independently carry out education and training projects while strengthening the role of women – the Jeju office has just two or three staff, making it difficult to develop policies for women, Ms. HYUN said.

Accordingly, Ms. HYUN said, Jeju's priority in implementing the MDGs and strengthening the role of women at the regional level should be the creation of organizations and infrastructure. To this end, various types of forums should be hosted so that women representing Jeju's past and present can meet and develop policies to prepare for a future with strengthened roles for women.

POLICY IMPLICATIONS

- The WEP is a set of fundamental principles to elevate the status of women in important decision-making processes in fields such as business.
- This will be an important issue at the 2014 BPW conference.
- A push is needed to ensure that WEP are actively applied by businesses in Korea.
- The role of women in international activities is still underdeveloped, a situation that needs to improve quickly.

EDITED BY
LEE Jung-hee Member of
BPW

ENVIRONMENT-FRIENDLY DEVELOPMENT THROUGH INTERNATIONAL COOPERATION: TRENDS AND CASES

Cheju Halla University

The importance of environmental issues is recognized in many developing countries in Asia. However, due to a lack of human and material resources, they face difficulties in dealing with these matters.

In this session, we discussed the trends and case studies of international cooperation for environment-friendly development in the developing countries.

MODERATOR

JUN Yong-wook Ph.D., Vice President, Woosong University / Vice President, SolBridge International School of Business

MAIN SPEAKER

KIM Myung-ja former Minister of Environment / President, The Korea Federation of Women's Science and Technology Associations

PRESENTERS & DISCUSSANTS

Fisher ALEXANDER Director of Management and Administration, Global Green Growth Institute

Bou Chan SEREY Deputy Director, Dept. of Planning and Development, Ministry of Tourism, Cambodia

YANG Sun-yi Professor, Cheju Halla University

Fischer ALEXANDER, Director of Management and Administration of the Global Green Growth Institute (GGGI), presented the vision of the GGGI, and the objectives behind its founding. He also emphasized green growth through international cooperation and introduced a project currently being pursued by the institute.

Director ALEXANDER said that the GGGI was created with the belief that both economic growth and sustainable environment are not only compatible, but equally essential for the future of human kind. The GGGI has been providing Green Growth Planning and methods of implementation to both developed and emerging economies, so that they can become models of new green growth. To achieve this, Mr. Fischer said, related research and joint projects between private and public sectors have also been conducted.

After first identifying their economic and social status, their capacity for dealing with climate change and other potential for growth, the GGGI seeks development plans for emerging economies, Director ALEXANDER said. The plans relate to energy security, resource management, urban infrastructure, and other key areas of a nation's economy. Currently, he said, the GGGI is implementing Green Growth Planning in countries like Brazil, Cambodia, China, Ethiopia, and Kazakhstan, and also works in close cooperation with global organizations such

The government must seek ways to change attitudes and raise awareness in the regions, and help create infrastructure for accommodations, attractions, and safety.

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as the Asia Development Bank, the Bank for Reconstruction and Development (IBRD), the United Nations Economic and Social Commission for Asia and Pacific (UNESCAP) and the OECD. Mr. Fischer said that these are excellent examples of fostering environmentally-friendly development in developing countries through international cooperation.

KIM Myung-ja, President of the Korea Federation of Women's Science and Technology Association and former Minister of the Environment in Korea, said that Korea suffers from considerable environmental stress, making green growth policies very difficult. However, by realizing a win-win situation through a mutual harmony of the conflicting notions of “green” and “growth,” President Kim said, a successful model of advancement can be realized on Jeju. Internationally, both advanced and developing countries must work together in realizing green growth, she said, but it is currently difficult to lessen the differences between them. In order to realize green growth, however, the most important factors are working out how to elevate resource efficiency and cooperating on energy matters, she said.

In Asia and developing countries, due to continued population growth and constant demands for an improved standard of living, the consumption of energy or resources is continuously on the rise, President KIM noted. On the other hand, there is as yet no viable alternative energy option to deal with this phenomenon, so energy continues to be a crucial issue. Moreover, she said, due to rapid environmental changes, the three main strategic resources – energy, food and water – are becoming hugely important issues that everyone should be concerned about.

Accordingly, President KIM said, it is of vital importance to realize a ‘Korean-style’ green growth that elevates the quality of life while harmonizing the twin demands of the environment and growth. Only when society, economy and environment are in harmony can sustainable growth be realized, she added. Moreover, advanced countries must actively help developing countries either financially, technologically or with targeted policies, in order to realize green growth worldwide.

Case of Cambodia: Challenges and Obstacles for Its Regional Ecotourism

Bou Chan SEREY, Deputy Director of Planning and Development Dept. at the Cambodian Ministry of Tourism, discussed Cambodia's advances in the environmental area based on its experience with ecotourism and the development of its Community Business Ecotourism (CBET) model. He discussed the policies, models and advancement strategy of his country's ecotourism, and the challenges and obstacles they face.

The Deputy Director said there were policies dealing with regional assignments, manpower resources, infrastructure, quality control, and marketing, along with other efforts at the national level. Developed from 2007, the ecotourism model has received support from the Cambodian Tourism Ministry and the UN, and works in close cooperation with the GGGI and its national committee, he said. Locals were also participating extensively in developing models and an advancement strategy for ecotourism, he said, using environmentally friendly resources to initiate development and progress for the region. With the government at the helm, the project is being pursued with the participation of local people, NGOs, the private sector, and financial bodies as a national development project.

The Deputy Director said that challenges in carrying out the project have included understanding attitudes in different regions, a lack of infrastructure and accessibility, and safety and hygiene. For ecotourism to succeed, he added, partnerships among the people, individuals and groups must be encouraged and promoted by the government. In addition, the government must seek ways to change attitudes and heighten awareness in the regions, and help create infrastructure for accommodations, attractions, and safety.

Drinking Water Project in Developing Countries

YANG Sun-yi, Professor of Cheju Halla

University said that the influence that welfare has on people's health has already been proved, and stressed the importance of water among the factors listed by the WHO as being crucial to one's environment. She added that because

By realizing a win-win situation through a mutual harmony of the conflicting notions of "green" and "growth," a successful model of advancement can be realized on Jeju.

water in the developing world is often not managed properly, people's lives are at risk. Some 1.5 million children under the age of five die each year from disease, especially diarrhea, Professor Yang said; improving sanitation and providing purified drinking water could reduce this toll by two thirds.

Keenly aware of the urgency of the issue, Professor YANG said, the UN has declared the resolution of key environmental preservation and protection issues by the year 2015 to be its 7th objective. Many countries and organizations know the importance of water and are providing extensive help, she said, but there aren't yet too many success stories. In this regard, the UN is widely publicizing successful cases so far as well as the reasons behind their success.

One such success story has been the Congo. The key to its success, Professor YANG said, was that it was demand driven. The project was undertaken taking local demands into account, with inhabitants given the opportunity to select which project they wanted. By using local manpower, the Professor said, welfare in the area was maintained and improved. Cheju Halla University and the GGGI have begun a new welfare and hygiene project in Cambodia, she added, and they too are focusing on human development.

POLICY IMPLICATIONS

- The super grid, which connects Europe and the Middle East, is an effective network for the production and consumption of electricity. Many countries are working together to further advance the super grid, and energy cooperation among East Asian countries is also very important.
- Inter Connection to Power Grid is being tried among the ASEAN. Low carbon growth is an important issue for development. Accordingly, countries should cooperate closely to achieve a compatible improvement in growth and low-carbon energy production, and solve related problems.
- Water-related health issues must also be taken seriously. For this, proper education and good quality water systems should be developed simultaneously. Developing countries may run into problems in this regard, so international cooperation is essential to see this through.

EDITED BY
LEE Joon-ho Cheju Halla
University

INTERNATIONAL COOPERATION ON TRANSPORTATION SECTOR AND CLIMATE CHANGE AMONG DEVELOPING COUNTRIES

The Korea Transport Institute

The transportation sector is responsible for more than 25% of greenhouse gas emission globally. Reduction of the gas emission in the transportation sector is very important in that it is possible to do so without negative repercussions, while in other industrial sectors such reduction results in direct increase in cost and decrease in competitiveness.

Nevertheless, developing countries cannot respond properly due to the lack of necessary skills and financial resources to cope with greenhouse gas reduction and climate changes in the transportation sector.

This session explored the means for international cooperation on effective greenhouse gas reduction in the transportation sector suitable to developing countries. Experts from Korea, Indonesia, UNESCAP and ADB presented and exchanged their ideas and experience.

MODERATOR

CHUNG Rae-kwon Director, UNESCAP

PRESENTERS & DISCUSSANTS

JO Jun-haeng Director, Center for Transport & Climate Change, KOTI

Elly A. SINAGA Director, Ministry of Transportation, Republic of Indonesia

Robert GUILD Director of Pacific Asia Transport and Energy Division, ADB

CHUNG Rae-kwon Director, UNESCAP

KIM Gyeng-chul, President of the Korea Transport Institute, said that dealing with climate change in connection with the transportation sector should not only be concerned with mitigation, based on cuts in greenhouse gases, but also with adaptation. In Southeast Asia, he said, many cities have been built in the lowlands with insufficient sewage systems; in such cities, frequent downpours of rain lead to severe flooding and, on occasion, devastating landslides that block off roads. Problems like these not only make everyday life uncomfortable and impede economic activity, President KIM said, they can threaten the wellbeing and even the lives of people living there.

President KIM stressed that responses to climate change should be based on high quality scientific data. With climate science and related research requiring extensive monitoring, reporting and verification (MRV), international cooperation between governments and institutions is already widespread. In transportation, however, the mobility of the sources of emission

Keywords

climate change, transportation sector, greenhouse gases, developing countries, international cooperation

makes it much harder to gauge the effects on climate change, President KIM said.

This issue makes it even harder for developing countries, which often lack both the technology and financial resources to deal with climate change. For this reason, President KIM said, cooperation, support and sharing knowledge are essential. Publicizing past successes, he said, will provide the opportunity both to highlight the positives, while tackling any negative points that arose.

Monitoring, Reporting and Verifying (MRV) Greenhouse Gas Emissions in the Transportation Sector

JO Jun-haeng, Director of Center for Transport & Climate Change, KOTI, presented his thoughts on “How to apply MRV in the Transportation Sector.” He said that no MRV method has yet been established for use with Nationally Appropriate Mitigation Action (NAMA), and that he would be presenting some proposals. If greenhouse gas emissions were reduced by 20% (lower than the global standard of 25%) in the transportation sector, he said, this could reduce competitiveness in other sectors – due to a fall in transportation – while increasing production costs. However, he continued, greenhouse gas emission can in fact be reduced in the transportation sector without weakening the competitiveness of the industry or causing economic losses.

Director JO added that MRV is a very important method for monitoring the reduction of greenhouse gas emissions. However, with MRV in the transportation sector, project implementation effects are difficult to monitor, report and verify because the source of the emission moves and gets dispersed. Accordingly, he said, it is difficult to come up with measures using only this system. Instead, it is necessary to develop a rational MRV method that carries out NAMA less stringently than the Clean Development Mechanism (CDM). Director JO said that relevant international organizations should work to standardize the MRV method, and that the method of analyzing outside factors that

In transportation, the mobility of the sources of emission makes it much harder to gauge the effects on climate change. This issue makes it even harder for developing countries, which often lack both the technology and financial resources to deal with climate change. For this reason, cooperation, support and sharing knowledge are essential.

influence transportation policies should be standardized as well. Rather than pursuing absolute accuracy for each project, Director JO said, it is much better to achieve accuracy at the global level by creating common standards. Also, those implementing the projects must go through some minor changes to meet the basic conditions of the standardization, and must also develop and register an implementation method.

Director JO said that NAMA calls for selection and focus so that there is wider use of public transportation, less use of cars, more focused urban transportation, and construction of BRT. In the process of its implementation, he said, it is necessary to continuously improve the methods and parameters, and the database to be used for analysis must also be standardized. This can be achieved by standardizing the method of research, process and forms. The methods presented are desirable for the implementation of NAMA, Director JO said, which will make it easier for developing countries to get involved. It will also be a very valuable tool in accumulating information for analysis to be used in the development of other transportation policies.

The Importance of International Cooperation in Indonesia's Transportation Sector

Elly SINAGA, Director of Ministry of Transportation, Republic of Indonesia, discussed Indonesia's climate change issues with regards to the transportation sector, its NAMA development plans, and the definition and scope of international cooperation in this area. Noting that Indonesia's population runs to 240 million people, making it the fourth most populous nation in the world, the Director General said that 26 million people live in Greater Jakarta, where car ownership now tops 83 million units. The annual rate of growth in car ownership over the last 10 years has been 10% and the rate of growth for motorcycles is much higher. However, Director SINAGA said, the standard of public transportation remains very low.

Director SINAGA said that in Indonesia, subsidies on fossil fuels act as an incentive to use more fuel, but that climate change is forcing a rethink of this policy. About 93% of the fuel subsidy is provided to private vehicles, she said, but only 3% are for public transportation, a proportion that must be dramatically increased. Greenhouse gas emissions in Indonesia reached around 377 million tons in 2007, a figure that is estimated to top 1.4 billion tons by 2020 (from 1980 to 2007, emissions increased by 450%). With regards to NAMA, Director SINAGA said, Indonesia is aiming to reduce its greenhouse gas emissions on its own by 26% by 2020, and by 41% with international cooperation. This means that energy use in the transportation sector must be reduced by 6% to this end, she said, Indonesia is implementing about 55 programs to improve energy efficiency, shifting to more eco-friendly modes of public transportation, increasing the use of public transportation, and other measures.

