

# DMZ

International Forum on the Peace Economy

평화경제 국제포럼

August 29, 2019, 14:30 - 18:10  
Lotte Hotel Seoul (3F, Athene Garden)

[ Parallel Session VII ]  
East Asian Institutes Forum

| Co-Hosts |



경제·인문사회연구회  
NATIONAL RESEARCH COUNCIL FOR  
ECONOMICS, HUMANITIES AND SOCIAL SCIENCES



대외경제정책연구원  
Korea Institute for International Economic Policy

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KREI Korea Rural Economic Institute

한국법제연구원  
KILRI Korea Institute of Law and Policy

한국여성정책연구원  
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International Forum on the Peace Economy

## 평화경제 국제포럼

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[ Parallel Session VII ]  
**East Asian Institutes Forum**

The Changing Regional Dynamics in East Asia



## Overview



Title	DMZ International Forum on the Peace Economy Parallel Session VII - East Asian Institutes Forum
Date & Time	August 29, 2019, 14:30 - 18:10
Venue	Lotte Hotel Seoul (3F, Athene Garden)
Organizer	Korea Institute for International Economic Policy
Theme	The Changing Regional Dynamics in East Asia

### East Asian Institutes Forum

The East Asian Institutes (EAI) Forum brings together heads of leading think tanks in East Asia (ASEAN+3 countries) with the objective of promoting knowledge sharing and research on the topic related to East Asian economic integration. This Forum is an annual event, since 2005, organized by KIEP.

The forum aims to facilitate a constructive discussion to help participants develop a more in-depth understanding of recent developments in the region and to provide analysis and formulation of policy recommendations. Leading East Asian scholars and experts from ASEAN, China and Japan are invited to share insights relating to the most important and timely issues in the region.

## Program



Time	Program
14:30 - 14:45	15' [Opening Remarks] <b>LEE Jae-Young</b> President, Korea Institute for International Economic Policy (KIEP), <i>Republic of Korea</i> [Welcoming Remarks] <b>SEO Wang-Jin</b> President, The Seoul Institute, <i>Republic of Korea</i>
14:45 - 16:15	90' [Session 1] The Rise of China and its Impact on East Asian Economy [Chair] <b>JEONG Hyung-Gon</b> Senior Research Fellow, Korea Institute for International Economic Policy (KIEP), <i>Republic of Korea</i> [Presentations] <b>Rastam MOHD ISA</b> Chairman / Chief Executive, Institute of Strategic and International Studies (ISIS), <i>Malaysia</i> <b>Saowaruj RATTANAKHAMFU</b> Senior Research Fellow, Science and Technology Development Policy, Thailand Development Research Institute (TDRI), <i>Thailand</i> [Discussants] <b>CHOI Shing Kwok</b> Director, Institute of Southeast Asian Studies (ISEAS) -Yusof Ishak Institute, <i>Singapore</i> <b>FUKAGAWA Yukiko</b> Professor, School of Political Science and Economics, Waseda University, <i>Japan</i> <b>Palikone THALONGSENGCHANH</b> Senior Researcher, Cooperation-Planning, National Agriculture and Forestry Institute (NAFRI), <i>Lao PDR</i> <b>NGUYEN Dinh Cung</b> President, Central Institute for Economic Management (CIEM), <i>Vietnam</i> [Open Discussion]
16:15 - 16:30	15' Coffee Break
16:30 - 18:00	90' [Session 2] Trade War between the United States and China and its Impact on East Asian Economy [Chair] <b>Celia M. REYES</b> President, Philippine Institute for Development Studies (PIDS), <i>Philippines</i> [Presentations] <b>LI Xiangyang</b> Director, National Institute of International Strategy, Chinese Academy of Social Sciences (NIIS-CASS), <i>China</i> <b>NGUYEN Dinh Cung</b> President, Central Institute for Economic Management (CIEM), <i>Vietnam</i> [Discussants] <b>FUKAGAWA Yukiko</b> Professor, School of Political Science and Economics, Waseda University, <i>Japan</i> <b>Yose Rizal DAMURI</b> Head, Department of Economics, Centre for Strategic and International Studies (CSIS), <i>Indonesia</i> <b>BONG Angkeara</b> Research Consultant, Education Unit, Cambodia Development Resource Institute (CDRI), <i>Cambodia</i> [Open Discussion]
18:00 - 18:10	10' [Closing Session]



## [Session 1]

### The Rise of China and its Impact on East Asian Economy

Chair

**JEONG Hyung-Gon**

Senior Research Fellow  
Korea Institute for International Economic Policy (KIEP)  
*Republic of Korea*



Dr. Jeong Hyung-Gon is the former Vice President of the Korea Institute for International Economic Policy (KIEP) and a senior research fellow at the institute. He currently serves in the capacity of Special Senior Research Fellow at the Chinese Academy of Social Sciences (additional position) and is a consultant at the Asian Development Bank(ADB). He has been working as a member of the Presidential Committee for Unification Preparation for Korea, Vice President of the North East Asia Economic Association of Korea, and a member of the Policy Advisory Committee of the Korea Fair Trade Commission. He also serves as an advisor at the Committee of Free Economic Zone of the Ministry of Trade, Industry and Energy.