While cooperation between developing and advanced countries is important, Director SINAGA said, it is equally crucial that developing countries cooperate with one another. The areas that Indonesia needs support with include technology transfers and joint ventures for research. To this

end, she said, Indonesia needs to assess what kind of technology transfers it needs, detailed information about the technology, the conditions required to affect such transfers, and an overall strengthening of its capabilities.

Other areas where international cooperation is essential, Director SINAGA said, include the management of transportation data, technology and knowledge, monitoring systems, and the strengthening of capacity in relevant areas. A good example of international cooperation was on show during the SARS epidemic, she added, when in just four weeks 10 countries and 13 research organization worked together to identify the problem. She concluded her remarks by saying that the transportation sector is key to tackling climate change, and for genuine improvements to be made, international cooperation and joint research are vital.

Asia Development Bank's Sustainable Transport Initiative
Robert GUILD, Director of Pacific Asia Transport and Energy Division
at the Asia Development Bank, said that over the last 40 years, loans

in the area of transportation have become increasingly important. The ADB, he said, has since 2010 adapted what it calls the STI, or Sustainable Transport Initiative, which focuses on the expansion of urban transport, publicizing climate change, improvements to transportation and logistics between countries, traffic safety and support for social sustainability. The strategy to reduce greenhouse gas emissions has been categorized as Avoid, Shift and Improve, Director GUILD said, meaning that transportation systems are being transformed to be more accessible, safe, and environmentally friendly. Previously, investment in roads took up 74% of infrastructure spending, while public transport consumed just 2%. But between 2010 and 2012, he said, investments in road construction fell to 70%, while those for public transportation rose to 18%.

Investment in urban transportation, Director GUILD said, is concentrated on BRT, Metro systems and building integrated urban transportation networks. Heavier investment in alternative means of transportation like tricycles, Thailand's tuk tuk taxis or

The transportation sector is key to tackling climate change, and for genuine improvements to be made, international cooperation and joint research are vital.

Both a carrot and a stick are needed to encourage greater use of public transportation. Also, because projects and plans involving international cooperation can be enormously costly, governments need to work closely with the private sector as well as research organizations.

non-motorized transportation is also expected to take place, he said. To reduce carbon emissions when making assessments of the transportation industry, Transport Emissions Evaluation Models for Projects (TEEMP) will be developed. Also, new infrastructure project that can adapt to changes wrought by climate change are also at the planning stage, Director GUILD said. For projects such as these, he continued, it is essential to mobilize government resources, use market-based mechanisms, and also secure private investment.

Roadmap for Low Carbon Green Growth for the Asia Pacific Region

CHUNG Rae-kwon, Director General of Environment and Development at UNESCAP, said that the United Nations Economic and Social Commission for Asia and the Pacific is focusing on how the rules for development can be changed. He introduced a publication *The Low Carbon Green Growth Roadmap for Asia and the Pacific*, which he said provides a new paradigm for the transportation sector in the Asia-Pacific region.

Stressing that ‘green transportation’ is a very important factor in green growth, Director CHUNG said that the improvement of physical (public transportation facilities) and institutional (market pricing, fiscal policy, governance, lifestyle patterns) systems must happen at the same time. Such changes can only be implemented through strong governmental leadership, as demonstrated by former London Mayor Ken LIVINGSTONE, who implemented the city’s congestion tolls.

In the question and answer session that followed, Director SINAGA was asked whether, in developing countries with heavy motorbike use, strategies are in place to move away from private vehicles toward public transportation. Director SINAGA replied that in Indonesia there exists a TDM on roads and transportation in order to control the use of private vehicles and also expand the use of public transportation. While the regulations are crucial, she said, what really makes it work is strong leadership – although she acknowledged that big improvements are still required in the public transportation system. Currently, she added, pilot projects are taking place in 14 cities to improve access to public transportation, and the Sumatra region is attempting to integrate its public transportation networks.

Director GUILD followed up by saying that both a carrot and a stick are needed to encourage greater use of public transportation. Also, because projects and plans involving international cooperation can be enormously costly, governments need to work closely with the private sector as well as research organizations.

An audience member also commented that because public transportation often requires a walk or, perhaps, a bicycle ride to get to the stop or station, it has a convenience deficit in comparison with private vehicles. It will be necessary to address this, along with transportation fees, use of non-motorized transportation, and much else besides.

POLICY IMPLICATIONS

- The impacts of climate change are closely linked to poverty. Developing countries that lack ways to deal with climate change or have insufficient infrastructure will be affected the most.
- Because greenhouse gases produced in the transportation sector in developing countries may have serious international implications, both advanced and developing countries will have to work together.
- Advanced countries should provide financial support, technology transfers, and other forms of assistance to enable developing countries to create suitable policies and reduce greenhouse gas emissions in their transportation sectors. For their part, developing countries must make effective use of the support they receive to ensure the success of the projects.
- To ensure that support from advanced countries is being used properly, developing countries must be able to develop an objective MRV method that will measure reductions in emissions and assess them against the objectives.

EDITED BY

WU Seung-kook Research Fellow, KOTI

PARK Byung-jung Research Fellow, KOTI

NEW MODEL ON INTERNATIONAL COOPERATION FOR GREEN GROWTHA

Global Green Growth Institute

The Global Green Growth Institute is founded on the belief that economic growth and environmental sustainability are not merely compatible objectives; their integration is essential for the future of humankind. In order to realize green growth in such context, international cooperation plays important function. In this event, GGGI and other discussants discussed the opportunities of green growth and what could be the new model on international cooperation for green growth.

MODERATOR

Richard SAMANS Executive Director,
GGGI

OPENING REMARKS

HAN Seung-soo Chair of the Board
of Directors, GGGI and former Prime
Minister, Republic of Korea

MAIN SPEAKER

KOMIYAMA Hiroshi President Emeritus
of the University of Tokyo and Chairman
of the Institute of Mitsubishi Research
Institute, Inc.

DISCUSSANTS

KWON Sei-joong Director of International
Organization TF, GGGI

Sam Nuon KHONG Vice Minister, Ministry
of Environment, Kingdom of Cambodia

Dulat BAKISHEV Ambassador, Embassy
of Kazakhstan in Korea

Tran Trong TOAN Ambassador, Embassy
of the Socialist Republic of Vietnam

CLOSING REMARKS

Richard SAMANS Executive Director,
GGGI

In his keynote address, **KOMIYAMA Hiroshi, President Emeritus of the University of Tokyo and Chairman of the Institute of Mitsubishi Research Institute** discussed the importance of green technological innovation. Most advanced countries have reached a saturation point in their industrial production, President KOMIYAMA said, and this will eventually extend to developing countries currently experiencing rapid growth. Ultimately, he said, in 40 to 50 years the entire world is likely to have reached a state of saturation in industrial production.

This shows how important green growth will be as a paradigm for future growth, President KOMIYAMA said. The world's total energy consumption must be reduced by maximizing energy efficiency, and technological innovation will become ever more essential. An example of green innovation could be a different way of producing 1GW of electricity while creating energy to produce hot water, for instance.

President KOMIYAMA also emphasized the importance of becoming self-sufficient in energy and discussed how Japan had achieved this. Previously, experts had predicted that by 2050, Japan's energy consumption would be 45% of its total energy production. However, by devising ways to improve energy efficiency, he said, Japan was able to prevent this from happening.

A good example of how the environment and the economy

can coexist, President KOMIYAMA said, was the restoration of the Sumida River. Because Japan is so densely populated, energy self-sufficiency is difficult to achieve, he said – but methods such as recycling mineral resources have pushed the country’s energy self-sufficiency up to around 80% of its needs.

Finally, President KOMIYAMA emphasized the need for a new paradigm for the economy and growth. A change this big will require rapid movement by civil society, he said, as well as active support at the government level.

KWON Sei-joong, Director of International Organization TF at GGGI, said that the best way to deal with the issue of climate change is simply to reduce emissions of greenhouse gas. For this, there is a need for joint, sustainable efforts that maintain and preserve the environment, while breaking away from the growth model of the past, which wrought terrible environmental damage.

However, Director KWON said, many countries lack the technological and institutional capacity to put such efforts into effect. Because many developing countries are especially vulnerable to the effects of climate change, advanced countries must help them with their green growth. He added that sustainable energy, food security, and the securing of water supplies must be backed up with effective distribution networks and far-reaching land reforms.

When dealing with problems that affect the whole world, Director KWON said, the costs to other nations must be born in mind. Accordingly, inefficient management of resources should be tackled through targeted taxes, scrapping support funds, or ensuring appropriate pricing for scarce resources. On the other hand, environmentally-friendly initiatives should be actively supported via private investment and other institutional mechanisms. To achieve this, governments should vigorously look to support from the private sector, while providing an environment conducive to the sharing of knowledge and know-how.

Lastly, in relation to the session “New Trends and Our Future,” Director KWON discussed green growth as an emerging growth trend. Environmental degradation, deforestation, and

Many countries lack the technological and institutional capacity to put such efforts into effect. Because many developing countries are especially vulnerable to the effects of climate change, advanced countries must help them with their green growth.

desertification are some of the serious issues facing the world today, he said, and it is said that we will need nine Earths to support the expected growth in the global population. It is, then essential that resources, energy and related technologies are used as efficiently as possible, while the government must provide the requisite infrastructure, systems and regulations.

Green growth, Director KWON said, is a new and innovative paradigm that isn't just a means of making economic growth and a healthy environment compatible – it is an essential element for the future wellbeing and prosperity of mankind. International organizations like the OECD and the UNEP are increasingly expressing their interest in green growth, he said, and with time so short to achieve sustainable growth, their help will be crucial in breaking down the barriers that exist between government and civic groups.

GGGI's vision is to support developing countries so that they can implement models of green growth for themselves, Director KWON said. The GGGI will help in creating public-private partnerships and increase developing countries' own capabilities. The organization was created, Director KWON said, in order to contribute to the sustainable development not only of developing countries, but of the entire world. Both advanced and developing countries are stakeholders, he said.

Sam Nuon KHONG, Cambodian Vice Minister of Environment, said that his country still depends mainly on its primary industries, and that any future plans should be based on green growth, which allows for the efficient use of natural resources.

The Cambodian government began working with the GGGI in 2005 following a ministerial-level meeting in Seoul. Based on this, the Vice Minister said, Cambodia has adopted green growth as its new economic growth model. Cambodia has since maintained a cooperative relationship with member countries of UNESCAP and the Korean committee of UNEP, he said, has been carrying out and expanding several pilot projects to implement green growth as a national strategy.

All nations, definitely including developing countries, have a responsibility to curb the emission of greenhouse gases. It is essential to create a comprehensive model by encouraging cooperation from the private sector.

As a forward-looking country, Cambodia will be doing all it can to help the GGGI broaden its international reach, and plans to take an active role in its activities, the Vice Minister said. Also, in order to secure the institutional foundations for green growth, he said that Cambodia is in the process of devising a National Green Growth Master Plan and will soon launch a body called the National Council on Green Growth. The Prime Minister of Cambodia is very interested in this Council and is providing his support for it, the Vice Minister said, and the master plan will be adopted through this Council.

In addition, Cambodia has assigned seven key access points via the Inter-Ministerial Green Growth Working Group, the Vice Minister said. Since then, Cambodia and the GGGI signed an MOU to hold three workshops that made a key contribution in drafting the Green Growth Master Plan as well as setting up the Council. The Council is almost ready to launch, the Vice Minister said, with only the final approval of the Prime Minister required. Before the Rio+20 Summit Meeting, Cambodia, the GGGI and other relevant countries held discussions, and a report on the establishment of the NCGG (on June 8, 2012) and the adoption of the GGMP will soon be published.

H.E. Dulat BAKISHEV, Kazakhstan's Ambassador to Korea, said that the green growth paradigm of the Korean government is important, and that he actively supports the establishment of the GGGI as an international organization under the leadership of the Korean government. The Ambassador added that Kazakhstan places great importance in the establishment of green growth partnerships.

Kazakhstan is facing an economic and environmental crisis, the Ambassador said, and is trying to overcome these difficulties by receiving knowledge and technical support from countries in the region. The country is working on numerous partnerships, Ambassador BAKISHEV said, including the eco-friendly restoration of the city of Almaty, a project that is expected to cost hundreds of billions of dollars. The GGGI would be well-suited to leading such a project, he said, and once it's complete, efforts can be made elsewhere in the country.

Kazakhstan is hoping to realize sustainable growth by benchmarking Korea's smart grid experience for saving energy, Ambassador BAKISHEV said. Korea is a good partner for Kazakhstan, he added, and can be a powerful channel linking his country with international bodies and private companies. Lastly, the Ambassador said that Kazakhstan supports the activities of the GGGI and is extremely happy to be participating as one of its founding members.

H.E. Tran Trong TOAN, Vietnam's Ambassador to Korea, said that economic growth took off in his country in 1995, and that the last 17 years have seen great economic achievements in a short period of time. However, having attained high economic growth, Ambassador TOAN said, it is now time to adapt green growth as a new paradigm for economic growth.

The Ambassador said that Vietnam has adopted five green growth strategies: effective use of its resources, reduction of greenhouse gas emissions, increased energy efficiency, measures to deal

with climate change, and sustainable economic growth in its Green GDP Index. He said that Vietnam aims to reduce its greenhouse gas emissions by 20% by 2020, and by 45% by 2050.

According to the Ambassador, the Prime Minister of Vietnam has submitted a green growth strategy to Vietnam's National Green Growth Council, and is successfully promoting public awareness of the green growth strategy among the Vietnamese people. Green growth, he said, will be the paradigm guiding Vietnam's economic growth by 2020. Ambassador TOAN also emphasized that all nations, definitely including developing countries, have a responsibility to curb the emission of greenhouse gases. It is essential to create a comprehensive model by encouraging cooperation from the private sector, he added, while praising Korea's low carbon green growth model as an important case that can help the economic development of Kazakhstan. The model will help in creating a national strategy for social and economic development combined with green growth, he said, and Korea can play an important role in the process. The Ambassador concluded by stressing the important role the GGGI has to play in the future.

EDITED BY

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Coordinator, GGGI

CLIMATE CHANGE, RISKY SOCIETY AND OPPORTUNITIES IN THE ENVIRONMENT INDUSTRY

Seoul School of Integrated Sciences & Technologies

Our survival depends on air, water and food provided by the Earth. However, human-triggered climate change has increased the global environmental risks. Accordingly, the relative risk of climate change is a critical factor in determining society's sustainability. In addition, new opportunities may be generated in the course of responding to the risks of climate change. Therefore, we discussed the causes and prospects of climate change, risk levels to the Earth and opportunities for our industries.

- Climate Change and Societal Risk
- Opportunities and Risks of the Industries in the Era of Climate Change

MODERATOR

KIM Hee-jong Team manager, Korea Meteorological Industry Promotion Agency

PRESENTERS

CHO Chun-ho Director, NIMR
HAN Ki-ju Senior Researcher, KIET

Discussants

KIM Yong-hyun Journalist, Jemin Dailly News

CHOI Gwang-yong Assistant Professor, Jeju National University

KANG Chan-su Environment Issue Writer, JoongAang Ilbo

YOON Won-tae Head of Climate Policy Division, Korea Meteorological Administration

Keywords

climate change, uncertainties, opportunities, risk factors, measures for the future, cities dealing with climate change

CHO Chun-ho, Director of Climate Research at the National Institute of Meteorological Research, citing the results of various scientific studies, said that the eight factors that can threaten the wellbeing of humankind, the planetary boundaries, have already exceeded danger levels. He further emphasized that humans now live in an environment of constant uncertainty. The eight planetary boundaries, he explained, are climate change, carbon cycle (ocean acidification), aerosols, changes in vegetation, hydrology, atmospheric chemistry, the ozone layer, and the nitrogen cycle.

Looking at various indices on studies conducted using the earth system model, Director CHO said that aerosols have been contributing to a continuous rise in the Earth's temperature since the 1970s, a development that can be attributed to rapid increases in industrialization led by China and India. Regarding water circulation, Director CHO said that rainfall is expected to increase in the future, which may increase the risk of rivers flooding. At the same time, Director CHO said, because of the rise in global temperatures moisture levels in soil have fallen, thus creating the risk of drought. This means that the risk of

flooding and drought exists simultaneously, he said, a situation that is expected to worsen in the years ahead.

Discussing food production, Director CHO said that coniferous forests are falling in number, and while more high-altitude farms for rice, wheat and corn are becoming available, subtropical regions are shrinking. He noted that since the end of World War II, the global population has increased three times, with food production showing similar increases thanks to the green revolution. However, with the world population set to continue rising until 2050, climate change is expected to severely hamper food production, with major discrepancies between countries with high and low latitudes.

Director CHO provided the example of the ancient city of Ur, established as long ago as 6000 BC. The city was an agricultural community with a rich irrigation system, but due to a sudden volcanic explosion in 2000 BC there was a sudden shortage of water and, as a result, widespread drought. This turn of events brought about the collapse of the city. Director CHO said that such eventualities are feasible even today: modern societies may have the wherewithal to cope with minor natural disasters, he said, but the kind of catastrophe caused by climate change could lead to chaos.

We now live with far greater abundance than in the past, Professor Beck said, but at the same time we live in a dangerous world with unpredictable threats lurking everywhere. They can seem all the more dangerous as high volumes of international travel make them easy to spread, and advances in media and telecommunications mean we hear about them faster, he said. Under these circumstances, the Professor said, greater reflection is needed about how best to live with such dangers.

HAN Ki-ju, Senior Researcher at the Korea Institute for Industrial Economics and Trade, said that every industry has generated opportunities, threats and environmental change, and that future economic growth will depend heavily on improvements in the use of energy and the development of technologies for alternative energy. Energy is an absolute necessity in the lives of human beings, he said, so instabilities in supply due to surging demand in developing economies such as China and India, along with the depletion of natural resources, pose a major threat to the global economy. All economic agents – producers and consumers, public or private – are deeply involved in energy problems in the carbon era, Dr. HAN said, but renewable energy and related technologies are advancing rapidly. In times of such rapid change, opportunities are constantly emerging, and companies that can't take advantage of this are bound to fall behind, he said.

Moving away from the carbon era, Dr. HAN said, requires new and innovative changes. This may be a major challenge to governments and existing business, but it will also promote new business models, products and services and create completely new industries. Instabilities in energy supply and the reinforcement of carbon emission regulations will increase demand for low carbon technology and products, he said, and policies promoting renewable energy will also increase demand for the necessary technology and equipment. According to a recent report by

British consulting firm Innovas, the global market for low-carbon and eco-friendly goods was estimated at GBP 3.0458 trillion in 2007 to 2008. Of this total, 78%, or GBP 2.3886 trillion, was in the field of renewable energy or newly emerging low carbon energy. Innovas predicted that by 2015, the global low carbon and environmental industry will increase in size by 45%, thus being valued at over GBP 4.4 trillion.

Dr. HAN cited three main types of threats in an environment of climate change: legal and regulatory, marketing, and physical. First, he said, all countries are continuously expanding and reinforcing regulations aimed at ensuring low carbon emissions. If a country or company cannot abide by these regulations, it will be unable to compete in international markets due to financial penalties, higher production

Moving away from the carbon era requires new and innovative changes. This may be a major challenge to governments and existing business, but it will also promote new business models, products and services and create completely new industries.

costs or severe damage to its corporate image.

Second, industries may face restrictions in using their own assets due to stiffer carbon regulations, changes in patterns of consumption, the reluctance of investors to get involved in companies with a poor record in dealing with greenhouse gas emissions, falling competitiveness, increased production costs, negative corporate PR, and more.

Third, natural calamities, including flooding, avalanches, and unusually cold weather, may affect not only production, but also roads, ports, and infrastructure as well as social overhead

capital. Production may also suffer from a fall in the availability of raw materials. If such threats cannot be dealt with promptly, Director CHO said, they can result in serious losses and damage.

KANG Chan-su, an environment issue writer at the JoongAng Ilbo, said that the media has a key role to play in raising awareness about how to deal with climate change. He stressed that due to increased economic activity, climate change can cause much greater disruption than in the past. However, the sense of threat felt by ordinary people may be partially diminished through the accurate reporting of the science behind climate change. Businesses are already affected by the problems of climate change, he said, so they must actively and voluntarily work toward solutions that will improve the environment and increase their productivity.

KIM Yong-hyun, a journalist at the Jemin Daily News, said that after many years of reporting about climate change, the biggest threat he feels is that the future has become so unpredictable. Winters are getting warmer, he said, and while people may relish the prospect of more sunshine, the concomitant bursts of extremely cold weather are causing terrible damage.

Jeju Island, Mr. KIM said, is especially sensitive to changes in the climate. The rise of sea-levels around Jeju is three times the global average, he said, and this is due to climate change. In order to deal with this situation, Jeju must strengthen its resources and technological knowhow. Currently, the National Typhoon Center and the Climatological Station are located on Jeju Island, and the National Institute of Meteorological Research is also expected to open an installation there. Thus, at the national level, there are many weather meteorological organizations that have been set up on Jeju. Though Jeju lives under the threat of climate change, Mr. KIM said, it can use the crisis as an opportunity to turn itself into a recognized center for climate-related issues. Jeju has already been assigned the role of studying climate change on a national level, he said, so it could certainly play that role on a regional level.

YOON Won-tae, Director of Climate Policy Division at the Korea Meteorological Administration, discussed ways that the government deals with the problems of climate change through its policies and systems. The KMA provides information on climate change through its website, Director YOON said, and suggested that the different regions, businesses and individuals should use that data to devise measures and solutions that are relevant to them. The businesses sector, in particular, must take full advantage of the information provided in developing new technologies and technology transfers, and should also link it with regional industries. Climate change is not just an issue for scientists, Director YOON said: it requires that everyone, including academia, research institutes and industries, work together to establish new systems and a new momentum for restarting growth.

Past experience in the United States and Europe must be studied carefully and shared, while South Korea can also play the role of mediator in gathering solutions in East Asia. To this end, the government must be able to promote investment and foster new industries related to climate change.

CHOI Gwang-yong, Professor of Jeju National University, said that the problem of climate change should be understood from the perspectives of natural science and social science, and that any solutions should combine the two sectors. For this reason, Professor CHOI said, it is crucial to promote the exchange of expertise and foster new leaders and experts in the field.

Past experience in the United States and Europe must be studied carefully and shared, Professor CHOI said, while South Korea can also play the role of mediator in gathering solutions in East Asia. To this end, the government must be able to promote investment and foster new industries related to climate change. Education on climate change for the primary consumers of energy must also be strengthened, he said. Jeju is becoming a center for technology dealing with climate change, as subtropical weather continues to move north, a phenomenon that will affect Jeju directly. Weather-related organizations in Jeju, the Professor said, will further strengthen and reinforce this role.

POLICY IMPLICATIONS

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- Having initially developed slowly since the Industrial Revolution, climate change has become an ever-more pressing issue since the rapid expansion of industrial activity since the 1970s. Countries cannot solve the problems of climate change by acting in isolation – to slow down the pace of environmental deterioration, nations will have to act together with common goals.
- In line with this, South Korea also needs to deal with climate change domestically and internationally, and must pursue initiatives to this end with renewed vigor.
- Domestically, South Korea must reinforce the role of climate service organizations like the Korea Meteorological Administration, and also create a consultative body linking industry, local governments, academia and research institutes. This body must be able effectively to address the problems of climate change, while advancing the area of renewable energy in order to provide momentum for new growth.
- The government needs to provide tax incentives and financial backing for the research and technological development of renewable energy. As dealing with climate change requires public awareness and participation, the government must also develop participatory programs and ask for the active support of the media.

- Korea was once a developing country but has changed to become one of the leading countries in the Rio+20 Summit Meeting. As joint chair of the meeting, it took the lead in negotiating and refining the positions of attending countries. This leadership and mediation on global issues was also on display at the G20 meeting in Seoul, and the Nuclear Security Summit Meeting also held in Seoul.
- Being the only country in the world that has transformed from being a recipient to a donor of aid, South Korea was able to adopt a fully rounded role as a mediator during complex and often conflicting negotiations at the Rio+20 summit meeting.
- South Korea is already pursuing EACP with East Asian countries, and by continuously expanding ODA for climate change and environmental issues, the country is also supporting green growth in developing countries. With this in mind, an international organization will be established in South Korea for the green growth of developing countries.
- Based on its unique history and rapid economic growth, South Korea will continue to play an important role in dealing with the problems of climate change and creating a society conducive to green growth.

EDITED BY

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Planning - Brand Division
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Part VI

FUTURE VISION OF JEJU



THE FUTURE VISION OF JEJU THROUGH URBAN ENVIRONMENT & DESIGN

Jeju Special Self-Governing Province

Korea's Jeju Island was officially proclaimed one of the New7Wonders of Nature by the Swiss-based organization New7Wonders Foundation in December of 2011. The global value of Jeju was established as the island received UNESCO designations of Biosphere Reserve (2002), World Natural Heritage (2007), and Global Geopark (2010), making the sub-tropical island the only place on Earth to receive this 'triple crown' in UNESCO's natural science categories. The most urgent task faced by Jeju Island today is to embody a new vision and model of its tourism industry based on environmental and ecological values by linking the New7Wonders inclusion and the three UNESCO designations.

This session was designed to be a venue for gathering the wisdom of world-renowned architects and specialists as they discuss urban environment and design, and for establishing views on the future vision of Jeju Island in its development as a World Natural Heritage destination.

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MODERATOR

LEE Nam-shik President, aSSIST

PRESENTERS

SEUNG Hchih-sang Director, IROJE architects & planners

Aaron TAN Director, Research Architecture Design

LEE Jung-myon President, BAUM Architects, Inc.