Dr. JEONG Hyung-Gon's research area is international economics including trade and investment, transition economy and North Korean economy and he has published many refereed journal articles, books and working papers on these topics. Before joining the KIEP in 2006, Dr. JEONG Hyung-Gon was Director General of the Office of Strategic Planning at the National Security Council (NSC), the Blue House. Dr. JEONG Hyung-Gon graduated from the University of Bonn and holds a Ph.D. in Economics from the University of Cologne. He was a Fulbright Visiting scholar at Johns Hopkins University, School of Advanced International Studies (SAIS). He can be reached at hgjeong@kiep.go.kr.

# East Asian Institutes Forum

The Changing Regional Dynamics in East Asia



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## China's Rise and Its Impact on East Asia, in Particular ASEAN

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### Presentation

### Rastam MOHD ISA

Chairman / Chief Executive  
Institute of Strategic and International Studies (ISIS)

*Malaysia*

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Tan Sri Rastam Mohd Isa is Chairman and Chief Executive of the Institute of Strategic and International Studies (ISIS) Malaysia. Tan Sri Rastam MOHD ISA is former Secretary General of the Ministry of Foreign Affairs of Malaysia in 2006-2010. He served in various capacities at the Ministry and Malaysian diplomatic missions abroad, including as High Commissioner of Malaysia to Pakistan (1994), Ambassador of Malaysia to Bosnia Herzegovina (1996-1998) , Ambassador of Malaysia to the Republic of Indonesia (1999-2003) and Permanent Representative of Malaysia to the United Nations in New York (2003-2005).

Tan Sri Rastam MOHD ISA is currently Chairman of the Malaysian National Committee for the Pacific Economic Cooperation Council (PECC) and Chairman of the Malaysian National Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP). He is a Board Member of the China-Southeast Asia Research Center on the South China Sea (CSARC) and Adjunct Research Professor of the National Institute for South China Sea Studies based in Hainan, China. He chaired the ASEAN-ISIS think tank network for 2016-2017 and was co-chair of CSCAP for 2015-2017. He was also member of the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council–ABAC and co-chaired the ABAC Digital Innovation Working Group (DIWG) from March 2016 to May 2019.



15<sup>th</sup> East Asian Institutes Forum:  
The Changing Regional Dynamics in East Asia  
Seoul, Republic of Korea, 29 August 2019

## China's Rise and Its Impact on East Asia, in Particular ASEAN



**Tan Sri Rastam Mohd Isa**  
Chairman and Chief Executive  
Institute of Strategic and International Studies (ISIS) Malaysia

## China's Global Position: Selected Indicators



- Chinese tourists spent \$258 billion abroad in 2017 (US: \$135 billion; Germany: \$89 billion; UK: \$71 billion)
- Traditionally imports more US agricultural products than any other country
- Fastest growth in e-commerce and e-payments
- Alibaba is the world's largest retailer (online and offline)
- Chinese consumers spent \$73 billion on luxury goods in 2018 (one third of world market for high-end products)
- 186 unicorn start-ups are in China (one third of the world's total)

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## China's Global Position: Selected Indicators



- Population of 1.3 billion; ageing and expected to decline beginning 2029
- Average household income increased 400% in ten years from \$987 (2002) to \$4273 (2012)
- More than 850 million people have been lifted out of poverty
- 3.1% of the population live below China's poverty line criteria (12.3% in the US according to US poverty line criteria)
- GDP growth averaged nearly 10% a year, has gradually slowed down since 2012, but still relatively high by current global standards (6.6% in 2018; 6.4% Q1 2019)
- World's second largest economy and the largest if measured in purchasing power parity terms.
- Largest single contributor to world growth since the global financial crisis of 2008
- World's largest trading nation since 2012, surpassing US which held that position since end of WW2
- Number one trading partner for 124 countries since 2013
- Exports grew 954% between 1970 and 2010
- Holds largest amount of US Treasury bonds (\$1.12 trillion as of March 2019)

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## China's Global Position: Selected Indicators



- World's largest consumer of energy, largest producer and consumer of coal and largest emitter of carbon dioxide
- World's leader in and largest market for renewable energy (\$126 billion investments in 2017)
- World's largest producer of solar panels since 2014
- World's largest importer of crude oil (surpassing the US since 2017) with imports increasing further especially from Middle East
- World's largest producer and consumer of steel: crude steel production at 928 million tons in 2018, (53% of annual global production)
- Leader in planting of new vegetation; one third of world's total
- Large investment in health and medical facilities, related R&D and medical tourism, e.g. Boao Lecheng International Medical Tourism Pilot Zone in Hainan