DISCUSSANTS

KIM Tae-il Professor, Jeju National University

LEE Kwang-man Chairman, Gansam Architects & Partners / President, the Korean Institute of Architects

Keywords

meta landscape, Hangzhou, XiXi Development, Clianmen City

LEE Jung-myon, President of BAUM Architects, began the session with a speech titled "The Future Vision of Jeju through Urban Environment and Design." President LEE praised Jeju for being one of the most breathtakingly beautiful islands in the world as well as a UNESCO World Heritage Site, and compared Jeju to a "jewel." However, he also criticized Jeju's urban areas for lacking any kind of distinction from larger cities on the Korean mainland. He further emphasized that Jeju must find its identity.

Referring to the oldest existing map of Jeju Island, the Ancient Map of Halla from the Reign of Joseon Dynasty King Sukjong (1702), President LEE talked about Jeju's ancient roads, population, sociocultural development and other facts that were recorded in the document. He also commented on Jeju's 18th century urban layout, which was characterized by harmony with the environment. He also pointed out that the map listed the distance from Jeju Island to Japan, Vietnam, and Hangzhou, Yangzhou, and Shandong Province in China.

Jeju Free International City was blessed with greenery throughout and possessed cultural, ecological, and environmental value. Jeju was in a unique and strategically-advantageous position, as it received support funds from the Korean central government.

President LEE said that the Byeongdam Beomju (an illustrated record of Jeju boating traditions) and Gyulrim Pungak (a painting of a musical pavilion amid a fruit orchard in Jeju) provide insights into how Jeju residents in the past enjoyed their leisure time in accordance with nature. He added that just a hundred years ago, the lives of Jeju residents were much the same as that depicted in ancient paintings 300 years ago, but that modern Jeju has changed in many ways for the worse. He called on Jeju residents to think deeply about Jeju's direction for the next 300 years. President LEE proposed a dialectical vision for Jeju as a place for both repose and active living. Despite the contradictory nature of these two themes, he claimed that they work well together.

While stressing the importance of both development and ecological preservation in determining the future of Jeju Island, President LEE presented several success stories. He started with the case of Jeju's Jeoji Artists and Information Village, a self-founded creative community offering immersion packages for tourists in eco-friendly crafts and the traditional arts of Jeju. He then talked about the central Italian city of Orvieto, which started the Citta Slow (Slow City) movement. In the beginning, initiatives such as limiting vehicular traffic within city limits, instituting city trams as a form of public transportation, and rejecting the expansion of global franchise chains into the city were thought to be distant goals, but they eventually succeeded. President LEE also talked about urban branding, using the slogan, "I Love New York," as a prime example. According to President LEE, as this slogan became entrenched, New York City was reinvigorated, its crime rate fell, and the number of inbound tourists increased. No one could have predicted that such a short and simple catchphrase conveying a message of love would have such a profound effect.

In contrast, Jeju Island's slogan, "Only Jeju," was criticized by President LEE for conveying a message of narcissism, exclusivity, and isolation. He stressed the need for Jeju to promote values such as leisure, active lifestyles and the art of slow living while developing the island's wide-open spaces into places overflowing

with cultural attractions. President LEE urged Jeju to reflect on the values embodied by the term ‘Clinamen,’ which was coined by Lucretius to describe the concept of breaking free from inertia and the mundane. He ended his presentation by referring to the blockbuster movie Avatar, which portrayed a world in which the inhabitants and nature

coexisted in harmony. Likewise, ‘Clinamen Jeju,’ a natural paradise focusing on leisure, peace of mind, and love, could be a possible future awaiting Jeju Island.

Next, **Aaron TAN, Director of Research Architecture Design** introduced ideas from several iconic structures including SKT Tower, which was designed with an icy winter aesthetic, Taj Noida Hotel and its use of natural sunlight, Walker Hill Hotel New Delhi, and other outstanding structures inspired by the forms of clouds and rain. Director TAN emphasized the uniqueness of all these projects.

Director TAN then proceeded to talk about a construction project on Hainan Island, China. Hainan has experienced many difficulties similar to those that Jeju has gone through, yet unlike Jeju Island, Hainan is resource-poor. To overcome this weakness, Hainan responded with revolutionary designs in public plazas, architectural integration with natural features like rivers, a spirit of hospitality toward tourists, a focus on environmental sustainability, and positioning itself as an eco-hub. Director TAN highlighted the importance of imprinting these compelling features into the minds of tourists.

Director TAN then introduced the Star Center at Jeonju University. The scattered arrangement of various facilities discouraged the gathering of students, which was why it was important to construct two large passageways connecting the interiors of far-flung buildings to maintain campus cohesiveness while also serving as connecting bridges. A library was located in the center of the connected interior spaces and all the window frames were replaced so that none was the same shape or size as any others.

Director TAN used Tingkok in Hong Kong as an example of an iconic

Jeju’s geography and ecology are vertically oriented because of Mt. Halla’s central location, but the infrastructure of industrialization and development is horizontally oriented in the form of asphalt roads severing the vertical order of the environment.

public space focused on the architectural technique of extrusion. Various architectural concepts were applied to the structure, which became an amalgamation of green and business values.

Director TAN said that Jeju Free International City was blessed with greenery throughout and possessed cultural, ecological, and environmental value. He added that Jeju was in a unique and strategically-advantageous position, as it received support funds from the Korean central government. Director TAN proposed that eco-tourism and mass tourism, which were currently two distinct aspects of Jeju's leisure industry, be combined into a coherent whole.

SEUNG Hchioh-sang, Director of IROJE Architects & Planners made the final presentation, titled "Meta Landscapes as a Vision for Jeju." His presentation focused on the concept of reflective landscapes in contrast to the towering landscapes of the Western tradition. Director SEUNG discussed the need to examine Jeju from three dimensions. Jeju's geography and ecology are vertically oriented because of Mt. Halla's central location, but the infrastructure of industrialization and development is horizontally oriented in the form of asphalt roads severing the vertical order of the environment. Trunk roadways bisecting the island, constructed to establish a coastal road network for tourism, had turned Jeju into a floating island of concrete.

Director SEUNG pointed to Mt. Halla as Jeju's defining landmark and source of the island's beautiful landscape and culture. He introduced cases from Korean history illustrating the idea that human beauty and élan come from one's environment and era. Director SEUNG discussed the site of Korean scholar "Chusa" KIM Jung-hee's home in Jeju, where he was exiled. The historical site has been entirely buried by design except for one house that sticks out of the ground. The Japanese airfield and hangar Altehru, built

during WWII, is located on Jeju Island and composed of massive concrete structures that resemble installation art pieces. Director SEUNG recommended that these be used as resources for tourism.

He stressed the importance of creating designs that give expression to historical memories that the land still possesses. For example,

Jeju Island was pursuing two major projects: development of the Jeju Special Self-Governing Province and Jeju Free International City, but the goals and direction of development required continuing critical evaluation regarding their appropriateness for Jeju.

the tragedy of the April 3rd incident in Jeju resulted in 132 mass burial mounds being built for the victims, sites which could become beautiful pieces of landscape architecture. In closing, Director SEUNG emphasized the need for development that reflects Jeju's historical, cultural, and humanistic features. He recommended designing tributes to Jeju's heritage to help people remember that cities aren't permanent entities.

KIM Tae-il, Professor of Jeju National University began the discussion by saying he agreed with the points made in the presentations and commenting that they provided food for thought. He added that Jeju Island was pursuing two major projects: development of the Jeju Special Self-Governing Province and Jeju Free International City, but cautioned that the goals and direction of development required continuing critical evaluation regarding their appropriateness for Jeju.

The second discussant, **LEE Kwang-man, Chairman of Gansam Architects & Partners**, who is also President of the Korean Institute of Architects, said that Jeju's development over the past 20 years had been based on the Western model, but that future development planning needed to focus on showcasing Jeju's lifestyle and natural environment.

POLICY IMPLICATIONS

- Jeju must come up with a new development paradigm.
- Jeju requires new construction to address its underdeveloped infrastructure, a direction for development that includes all Jeju citizens, and architectural design that reflects traces of Jeju's history and culture given the island's status as a place for both active lifestyles and leisure.

EDITED BY

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PACIFIC RIM PARK CITY SUMMIT : MAKING PARKS TOGETHER MAKING PEACE

Jeju Special Self-Governing Province

This session was designed to enhance regional development and foster friendship through exchange and cooperation between the cities and islands that have built parks in the Pacific Rim. The possible establishment of a ‘City Summit for Pacific Rim Parks’ will build a cultural bridge among the cities and will lay a new foundation for a ‘Pacific Rim Community’ that contributes to forming a brand new network of mutual cooperation.

CHAIR

KO Seong-joon Professor & Director,
Institute For Peace Studies, Jeju
National University

Kyle BERGMAM President, Pacific Rim
Park Organization

KEYNOTE SPEECH

Kathleen STEPHENS former
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OH Seung-leek, Director of Jeju Free International City stated that in August 2011, Jeju Special Self-Governing Province invited Kyle BERGMAM, President of the Pacific Rim Park Organization, to Jeju, where the two agreed to pursue working-level talks on holding a Pacific Rim Park City Summit. In March of 2012, 6 cities – Vladivostok, San Diego, Yantai, Tijuana, Puerto Princesa, and Jeju – expressed their desire to participate in the summit, which was held for the first time on June 1, 2012 as a session during the Jeju Forum, he said.

KIM Hyung-sun, Administrative Vice-Governor of Jeju Special Self-Governing Province, said that the 6th Pacific Rim Peace Park, constructed in Jeju in August 2010 by youth ambassadors from seven countries – South Korea, China, Mexico, the USA, Russia, Japan, and the Philippines – under the name of “stepping stone of the Pacific.” At the time of the park’s creation, Jeju proposed holding the Pacific Rim Park City Summit to facilitate cooperation and exchange among cities where peace parks have been established. The summit would provide a venue for determining the basic framework, regulations, and responsibilities of project members. He also expressed his hopes that the meeting would be fruitful and that the Pacific Rim Park City Summit would evolve into a premier organization in the region.

The first presentation was made by architect **James HUBBELL, Executive President of the Pacific Rim Park Organization**,

Keywords
Pacific Rim Park City Summit

who explained that the goal of the Pacific Rim Parks is to achieve a change of vision in the Pacific coastal regions. When the first park was built in Vladivostok in 1992, students gave Mr. HUBBELL the idea of making parks the central concept. Now six parks have been built and they all share the “pearls of peace” concept. Mr. HUBBELL expressed his hope that the first Pacific Rim Park Summit would facilitate cooperation among the six cities that have established parks.

Kathleen STEPHENS, former US Ambassador to South Korea, made the keynote address for the session. She said that she first came to know of the Pacific Rim Park project in 2010 during her term as Ambassador. Ambassador STEPHENS said that when she saw youth from around the Pacific eating food prepared by traditional women divers from Jeju and sharing camaraderie while helping to construct the peace park in Jeju, she felt that the project really could help build true peace in Asia.

Ambassador STEPHENS reiterated that the purpose of the session was to discuss the logistics of “working together” with youth participants from diverse cultural backgrounds who are seeking to “build peace” through the parks. Under the theme “New Trends in Asia,” Ambassador STEPHENS agreed with the general opinion that the center of influence was shifting to the Pacific, not just in the economic sphere, but also in politics, culture, and other areas. She added that global issues such as sustainable growth, human rights, military tension, and security could not be solved by one nation alone, but required unified action and international cooperation. That is why efforts such as the Pacific Rim Park project, which link cities, regions, and countries, are so powerful, she said. Ambassador STEPHENS concluded her remarks by saying that peace and freedom, the ideals of the Pacific Rim Peace Park Project, are desired throughout Asia and are slowly becoming reality.

Kyle BERGMAN and James HUBBELL, executive board members of the Pacific Rim Park Organization, compared the peace park partnership to the passing of the Olympic torch between runners. Mr. HUBBELL donated a bronze statue that he had designed and proposed that it be used as an emblem of the host city.

Vladimir SAPRYKIN, Head of the Department of International Relations and Tourism in Vladivostok, Russia, briefly introduced the first Pacific Rim Park, which was constructed in Vladivostok. He stated that Vladivostok receives numerous visitors from all over the world, and that the city will host the APEC Summit in July of 2012. He said that all areas of the city are being reorganized for the APEC Summit, and the new facilities being constructed for the new campus of the Far Eastern Federal University will be used for the event. He projected that these efforts will help the city create a new image. Mr. SAPRYKIN emphasized that the Vladivostok Pacific Rim Park stands for the development of and mutual understanding among cities. One of the most significant roles of the Pacific Rim Parks projects, he said, was attracting young students from around the world to build the parks. He said that meeting regularly to discuss the project’s development is very important, and agreed to sign the agreement for the Pacific Rim Park City Summit.

Kyle BERGMAN, President of the Pacific Rim Parks Board of Directors, said that with 2014 being the 20th anniversary of the construction of the first Pacific Rim Park in Vladivostok, it would be very meaningful for Vladivostok to host the next Pacific Rim Park City Summit.

President BERGMAN asked the representatives from each country to take the document of intention to their respective countries and have them officially signed within 90 days. The document outlines the agreement of the cities to take turns hosting regular meetings of the City Summit, and to promote exchange programs to facilitate active exchange and cooperation among cities.

Zhao XIANGDONG, Division Chief for Europe, America, and Oceania Affairs of Yantai Foreign Affairs Office, suggested designating one contact person for detailed questions and information to follow up on this session.

Jovenee SAGUN, City Planning and Developing Project Officer of Puerto Princesa, thanked the Province of Jeju for hosting this summit, and expressed her pleasure in meeting representatives from other cities. She was grateful for the successful construction of the Pacific Rim Park in the Philippines despite the harsh weather. She stated that Puerto Princesa is committed to promoting environmentally sound urban development.

POLICY IMPLICATIONS

- The Pacific Rim Parks Organization has maintained one-on-one relationships with the six cities where Pacific Rim Parks were constructed. The Pacific Rim Park City Summit is meaningful in that it provides an opportunity to extend the discussions into a multilateral exchange among the cities.
- During the Pacific Rim Park City Summit at the Jeju Forum, the representatives agreed to take turns hosting regular meetings of the City Summit. Vladivostok was suggested as the next host of the City Summit. They agreed on the framework for promoting active exchange and cooperation among cities, and signed the agreement for the Pacific Rim Park City Summit.
- The Jeju International Youth Forum, which was proposed during the Pacific Rim Parks exchanges, will be held in October of 2012, with the participation of high school students from the six cities represented by the Pacific Rim Parks Organization. The representatives indicated their willingness to give positive consideration to the event.
- In order for the agreements made at the forum to have real effect and to promote exchange among cities, it is crucial that the representatives from each city sign the framework plan for the Pacific Rim Park City Summit, and discuss specific details including the date of the next City Summit.

EDITED BY

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JEJU FREE INTERNATIONAL CITY'S REVITALIZATION VIA NEW DEVELOPMENT STRATEGIES

Jeju Development Institute

Initial projects for Jeju Free International City were designed and realized during the period of 2003-2012. The second phase of grand development projects for Jeju Free International City will be launched at the beginning of 2013, scheduled for completion by 2022. This market-oriented development model may serve the construction and ultimate vitalization of Jeju as a Free International City, thereby strengthening its regional economic competitiveness and quality-of-life enhancement.

This session consisted of a highly interactive discussion in order to determine a variety of rational and practical options for the sustainable development of Jeju Free International City. Participants included highly accomplished presidents of various national policy research institutes in regard to national human settlements, national environment policy assessment, Korean national and rural economy, and more.

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MODERATOR

YANG Young-oh President, Jeju Development Institute

DISCUSSANTS

PARK Yang-ho President, Korea Research Institute for Human Settlements

LEE Byung-wook President, Korea Environment Institute

LEE Dong-phil President, The Korea Rural Economic Institute

CHOI Byung-il President/CEO, Korea Economic Research Institute

HAN Pyo-hwan President, Korea Research Institute for Local Administration

Keywords

Jeju Free International City, empowerment, financial support, autonomous efforts

The Role of the National Government for the Development of Jeju Free International City

LEE Dong-phil, President of the Korea Rural Economic Institute, commented on the successes and failures in realizing the original vision, a decade on from the designation of Jeju as a Free International City. President LEE said that while roads are well-serviced and construction of infrastructure has been successful, some aspects could be improved, such as recognizing the autonomous rights of the region. He spoke against the concentration of capital and technology in the agricultural sector, which limits the scope for development in other areas. He argued that capital and people should be able to move about freely to ensure better use of land, and underscored the need to reduce the burden of transfer taxes on “one household-two home” owners who have returned to farming.

PARK Yang-ho, President of Korea Research Institute for Human Settlements, emphasized that Jeju Free International

City must change and evolve with global trends. He listed three current global trends: first, active market liberalization; second, green growth movement as a reaction to climate change; third, an increasing move toward a global economy. He stressed that Jeju Free International City must act in three areas in order to change and evolve: first, building new infrastructure that is open to the world; second, focusing on green growth; third, fostering green tourism and cultural industries in order to take advantage of opportunities generated by growing trends in the world economy. He said that Jeju will be able to operate as a “free city” through reforming its tax regulations, customs, product movements, and finances.

HAN Pyo-hwan, President of the Korea Research Institute for Local Administration, said that Jeju was designated a Special Self-Governing Province with the idea that decentralization of power is linked to the quality of life in the region. If anyone were to ask whether Jeju has become a free city, his answer would be that there is still some way to go. President HAN added that decentralization of power is not a “necessary and sufficient” condition of a free city. He said that the reason Jeju Free International City has not realized its original vision could be down to the inadequate functions of intermediary mechanisms.

LEE Byung-wook, President of the Korea Environment Institute, said that Jeju, with its clean environment, serves as a barometer of climate change. He emphasized that Jeju can establish its own image based on its culture, away from the national image centering on development. He advocated synergistic strategies linking the development of Jeju with national development, and stressed the importance of thinking of Jeju both as “Jeju in Korea” and “Jeju in Asia.” President LEE stressed that a nationwide dialogue and an open, international culture is necessary for Jeju’s development. He proposed a “Hometown Tax,” which would provide the option of donating a portion of individual taxes for the development of one’s hometown.

CHOI Byung-il, President of the Korea Economic Research Institute, stated that for the past decade, Jeju Free International City has fallen short of expectations of its role as a laboratory and catalyst for the economic growth of South Korea. He questioned whether Jeju has given sufficient thought to its competitors, and pointed out the abstract nature of the city’s goals.

The reason Jeju Free International City has not realized its original vision could be down to the inadequate functions of intermediary mechanisms.

The Roles and Responsibilities of Jeju as A National Territory, and The Direction of Infrastructure Development in Jeju

President PARK stated that Jeju could be considered a cradle of new civilization, whose innovative green growth, freedom, attractions, and values influence all of the Korean peninsula. He further said that Jeju can become a pioneering base for the Pacific region. He stressed that a proper airport is crucial in

order to allow ease of travel and to promote regional exchange. President PARK said that Jeju Airport should be either renovated or built anew to serve as a space that is pleasant, beautiful, and culturally rich.

The Roles and Responsibilities of the National Government in Enhancing the Brand Value of Jeju's Environmental Assets

President LEE of the Korea Environment Institute proposed that a governance structure be established to oversee Jeju's three UNESCO certifications. He emphasized that Jeju needs to evaluate the possibility of Biosphere Reserve expansion, to manage resources in areas such as Gotjawal, to promote ecotourism, and to make continuous efforts to manage its brand. The national government must prepare an integrated management system, raise funds, and create a long-term master plan for ecological preservation until 2050.

Jeju's Position on FTAs and Measures for FTA Utilization

President LEE of the Korea Rural Economic Institute, stated that although Jeju's farmland area per farm household is relatively small, its farm income is the highest in South Korea. This, he said, is a result of Jeju farmers' experimental mindset toward specialization and their endeavors to find alternative solutions. President LEE said that Jeju should bear in mind the possibility of indirect damage arising from the FTA. He said that diversification of products will be beneficial in the long-term, and asserted that regional specialization, larger-scale farms, and a return to farming will become key factors for survival in the future. He added that new attempts integrating the experience of agriculture, the environment, and tourism would add value to farming in Jeju.

The Role of the National Government and the Direction of Empowerment for Jeju's Self-governance

HAN Pyo Hwan, President of the Korea Research Institute for Local Administration, stated that while the central government serves an important role, philosophical and spiritual consensus on overall concepts must first be reached in order for Jeju to become a competitive Free International City. He said that Jeju's closed nature and dependency, as well as the shortcomings of the national government, pose extensive challenges. President HAN underscored the necessity of maintaining

Jeju needs to evaluate the possibility of Biosphere Reserve expansion, to manage resources in areas such as Gotjawal, to promote ecotourism, and to make continuous efforts to manage its brand.

cooperative relationships and seeking mutual understanding and trust with the national government.

According to President HAN, Jeju has benefited little from the empowerment of individual businesses rather than industrial clusters. He stressed the need for comprehensive empowerment, a transfer of economic resources, adjustments to local subsidy rates, and increased financial support. He added that discussions about reductions in corporate tax and the easing of other key regulations are imperative in order to foster Jeju's "Four Plus One" core industries.

Fostering Strategic Industries and Attracting Investment to Vitalize the Local Economy

CHOI Byung-il, President of the Korea Economic Research Institute, underscored the importance of broadening the range of accommodation prices, solving the problem of price-gouging, and promoting competition with the Greater China region.

POLICY IMPLICATIONS

- A new, pleasant, high-class airport representing Jeju needs to be constructed.
- An integrated environmental management system and a long-term master plan for ecological preservation is needed.
- Integrating the experience of agriculture, the environment, and tourism will add value to farming.
- Jeju should prioritize seeking mutual understanding and trust with the national government in order to realize its vision of a Free International City.

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FINALIZING JEJU FREE INTERNATIONAL CITY BY PLANNING THE HEALTHCARE INFRASTRUCTURE

Jeju Free International City Development Center

This session discussed the subject of medical infrastructure development for the facilitation of Jeju's rebirth as a Free International City. Jeju tries to find ways to successfully complete its Healthcare Town project by linking Korea's world-class medical technology with Jeju's natural tourism resource. In this session several successful examples for building an international city and medical infrastructure was presented for discussion.

MODERATOR

KO Sung-kyu President, ELPION

PRESENTERS

BOO Won-kyun General Director,
Medical Project Team

SIM Won-hee General Director, Seoul
National University Healthcare System
Gangnam Center

TAN May Yan Head, External Relations
of SingHealth

Martti LAUNONEN Chairman/Founding
Partner, Hubconcepts Inc.

XIAO Min Vice President, Chinese
StemCell Biogroup

BOO Won-kyun, General Director of the Medical Project

Team, Jeju Free International City Development Center (JDC), stated that Jeju is a beautiful island with a population of 580,000, widely known as a global tourist attraction. Over seven million tourists visit the island each year. With its magnificent natural environment, it has been designated by UNESCO as a World Natural Heritage, and is also unofficially known as the 'Island of Peace'. General Director BOO explained that the South Korean government founded the JDC in 2002 with a grand vision of developing Jeju into a Free International City. Under the JDC, six core projects and five strategic projects are under way.

The fundamental concept behind Jeju Free International City is to build a city in which the movement of people, goods, and capital is free, and corporations have an ideal environment to set up operations. The "Four Plus One" project summarizes the overall composition of Jeju's development scheme – fostering high-tech and knowledge-based industries centering on education, healthcare, tourism, and clean industries. General Director BOO said that in order for the Free International City to be successful, Jeju must continue to attract highly competitive companies in knowledge-based industries compatible with Jeju's clean natural environment. To this end, General Director BOO emphasized that building a settlement environment that meets global standards is crucial, and that it is important to

attract companies like Daum Communications, which engage in creative, knowledge-based activities.

General Director BOO stated that construction of Jeju Healthcare Town is a core project of Jeju Free International City, with a primary mission to provide a global healthcare environment. Jeju Healthcare Town is a large-scale healthcare complex being constructed on a 1,539,013 square-meter site in Donghong-dong, Seogwipo-si, with development cost of approximately KRW 784.5 billion. General Director BOO said that the JDC has acquired land and authorization for the project, and the site has been designated an investment promotion zone. In December of 2011, the JDC broke ground for the Jeju Healthcare Town site renovation, which is planned for completion in 2014. In order to secure the large funding required for the project, the JDC is working hard to bring in private backing, and is currently in the process of negotiating investment with Seowoo-Zhong Da Real Estate consortium, the current preferred bidder, and China's real estate development corporation Greenland Group.

Before Jeju can become a Free International City, General Director BOO said that a global healthcare environment must be created, and that Jeju Healthcare Town will play a leading role in achieving this goal. He stressed that systematic planning and execution with consideration of Jeju Healthcare Town's close connection with other projects is necessary in order to extend its success to Jeju's rebirth as a unified "technopolis."

General Director BOO expressed his confidence that Jeju Healthcare Town will play a pivotal role in making Jeju a Free International City, taking advantage of the island's limitless potential, and asked that related agencies, potential investors, and various experts take interest and provide active support for the project.

SIM Won-hee, General Director of the Seoul National University Healthcare System Gangnam Center, stated that Seoul National University Hospital (SNUH) has participated as a consultant from the conception stage of Jeju Healthcare Town, and has taken part in planning its initial facilities and programs. SNUH has strongly supported the project, stating that it has great potential for success. General Director SIM said that SNUH has

Jeju Healthcare Town will play a pivotal role in making Jeju a Free International City, taking advantage of the island's limitless potential, and asked that related agencies, potential investors, and various experts take interest and provide active support for the project.

conducted extensive market research, especially on how the Jeju Healthcare Town can attract patients from abroad. She stated that Jeju Special Self-governing Province not only has a magnificent natural environment, but also an institutional advantage over the rest of the country, with potential for differentiation in systems application.

General Director SIM added that Jeju has great growth potential, with the expanding Northeast Asian market no more than two hours away by plane. She said Jeju is the most convenient location to build Asia's best healthcare center. If routes for international flights are expanded in the future, Jeju will be able offer easier access than most other cities in South Korea.

The primary mission of Jeju Healthcare Town is building a global healthcare infrastructure to aid Jeju Special Self-governing Province evolves into a Free International City. General Director SIM said that the project requires high business value and profitability, and that Jeju should focus on the growing medical tourism industry. Some of the advantages of the medical tourism industry in South Korea are its high-quality medical services, ample human resources, and world renowned medical infrastructure.