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## China's Global Position: Selected Indicators



- World's largest automobile market (sales and production) since 2009, accounts for 50% of global sales of electric cars and home to 99% of world's electric bus fleets
- World's largest high speed rail (HSR) network with 29,000 km of HSR tracks (two-thirds of world total)



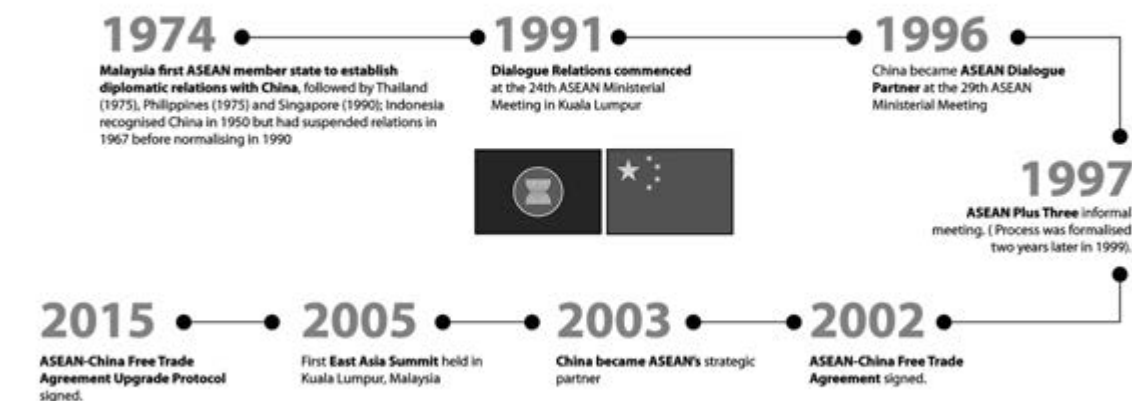
- 269 airports with more being built, including new Beijing airport at Daxing
- Home to four of world's 20 busiest airports (2018): Beijing Capital @ No. 2 (101m); Hong Kong @ No. 8 (74.5m); Shanghai Pudong @ No. 9 (74m); Guangzhou Baiyun @ No. 13 (69.8m) [Tokyo Haneda @ No. 5 (87.1m); Seoul Incheon @ No. 16 (68.2m)]



- Defence spending at 1.9% of GDP ( Russia: 3.9%; US: 3.2%, India: 2.4% )
- Robust military modernisation programme for all branches of the PLA
- Issued Defence White Paper, " China's National Defence in a New Era", July 2019

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## ASEAN-China Relations Throughout The Years



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## ASEAN's Global Position: Selected Indicators

- Ten Southeast Asian member countries committed to regional integration
- Most successful regional organisation in the developing world
- 650 million combined population which provide a strong market base and vast pool of human resources; rising middle class and comparatively high growth rates
- Combined GDP of US\$2.8 trillion in 2017, making ASEAN the world's 5th largest and Asia's 3rd largest economy
- Strategic, dialogue and development partnerships with 9 countries and international organisations, including China, Japan and Korea
- ASEAN Centrality: ASEAN drives the mechanisms in the regional architecture: EAS, ARF, ADMM & ADMM Plus, ASEAN Plus One, ASEAN plus Three among others



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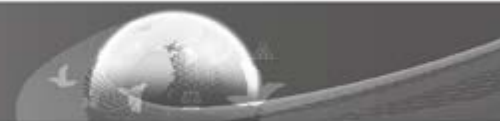
## China-ASEAN: Trade



- China has been ASEAN's largest trading partner nine years running; accounting for 17.2% of all of ASEAN's merchandise trade (US\$587.87 billion in 2018)
- Trade valued at US\$288 billion for H1 2019, making ASEAN China's second largest trading partner
- ASEAN-China trade is still strong despite global uncertainties and ASEAN countries are making some trade and investment gains from US-China trade tensions
- Aside from Singapore and Laos, all ASEAN countries had trade deficits with China in 2017
- ASEAN exports of goods to China grew from 2% of total exports in 1990 to more than 12% by 2016
- Chinese demand for ASEAN goods remain strong. For example, China overtook Japan in the import of Philippines bananas (1.165 million tons) and became largest importer of Cambodian rice in 2018

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## China-ASEAN: Foreign Direct Investment



- China's FDI into ASEAN has grown at a faster pace than its FDI to other regions
- In 2017, China was third largest source of FDI into ASEAN (US\$11.3 billion, or 8.2% of all FDI inflows to ASEAN), compared to EU-28 (US\$ 24.8 billion) and Japan (US\$ 13.4 billion)