General Director SIM related SNUH's long-term plans, including the participation of the SNUH Main Branch and other branches around Seoul in operating hospitals within Jeju Healthcare Town. The rapid success of the SNUH Healthcare System Gangnam Center and its accreditation as a world-class healthcare center evidence SNUH's leading role in the medical tourism industry of South Korea. She said that SNUH has continuously produced innovative results through its clinical and research experience and international education centers. General Director SIM stated that SNUH has partnered with Jeju Special Self-governing City, and that it will participate actively in the creation of Jeju Healthcare Town, making use of its know-how from past experiences and endeavors. She said that SNUH will work hard for the project's speedy and successful settlement.

General Director SIM stressed that vitalization efforts for Jeju Healthcare Town must focus on five elements: high-quality healthcare services, development of human resources, infrastructure that meets

Jeju should prioritize global networking as the most important factor for enhancing South Korea's healthcare brand, while at the same time endeavoring to enhance the value of Jeju's healthcare brand.

global standards (enhanced accessibility, etc.), unique cultural experience with an expansive global medical network, and the development of UHealth solutions. She added that Jeju should prioritize global networking as the most important factor for enhancing South Korea's healthcare brand, while at the same time endeavoring to enhance the value of Jeju's healthcare brand.

TAN May Yan, Head of External Relations at SingHealth, a public healthcare facility in Singapore, outlined Singapore's efforts to build a healthcare system suitable for an international city and to strengthen its public healthcare system. Singapore Ministry of Health (MOH) played a central role in forming two clusters of public healthcare facilities (National Healthcare Group and SingHealth) in the 1980s. A holding company was established under the MOH for the overall management of the clusters.

One of the distinguishing characteristics of healthcare in Singapore is that while construction of healthcare infrastructure has been completely funded by the government, business principles have been applied to basic healthcare services and management. With four additional clusters established in the 2000s, a total of six regional clusters form regional healthcare systems that work closely with one another under the management of the MOH Holding Company. To foster the systematic growth of medical tourism, private hospitals, such as Raffles Hospital and Parkway Hospitals, are making a concerted effort to attract patients from abroad, with the active support of the MOH at the national level.

SingHealth, one of Singapore's healthcare clusters, is a public facility that provides high-quality healthcare services, with 15,000 employees serving nearly 70,000 patients each year. Funding for public healthcare is sourced mainly from private individuals and enterprises, and various financing schemes, such as Medishield and Medifund, are also in place. In order to improve healthcare services and vitalize the medical tourism industry,

for-profit private hospitals operate independently of public healthcare.

Ms. TAN said that Singapore has established a healthcare system with public and private elements that serve independent functions while complementing one another. All constituents of Singapore's healthcare

The conception and building of a Free International City relies ultimately on the productivity and competitiveness of the city, and the safety and prosperity of its residents.

system aim to enhance the welfare of citizens, she added. With a vision for the future, Singapore strives to build a system suitable for an international city through education, talent development, and research and development.

Martti LAUNONEN, Chairman and Founding Partner of Hubconcepts, Inc., and former planner of Finland's Technopolis, said that the conception and building of a Free International City relies ultimately on the productivity and competitiveness of the city, and the safety and prosperity of its residents. He said that various attempts are being made globally with new ideas for urban planning and architectural design, with the media paying attention to harmony with the environment and competitive economic systems. Dr. LAUNONEN shared his view that in order to address current pressing issues, urban planning as people understand it today will change drastically in the 21st century.

He emphasized that future cities must coexist in harmony with the environment, and find optimal balance in the following activities: (1) urban economic activities; (2) creation of a prosperous, active, and communal living environment; and (3) pursuit of sustainability through continuous innovation.

Dr. LAUNONEN predicted that future cities will have systems that are closely linked to the environment, and will vary according to regional conditions in terms of people's daily lives and work environment, public and private services offered, virtual economy and liquidity, cultural diversity, education, and leisure activities. In order to build a future city with the combined characteristics of a smart city, an eco-city, and a healthcare city, the city will require, in addition to its basic functions and framework, a complex amalgamation of elements that can create synergistic effects: international working environment and public services, educational and cultural functions, energy rehabilitation and water management, quality healthcare and safe living conditions, convenient transportation, and adept management of environmental resources.

In order to further improve its healthcare services, Finland has recently been conducting research on various forms of medical complexes, and constructed a healthcare town in the Kontinkangas area in the city of Oulu. Rather than functioning independently, the healthcare town is designed as part of a complex system, and aims to serve as the center of a healthcare city.

XIAO Min, Vice President of the Chinese StemCell Biogroup (CSB), said that his company is committed to innovative reconstruction of the human life cycle. The CSB has been researching and developing stem cell treatments using cutting edge medical technologies, he said, and has abundant clinical experience in treating, regenerating, and restoring cells in the body. The CSB plans to establish an international healthcare service center targeting all of Northeast Asia, and considers Jeju Special Self-governing Province to be, potentially, an optimum location for the project. Mr. XIAO said that the CSB favors Jeju Island's ideal geopolitical location and serene natural environment, as well as the attractive investment policies of the South Korean government and Jeju Special Self-governing Province.

The CSB is paying close attention to JDC's tourism projects and development plan for the Healthcare Town, and is seeking measures to establish its global healthcare service center within or close to JDC's core project. Mr. XIAO said that the CSB aims to build a healthcare center that offers world-class medical technology to patients from China, South Korea, and other countries, and would seek active support from the JDC and Jeju Special Self-governing Province.

POLICY IMPLICATIONS

- In order for Jeju Special Self-governing Province to become a Free International City, the functions and systems of a smart, ecological, and healthy city must be incorporated among all projects and urban planning within the province. (Comprehensive development plans and implementation measures should be fine-tuned in line with a unified mission.)
- Planning for a Free International City should incorporate high levels of competitiveness and productivity, sustainable development, and harmony with the environment. It should also embrace the core elements of a smart eco-city.
- To have Jeju transition effectively to a medical tourism hotspot, accessibility must first be improved through measures such as building a new airport.
- In order to construct a global healthcare infrastructure, Jeju Special Self-governing Province should be differentiated from other regions, and allowed to bring regulations on healthcare service systems in line with international standards. The government should also play a leading role in financing construction costs.
- In order to offer global healthcare services and invigorate medical tourism, private companies must be encouraged to take part independently of any push to expand public healthcare. To this end, Jeju should make continuous efforts to differentiate its systems and create incentives for investment.
- Jeju Healthcare Town is the first large-scale healthcare complex project in the nation. There is a pressing need for administrative and financial support from the central and local governments, who should normalize and make use of Jeju Healthcare Town as a first-tier healthcare cluster. From there, they should move on to developing second and third-tier clusters.

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STRATEGY FOR JEJU MARINE LEISURE INDUSTRY PROMOTION: FOCUSING ON DEVELOPMENT AND MANAGEMENT OF MARINA

Jeju Free International City Development Center

Korea has recently focused on the development of a marine leisure industry, but such activities in Jeju remain minimal despite the island's strong dependency on tourism. Therefore, JDC is planning a new project, 'Ocean Marina City,' to take advantage of this new opportunity and Jeju's beautiful scenery surrounded by a clean sea.

It is very timely for the experts in this field from the Ministry of Land, Transport and Maritime Affairs and countries which have well-developed marine leisure industries to come together and exchange views for the development of a marine leisure industry in Jeju.

MODERATOR

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PRESENTERS

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J. Everett BEBBIT Chairman, Bellingham
Marine Industry

Juan C. Rodriguez TOUBES Vice
President, CKIPM Marine Group

KANG Seuk-ju Chairman, CKIPM Marine
Group

J. Everett BEBBIT, Chairman of Bellingham Marine

Industries, characterized different models of marina development from the perspective of consumers. Chairman BEBBIT presented three types of marina development models: hotel and resort type (Portofino in California), club type (Keppel Bay in Singapore), and complex type (Rybovich Marina in Palm Beach). He emphasized that the marina industry is a high value-added industry, which combines construction, manufacturing, and service industries. Mr. BEBBIT said that marina facilities should be developed as customer-oriented complex facilities offering services for convenience, relaxation, and socialization.

Juan C. Rodriguez TOUBES, Vice President of CKIPM Marine Group, spoke about Mallorca Island in Spain, whose marine environment and culture are similar to those in Jeju Island, and about the high growth potential for marine tourism in Jeju. The largest among the Balearic Islands, Mallorca is at the center of Mediterranean marine industries, leading the development of marina and shipbuilding industries in the region. Mallorca's shoreline stretches for about 1,350 kilometers, with 69 marinas and about 22,000 yacht basins, bringing in

Keywords

*marina industry, marine leisure industry,
vitalization of marina tourism, marine
tourism hub of Northeast Asia*

Development of marina facilities in South Korea is still in its infancy, and lamented the inadequate marina infrastructure in Jeju despite its superior marine environment. In order to invigorate marine tourism, Jeju should establish a long-term vision, seek to change residents' perceptions, and work in close cooperation with the central government.

USD 385 million in revenue from 13 million tourists annually. Emphasizing the development effects of the marine tourism industry, Vice President TOUBES was very positive about the prospects for Jeju's own marina industry. He introduced the recently developed Ibiza Marina to illustrate the various effects of the marina industry on the regional economy, not least job creation.

KANG Seuk-ju, Chairman of CKIPM Marine Group, a front-runner of marina development in South Korea, related his experience in the systematic development of Gimpo Aramarina, a part of the Gyeongin Ara Waterway project, which began after recent legislation in the country. Chairman KANG reported on the current status of marina development in South Korea, including Holgot Marina, Duho Marina, Suyeongman Yacht Stadium,

and Wangsan Marina, and explained the work process for marina development, site-specific marina environments and conditions, and ways to improve.

OH Soo-young, Deputy Director of the Ministry of Land, Transport and Maritime Affairs, spoke from the perspective of overall management of marina policies. Deputy Director OH reported on the current status of the marina industry and strategies for development in South Korea, and the position of the government on current projects and directions for further development. Deputy Director OH said that the South Korean government established the First Marina Port Framework Plan in 2010, and designated 45 marina port sites across the country for development. Five marina port areas are being developed in Jeju. He said that development of marina facilities in South Korea is still in its infancy, and lamented the inadequate marina infrastructure in Jeju despite its superior marine environment. Deputy Director OH stressed that in order to invigorate marine tourism, Jeju should establish a long-term vision, seek to change residents' perceptions, and work in close cooperation with the central government.

The presentations were followed by questions and an open discussion. The participants showed great interest in the maturity of South Korea's marina market, the development potential of Jeju's marina industry, and government policy measures for fostering Jeju's marina industry.

The presenters unanimously agreed that Jeju's marine environment and climate conditions are favorable for development, and that its shorelines and strong winds are suitable for yachting and sailing. They said that if it makes good use of these conditions, Jeju will be able to develop distinctive marina facilities and related industries. Despite efforts to expand basin facilities in

various ports, including the Suyeong Port in Busan and Jeongok Port in Mokpo, South Korea's existing marina market is still relatively underdeveloped. The presenters said that Jeju has high potential for development, with South Korea boasting a geographical advantage as a strategic stopping point between China, Japan, and Vladivostok.

Asked about disadvantages of Jeju's non-subtropical climate and strong winds, the presenters said that a perfect climate condition is not an absolute requirement for developing a marina industry, citing Alaska, Michigan, and Chicago as examples of places where yachting is popular despite harsh winters with ice up to two meters thick. They reiterated that distinctive development plans appropriate for the region's climate conditions are necessary.

Questions were raised on the possibility of high-end marine facilities causing conflict with existing local communities. The presenters said that although cases of development abroad have sometimes generated opposition among local inhabitants, responses vary according to the nature of the project in each region, and advised that measures be taken to minimize such opposition on Jeju. Developments in other countries have made conspicuous efforts to demonstrate the public benefits of the marinas, they said, thus helping overcome local opposition. They said that marina development is essential to attract tourists and to vitalize the local economy, and emphasized that to establish public infrastructure, a regional consensus is needed as soon as possible.

Although the marina industry in Jeju has great growth potential overall, its basic infrastructure is inadequate at present, and a clear development policy at the national level is necessary. The presenters called for the residents of Jeju, the central government, and private investors to unite in their efforts to foster marinas that serve as important nautical stopovers, and as a means to build a maritime hub in Northeast Asia. The panel said that such efforts will lay a foundation for the growth of marine tourism and related industries, and should be taken into consideration in government policies.

POLICY IMPLICATIONS

- For tourism, conditions in Jeju are more favorable overall for the marina industry than yacht basins are. Therefore, marina facilities should be promoted as tourism infrastructure rather than as simple port facilities. Marina facilities can aid the growth of local economies and related industries. Presenters of this session advocated development of the marina industry as a new means of boosting the local economy.
- The panel suggested carrying out preliminary analyses and preparation for demand fluctuation across different seasons, and for content-based event planning and management. The session concluded that Jeju can scale greater heights as a popular tourist destination, using its vast potential to become a marine tourism hub in Northeast Asia.

EDITED BY

KIM Dae-young General
Manager, Investment
Strategy Dept, JDC

INDUCING TOP FOREIGN UNIVERSITIES TO JEJU GLOBAL EDUCATION CITY

Jeju Free International City Development Center

This session centered on a discussion of how to bring top quality foreign universities to Jeju Global Education City, in order to develop Jeju into one of the best cities for international education in Asia. The case of Songdo Global University Campus, where top class foreign universities and research institutes will be established, and the case studies of successful similar initiatives reviewed, and finally relevant future tasks for Jeju outlined.

MODERATOR

ANN Choong-yong Chairman,
Regulatory Reform Committee

PRESENTERS

LEE Sung-ho General Director, Edu-city
Dept., JDC

KIM Choon-ho President, SUNY Korea)

Ian GOW Professor and Executive
President, The Sino-British College,
USST

Kevin KINSER Associate Professor,
State University of New York at Albany

LEE Sung-ho, General Director of JDC Edu-city Department, said that the English Education City (EEC) is a crucial component of turning Jeju into a Free International City. He explained that Jeju plans to make the city a residential education complex incorporating international schools, from elementary to high school level with 9,000 students, and a university, educational center, and commercial and residential areas with 20,000 residents.

Following the EEC's establishment in 2006, two schools opened in September 2011 with another set to open in October 2012. General Director LEE said that the University Zone, in particular, is crucial in making Jeju into a true global educational hub. The proposed campus site is 250,000 square meters in size and can accommodate as many as 4,000 residents. About 10 to 15 universities will share the campus and facilities.

In the early stages of the plan, the institution in charge of implementing the University Zone, JDC, will build the facilities, offer them to universities for rent, and later transfer the rights to a private operator. The schools will use the same system as their home institutions in terms of curriculum and selection of students, ensuring education matches the standards in their respective countries. General Director LEE emphasized that the schools will award the same degrees given in their home

institutions, and will also provide exchange opportunities for students and faculty. General Director LEE said that keeping in line with the characteristics of Jeju, the plan is to attract the tourism and education sectors first. Future plans for establishing a joint university run by institutions from South Korea, Japan and China are also under discussion. If successful, he said, the project may extend to the medical and natural sciences.

General Director LEE also raised some limitations and obstacles to the University Zone project. Institutional obstacles include bans on having for-profit entities establish universities and on transferring surplus capital to third-parties. Insufficient legislation on incentives, and intensified competition due to the opening of educational markets, are other key challenges, he said. Finally, General Director LEE said that the project will need to keep a close eye on students' track record of finding jobs after graduating.

KIM Choon-ho, President of SUNY Korea, introduced his organization as one of 64 colleges belonging to the State University of New York (SUNY). Opened in March 2012, SUNY Korea is the first American university to be founded in Korea. With 2,000 students, it is currently operating graduate-level programs, and is set to open undergraduate programs in 2013. It received funding from the governments of South Korea and Incheon to assist with operations and building its facilities, but the financial support is limited to USD 1 million a year, far short of what is needed to run a campus. President KIM also emphasized that extended support is needed for what he called the 'software.'

In order to attract foreign universities, President KIM said there must be more incentives than just financial support. Such incentives might include inducements for the faculty to remain on campus for an extended period, and support structures to overcome cultural and institutional differences. For all this to work, he said, management that understands cultural differences and has extensive networks in both countries is crucial.

President KIM said that in Jeju's case, it is necessary to think deeply about what kind of institutions to attract and what kind of curricula to run. For example, Jeju must decide whether to target only the most prestigious universities, or whether mid-ranking universities should be invited as well. If the project is not handled carefully with a clear understanding of Jeju's particular circumstances, President KIM said, it will run a high risk of failure. To break even, each school must have at least 1,500 students, which means that JDC's plan of building a campus town consisting of 4,000 students distributed across 10 to 15 colleges needs to be reexamined. In addition, President KIM suggested looking into establishing joint programs between a foreign university and a Korean university in Jeju, Busan, or Gwangyang.

Ian GOW, President of the Sino-British College, USST, discussed the common structure of foreign universities in South Korea, their goals, and the problems they face. He suggested a new model for attracting foreign universities to the EEC.

President GOW said that universities can be broadly divided into four ideas or purposes:

first, as an international outlet making available a global experience for its own students back home; second, a campus equipped with all the expected physical facilities; third, a research-based campus; and finally, a specialized campus awarding specific degrees. The reasons for attracting an international university include: opening the educational market further, the need for international education, discouraging talented individuals and capital from going overseas, exchange of ideas, nurturing of leaders, and creating profit.

The reasons for wanting to open an international campus, President GOW continued, include boosting your brand image, as an alternative to bringing international students to the home campus, nurturing talented individuals, and generating profit. The problems associated with bringing foreign universities include difficulties in selecting suitable schools, disagreements on the process of collaboration, institutional and legislative obstacles, costly foreign faculty and personnel, cultural conflicts due to misunderstandings, retaining high quality faculty, and maintaining educational standards. President GOW also said that under current circumstances, it may be better to set up prestigious Korean universities such as POSTECH and KAIST first, and try appealing to foreign universities after those efforts have been successful.

To suggest possible directions for Jeju, **Kevin KINSER, Associate Professor at SUNY-Albany**, talked about the findings of the university's Cross-Border Education Research Team, which was based on 60 international campuses in 16 countries worldwide. Professor KINSER divided international campuses in two categories, Branch and FEO (Foreign Education Outpost). The first category, Branch, is a form of international campus that is owned by the foreign university in whole or in part, uses the same name as the mother institution, has a physical presence (all or part of the course of study takes place offline), and awards degrees or certificates from the foreign institution. There are approximately 200 such campuses in the world, he said.

FEO, by contrast, can be defined as an "international campus that provides affiliated programs for the home institution, either administrative or academic, through investing in the international campus, owned by the university or sharing a brand with another institution, under circumstances

Keeping in line with the characteristics of Jeju, the plan is to attract the tourism and education sectors first. Future plans for establishing a joint university run by institutions from South Korea, Japan and China are also under discussion. If successful, the project may extend to the medical and natural sciences.

differing from the regulations and policies of the home country." FEO is a broader term than Branch, and therefore is more effective in understanding the reality of foreign universities' interest in going overseas. In general, international campuses focus on education, but there are some cases where research or training is the main motive for their presence.

Professor KINSER said FEO can be subdivided into further categories, depending on the degree of home institutions' intervention on the international campus, and the makeup of the founding and current institutions. Other factors, such as school funding, faculty, program jurisdiction, and relationship with the home institution, also play important roles in characterizing a particular campus. FEO forms can be categorized into two types: the archipelago model, where each university is an island within itself; and the polis model, where the universities are laid out with an acropolis in its center. Since accessibility between institutions within the EEC is important, Professor KINSER argued that the polis model would be a better fit for Jeju. Continuing, the Professor also argued that Jeju must decide whether to allow universities to select their own program or to limit the program to only those that align with Jeju Education City's interests. Finally, Professor KINSER said he expects Jeju Education City to be a revolutionary project if it is supported by innovative structure and the appropriate legislative efforts.

POLICY IMPLICATIONS

- In order to attract foreign universities to Jeju Education City, it is necessary to select the right candidates under current circumstances (domestic/foreign, prestigious/specialized, solitary/joint). In addition, other efforts such as legislative efforts and incentives should be considered.
- After founding the University Zone, Jeju must remain focused and manage it smoothly, being sure to develop curricula reflecting the needs of the market, maintain the quality of education, and promote networking between universities.

EDITED BY

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JDC

NEED AND ACTION PLAN FOR CHINATOWN DEVELOPMENT

Jeju Free International City Development Center

A new concept of Chinatown has been promoted recently in Jeju and, as the interest in this project increases, the number of potential investors is increasing as well.

This may reflect the economic growth of China and the increasing number of Chinese tourists to Jeju.

The realization of this project will bring more Chinese tourists, promote exchange with China and induce more Chinese capital into Jeju.

The vision and direction for making this project successful and maximizing its effects was discussed.

MODERATOR

JUNG Young-mo Former Head, JDC
Project Promotion Division

PRESENTERS

BAIK In-gyu Head, JDC Tourism
Business Dept.

JANG Jin-bo Professor, Jeju National
University Law School

DISCUSSANTS

JANG Hee-soon Professor, Gangwon
National University

HAN Bing H&J Law Firm, Director
Chairman

TANG Xiao Dan Chairman, Silversun
Group

DONGCUN Jiao former General Consul,
Consulate General of the People's
Republic of China in Busan

BAIK In-gyu, Director of the Tourism Business Department

at JDC, emphasized that in order for the China Complex to

succeed, it should not only attract Chinese tourists but also

domestic and international tourists from countries such as

Japan. To bring more Chinese tourists, it is important to have

infrastructure for longer-term stays, such as mid-priced hotels,

leased resorts, and villas. Should they want to, residents should

be able to invest easily in hotels, shops, and restaurants, or

find a job and work for a living. For these ideas to work there

must be institutional support such as revising laws on foreign

capital investment and work visas. Medical facilities and an

international elementary school teaching in both English and

Chinese should also be located in the complex.

JANG Jin-bo, Professor at Jeju National University Law

School, discussed the legal aspects of allowing Chinese

investment in Korea, and how to attract more capital. According

to Jang, foreigners are currently permitted to buy a residence

or second home in Korea worth more than half a million USD

or KRW 500 million. The Korean government also provides

investors with various tax benefits. However, in real life,

these benefits do not seem to appeal to investors very much.

Conversely, foreign investors are saying they can invest without

such benefits if it is profitable. Profesor JANG said there needs

Keywords

Chinatown, Chinese Capital

to be an accurate and detailed explanation of laws and concepts that do not exist in China, and that explanation should be promoted extensively.

Professor JANG also mentioned the importance of understanding Chinese laws. Of particular importance, he said, are the State Administration of Foreign Exchange and the policies of registration regarding foreign investment. According to the Foreign Exchange Administration of Individuals Article 2, a Chinese national can spend or pay in foreign currency worth a maximum of USD 50,000 per year. Therefore, for individual Chinese investors, the SPC, investment in foreign capital markets, and direct investment must be approved by the State Administration of Foreign Exchange. We must, therefore, find ways to attract investors under the current legislation, Professor JANG said, actively seeking alternative models of investment. In addition, he argued that a closer look at the complexity of the Chinese registration process and various fees associated with transferring funds is needed, in order to come up with a strategic counter plan.

JIAO Dongcun, former General Consul, Consulate General of the People's Republic of China in Busan, said that Chinatown has been an excellent outlet to introduced China to the world, promoting Chinese economic growth and Chinese values, and combining local culture with Chinese culture. But because it was founded and grew organically, Consul JIAO said, Busan's Chinatown is of varying quality. He hoped that a new, modern Chinatown will be born in Korea, with the following characteristics: 1) original and fresh, 2) good location, 3) joint efforts from the public and private sector to bring in investment, 4) multi-functional development, 5) features to encourage tourism, and 6) incorporation of traditional Chinese brands. He also said that rather than small-size businesses run by Chinese-Koreans, we must consider building a large facility incorporating Chinese brands and services.

JANG Hee-soon, Professor of Gangwon National University's Real Estate Department, said while it is true that changes to the Chinese real estate market are influencing Korea positively,

We must find ways to attract investors under the current legislation, actively seeking alternative models of investment.

Koreans must consider to what extent it is benefitting them. From this perspective, a Chinatown development should be undertaken with three things in mind: First is location. Since old city centers across the country are quickly becoming deserted, replacing these areas with Chinatowns as part of a city center revival project could be considered. Strategic developments like this could bring in new visitors to the neighborhood and help them regain lost business. Second is the type of development. Jang viewed resort development aimed purely at making profits for investors as highly risky. Instead, we must closely evaluate what kind of products to sell. Third is the nature of the investment. The kind of development to pursue should depend on whether the investment is profit-driven or more focused on keeping the assets.

HAN Bing, Director Chairman of H&J Law Firm, emphasized the importance of understanding the goals of Chinese investment and the people making it. In addition, there must be extensive research regarding official Chinese policy on foreign investment, including technical issues and institutional problems. Chinese corporations are fully aware of investment benefits from the government, but they are not especially attracted by reduced taxes. Therefore, providing new incentives in a different area should be considered. For example, in China, repatriating profits made in China is prohibited, so it is necessary to examine how the laws regarding this are written in Korea. Also, according to Chairman HAN, we need to give detailed advice to individual investors on benefits, ways to minimize investment risk, and how to maximize profit.

TANG Xiaodan, Chairman of China's Silversun Group, said that Jeju Chinatown is an interesting and attractive project to investors, but a new concept and form is needed. He predicted that thanks to China's economic and cultural growth, combining Chinese investments with developments in Jeju has the potential to succeed. An accurate analysis of needs of the market is necessary, with a specific view on how to turn investment into profits. In other words, Chairman TANG said, a development plan is required that will satisfy both the investor and customer.

Thanks to China's economic and cultural growth, combining Chinese investments with developments in Jeju has the potential to succeed.

The project will be successful if Jeju can provide a high-profit model to attract investors and satisfy the needs of Chinese tourists.

POLICY IMPLICATIONS

- In order for a Chinatown to succeed, long-term accommodation infrastructure, such as mid to lower priced hotels, leased resorts and apartments, will all be necessary.
- It is vital to make it easier for individuals to invest in hotels, shops and restaurants.
- There must be institutional and legislative support, such as work visas or an amendment of investment laws, making it Chinese people to work here.
- To help those staying for longer periods, medical and educational facilities with Chinese- and English-speaking staff are essential.
- Chinatown should be approached from the perspective of reviving the old city center. Therefore, it is better to set the location in the center of the city rather than suburbs.

EDITED BY

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THE SPIRIT OF KIM MAN-DEOK IN THE 21ST CENTURY

KIM Man Deok Memorial Foundation

It has been 200 years since the passing of KIM Man-deok and by re-examining her contributing and sharing spirit, this symposium aims to establish a leadership with the spirit of ‘Noblesse Oblige’, and to cultivate the sense of service to society.

To decrease social polarization and encourage integration, global poverty reduction and increased charity activity of the business sector in the 21st Century, the role of women and their participation in society must be emphasized. In this session, we discussed and discover ways to increase women’s participation in society and reduce global poverty.

MODERATOR

YANG Yong-chul Professor, Jeju National University

PRESENTERS

Anne HILTY Social Science Researcher, Ieodosana Organization

PARK Tae-kyu Professor, Yonsei University

Artemy IZMESTIEV Policy Advisor, UNDP Seoul Policy Center

YOON Hyun-bong Secretary General, Korea NGO Council for Overseas Cooperation

LEE Mi-kyung CEO, T&B Management Consulting Ltd

DISCUSSANTS

YANG Won-chan Co-representative, KMD Memorial Foundation

LEE Sun-hwa Member of a Provincial Assembly, Jeju Special Self-governing Provincial Council

KIM Dong-jeon Professor, Jeju National University

Anne HILTY, a social science researcher of Ieodosana

Organization said that considering the social climate and historical circumstances of KIM Man-deok’s time, 270 years ago, her act represented not just great generosity to people in need, but had a deeper significance as well. KIM overcame the limitations of class and gender and succeeded as a businessperson. Not only that, she recognized the concept of social responsibility, way ahead of her time.

Looking at KIM Man-Deok’s charity from the standpoint of equality, it is important to understand that she brought women’s self-development (economic participation) to the fore, Dr. HILTY said. KIM’S work not only brought social justice by highlighting that women can work like men, it actually brought women into the labor force, making them equal with men. Through economic participation, women can overcome poverty and establish female leadership, the researcher said. In the modern era, due to economic development and the aging population, the labor force is getting older, paving the way for women to enter the workforce. The social and economic participation of women, however, still remains lower than that of men due to various limitations, and statistics verify that women are still employed less than men, Dr. HILTY said. The pay gap is improving only slowly, she said, and female businesspeople and politicians are

still in the minority.

Dr. HILTY mentioned several hopeful factors that she predicts will lead to improving female social and economic participation: first, improved educational conditions for women; second, amendments to the law ensuring legal rights for women; third, an

increased number of working women who can serve as mentors; fourth, social support for working women such as maternity leave, vacations, and medical services; and finally, efforts to bring equal severance pay for men and women.

Dr. HILTY argued that the appearances of modern day KIM Man-deoks, who work hard to achieve their goals and possess a sense of social responsibility, are becoming more common across the world. KIM is an inspiration not only for her charity work but even more for actively pioneering her own life, she argued.

PARK Tae-kyu, Professor of Economics at Yonsei University, stated that for society to develop further, it must provide public goods and services. To satisfy such needs, there must be a consciousness within government that it is responsible for providing society with what it needs. In addition, private sector donations can contribute to the development of society by filling the gaps left by the government. Donations from the private sector, he said, can be categorized into individual and corporate donations. Unlike donations from individuals, corporate donations are usually made only to the extent they can ultimately help the interests of the business, which can become a limitation. Donations from individuals, however, can be made freely according to the giver's wishes.

In 2000, corporate donations made up 70% of all private sector donations. By 2010, however, donations from individuals accounted for 65% of all private sector donations. This phenomenon, Professor PARK said, is the result of continuous efforts to spread a culture of philanthropy, as well as policy efforts giving increased tax benefits to encourage donations. When we look at where the money went, however, religious institutions are high on the list. Professor PARK also pointed out that beneficiaries of such donations are still limited to the social welfare arena. It is also problematic that donations are not being made regularly but intermittently, and participation from the super rich remains low.

The Professor discussed donating one's wealth posthumously as one way to encourage donations among the super rich. According to a recent survey, the wealthy are becoming increasingly interested in donating their possessions. Therefore, Professor PARK argues, a plan to further

The appearances of modern day KIM Man-deoks, who work hard to achieve their goals and possess a sense of social responsibility, are becoming more common across the world. KIM is an inspiration not only for her charity work but even more for actively pioneering her own life, she argued.

encourage this instinct among wealthy potential donors is urgently called for.

The significance of KIM Man-deok's social work today, he said, is in setting an example for successful businesspeople and social leaders to give back to society. Going beyond simply donating wealth, Professor PARK said that the leaders' expertise, experience and new perspectives can help define and solve the problems we all face today.

Artemy IZMESTIEV, Policy Advisor at the UNDP Seoul Policy Centre for Global Development Partnerships, said that the UNDP Korea office had closed in 2009, which signifies that Korea is no longer receiving external aid. Subsequently, the new Seoul Policy Centre for Global Development Partnerships opened in 2010, with the aim of sharing Korea's successful economic model with developing nations around the world. Ms. IZMESTIEV introduced the Millennium Development Goals (MDGs) as the core of the UNDP's global challenge. The eight goals outlined in the MDGs are a blueprint of global development for the year 2015, approved by countries around the world and all institutions working for peace. It is an unprecedented global effort to end poverty in developing nations, IZMESTIEV said.

For the past 10 years, the UNDP has achieved outstanding results in many countries, but a few nations are still lagging behind and will not be able to achieve these goals by 2015. Therefore, the UNDP is focusing on relieving poverty and supporting countries to achieve the MDG goals. Finally, Ms. IZMESTIEV emphasized the significance of sympathy and solidarity, which can be found in KIM Man-deok's spirit. In this regard, her spirit lives on today.

YOON Hyun-bong, Secretary General of the Korea NGO Council for Overseas Corporation, traced the history of NGOs in Korea to the 1950s, when the country had just emerged from its civil war. Since then, South Korea has gone from being poverty-stricken aid recipient to, from the 1990s, a net giver of aid.

The activities of South Korean NGOs can be largely divided into three categories: emergency relief, development cooperation, and policy advocacy. Of these, emergency relief started in the civil war in Rwanda in 1994. Specifically, efforts to help the refugees carried out by South Korean organizations collaborating with the UN, gained significant media attention, paving the way for international aid projects. Since then, South Korea has sent emergency relief to many disaster-stricken countries around the world.

Taking place worldwide,
development cooperation

The significance of KIM Man-deok's social work today is in setting an example for successful businesspeople and social leaders to give back to society. Going beyond simply donating wealth, the leaders' expertise, experience and new perspectives can help define and solve the problems we all face today.

consists of helping developing countries achieve medical, educational, social and environmental improvements. South Korean organizations are most active in the medical and educational areas, but recently, the country is increasingly participating in comprehensive local development projects to help attain balanced development in specific areas.

Policy advocacy is currently an active area of activity among international NGOs. NGOs give policy advice to governments and international organizations, and helps promote those policies to the general public. Until recently, South Korean NGOs were not actively involved in this area, but two important conferences on international cooperation held in South Korea in 2010 and 2011 helped greatly, he said.

The reasons behind the fast growth of NGOs in South Korea include the country's background in receiving aid, its democratic development, and continued requests from developing countries to share Korea's expertise in development. Secretary General YOON argued that South Korea's international development cooperation can be characterized as "humanitarian cooperation and the fight against poverty with the notion of sharing and serving," which is directly related to KIM Man-deok's spirit of giving.

LEE Mi-kyung, CEO of TNB Management Consulting, argued that despite overall improvements to the quality of life, social and economic gaps are widening and are expanding to other areas, such as the environment, industry, poverty, unemployment, medical care and education. Such warnings were issued at the World Economic Forum during discussions about the future of capitalism and the search for workable alternatives. They provided an opportunity to think about symbiosis, Ms. LEE said, and corporations' social responsibility and participation are generating more interest than ever before.

The search for a symbiotic relationship is not new, Ms. LEE said. It can be found, for instance, in the charitable work of KIM Man-deok. Her altruistic spirit emphasized sharing and concern for others, as well as for life itself. She also valued trust and loyalty. Recently, "social enterprise" has been gaining attention as a way to both serve society and create jobs. Social enterprises aim to combine social economic values (profit-driven activities) by returning the profits gained from economic activities to society.

Ms. LEE highlighted the problem of racial inequality for immigrants, which is a prominent human rights issue in South Korea. A large number of foreigners are coming to South Korea to find work or to marry Korean men, making the country increasingly multiethnic, but the public have yet to adapt to the changed environment. Ms. LEE argued that we must teach South Koreans to live harmoniously

To globalize KIM Man-deok's spirit of giving and serving, the focus should not be on the deeds of the past, but on creating a climate for future KIM Man-deoks who represent the spirit of noblesse oblige.

with people from different backgrounds. In particular, women who come to the South to marry Korean men need to build their self-confidence and achieve economic independence. Efforts are being made to create social enterprises that help women in multiethnic marriages. In formulating policies to help these women settle in to South Korean society and build up their independence, the government must make sure these enterprises can be continuously and realistically monitored. Further, Ms. LEE said, it must go beyond simple short-term projects, and ensure that jobs for these women can be created and found outside of the enterprises themselves.

Ms. LEE also said that female businesspeople need to be actively involved in social activities. In addition, there must be continuous efforts to battle social polarization, with businesses encouraged to give back to society, and individuals urged to use their own talents for the common good. Most importantly, the public must have compassion for the less fortunate people in society, such as immigrant women, Ms. LEE said.

YANG Won-chan, Co-representative the KIM Man-deok Memorial Foundation, explained that what had started as a remembrance project for KIM Man-deok's thoughts has now expanded into direct involvement in developmental NGO activities, such as building the Man-deok School in Vietnam. Mr. YANG asked Professor PARK whether the statistics on donations from individuals are definitely accurate, saying that in his view, there seem to be more people donating than the numbers show. He wondered whether there might be a significant number of individuals donating to small institutions that don't issue receipts.

To this, Professor PARK replied that it is important to change the policies regarding private donations. For example, in Taiwan, local governmental organizations are authorized to issue receipts in place of small organizations that cannot. Finding this "middle ground" between small organizations and local governmental bodies is important, he said.

Mr. YANG mentioned some negative perceptions of public interest groups, and asked how their image could be improved. Professor Park said while the government is encouraging public interest groups, it is also regulating them. Institutional encouragement to activate public interest groups, such as amending inheritance and gift taxes, is of course necessary, he said, but if the public is prompted to have greater appreciation for the role of such groups, institutional changes are sure to follow.

Mr. YANG also compared the KIM Man-Deok Memorial Foundation's overseas activities with the UN's fight against poverty. To this, Ms. IZMESTIEV at UNDP Seoul Policy Centre, replied that the UN greatly appreciates such private sector activities. Thanks to those activities, corporations are gradually becoming aware of their social responsibilities. Ms. IZMESTIEV emphasized that it is important to bring about policy changes in the future.

LEE Sun-hwa, a member of a Provincial Assembly of Jeju Special Self-governing Provincial Council said the 21st century will be a 'women's century,' and in step with this idea, Jeju City Council has recently implemented a special commission on women, with Lee as its chairperson.

One aim of this body is to promote two strong images of Jeju women worldwide: KIM Man-deok and Jeju diving women, known as *haenyeo*. The commission will endeavor to spread positive images of South Korean and Jeju women to the world.

Ms. LEE argued that to globalize KIM Man-deok's spirit of giving and serving, the focus should not be on the deeds of the past, but on creating a climate for future KIM Man-deoks who represent the spirit of noblesse oblige. For instance, the commission is supporting talented young women in the province, she said, while bemoaning the shortage of funding for such programs.

Ms. LEE said we need an "Asian Women's Leadership School," which will educate women on leadership and provide mentoring, producing leaders like Oprah Winfrey. She also expressed her hope that the Man-deok School in Vietnam will also serve as an opportunity to learn about the spirit of altruism and female leadership. She hoped that KIM Man-deok's "DNA of sharing" will be spread to a wider audience.

POLICY IMPLICATIONS

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First, in cooperation with the media and economic organizations, connect KIM Man-Deok's spirit of altruism with the social responsibilities of leaders. Create opportunities to present at international seminars and events held by the Federation of Korean Industries.

Second, make the 'KIM Man-deok Award,' currently only awarded to Korean women, available to distinguished women worldwide. By way of an example, the Philippines' Magsaysay Award is awarded to both men and women regardless of nationality.

Third, organize information about KIM Man-deok at the governmental level, displaying it in the National Museum. Doing so will provide a message to the world that 200 years ago, South Korea was home to someone who lived an exceptional life of sharing and giving, despite herself facing the hardships that her low social class entailed.

Fourth, look for ways to issue receipts through local or central government for small charity organizations unable to provide them themselves.

This seminar reminded us that KIM Man-deok remains a relevant figure in discussions of contemporary issues. Foreign scholars, researchers, and leaders of foreign volunteer organizations agreed that KIM Man-deok can serve as a role model for today's leaders.

EDITED BY

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