- Main sectors of Chinese FDI in ASEAN:



Finance



Transportation



Wholesale and Retail Trade



Real Estate

- China also serves as a growing investment destination for ASEAN countries, FDI between 2013-2017 stood at US\$33.92 billion as compared to US\$30.54 billion between 2007-2012
- Total ASEAN FDI into China in 2017: US\$5.08 billion

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## China-ASEAN: Managing the Strategic, Political and Diplomatic Environment



- China-US relations and competition
- China-US trade war or economic confrontation or 'Cold War'?
- Asia-Pacific vs Indo-Pacific - contending concepts and ideas - APEC, CPTPP, RCEP, FTAAP, EAS and ASEAN-centred mechanisms, BRI, FOIP etc.
- South China Sea; maritime and territorial disputes; freedom of navigation
- Community of shared prosperity; common development; prosperity neighbour
- Hegemony; threats and coercion
- ASEAN Plus Three; East Asian community

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## China-ASEAN: Tourism



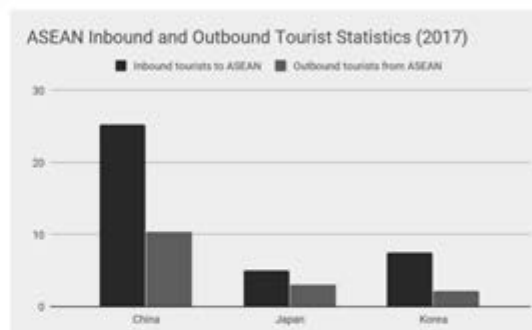
China is largest source of tourists to ASEAN (25.2 million or 20% of total visitors in 2017)

- Surpassed Japanese and Korean tourists numbers since 2006.

China nationals are largest source of visitors to four ASEAN countries:

- Vietnam (31%), Thailand (28%), Cambodia (22%), and Singapore (19%)

ASEAN-China Connectivity: 37 cities in ASEAN connected with 52 cities in China through >5000 direct flights weekly



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## ASEAN Plus Three: Official Development Assistance (ODA)



Cumulative ODA to ASEAN (except Brunei and Singapore) 1997-2017 (OECD)

- Japan : US\$ 25.2 billion.
- South Korea : US\$ 4.51 billion

China's ODA data harder to come by, but between 2000-2014 it is about US\$ 8.22 billion (AidData).

China, Japan and Korea are parties to the Chiang Mai Initiative Multilateralisation (CMIM)

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## Infrastructure Needs in Asia



Asia needs infrastructure investment worth US\$26.2 trillion from 2016 to 2030, or US\$1.7 trillion annually according to ADB

- East Asia needs US\$16.1 trillion
- Southeast Asia needs US\$3.1 trillion

Multilateral development banks have failed to meet this need:

- Less emphasis on infrastructure financing
- Project approval review process lengthy and cumbersome
- Stringent environmental and social safeguards increase time before project delivery

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## Masterplan on ASEAN Connectivity (MPAC) 2025

In 2016, 39 initiatives under MPAC 2010 have been completed  
Remaining 52 initiatives under MPAC 2010 has been included in its successor, MPAC 2025

MPAC 2025 focuses on 5 strategic areas:

- Sustainable infrastructure
- Digital innovation
- Seamless logistics
- Regulatory excellence
- People mobility

Identified challenges towards a seamlessly connected ASEAN under MPAC 2025:

- Investment restrictions remain affecting connectivity in the services sectors
- Mobility of skilled labour
- Energy
- Rail connectivity

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## ASEAN Infrastructure Needs: Cooperation with East Asian Partners



- **Silk Road Fund**, initial capital of US\$40 billion, US\$6 billion invested in 15 projects by 2017
- **Asian Infrastructure Development Bank (AIIB)**, US\$1.37 billion invested in 9 projects in Southeast Asia as of July 2019)
- **China-ASEAN Investment Cooperation Fund**, invested US\$1 billion between 2010-2018. Now raising another US\$3 billion with ultimate goal of raising US\$ 10 billion
- **China Development Bank**, cumulative loan commitment equivalent to US\$13.9 billion (2018) for BRI construction projects



Japan:

- **MUFG Bank**, US\$924.4 million fund to invest in infrastructure projects by the end of 2019.
- **Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN)** has allocated US\$582.8 million for infrastructure projects



South Korea:

- **Korea Overseas Infrastructure and Urban Development Corp (KIND)** is raising US\$ 100 million by 2022 for infrastructure in ASEAN and India.

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## Belt and Road Initiative

*"I am fully in support of the Belt and Road Initiative. I am sure my country, Malaysia will benefit from the project"; "... BRI is not a domination plan by China..." - Tun Dr Mahathir Mohamad, Prime Minister of Malaysia at the BRI Forum, Beijing, April 2019*



Belt and Road Forum attended by:

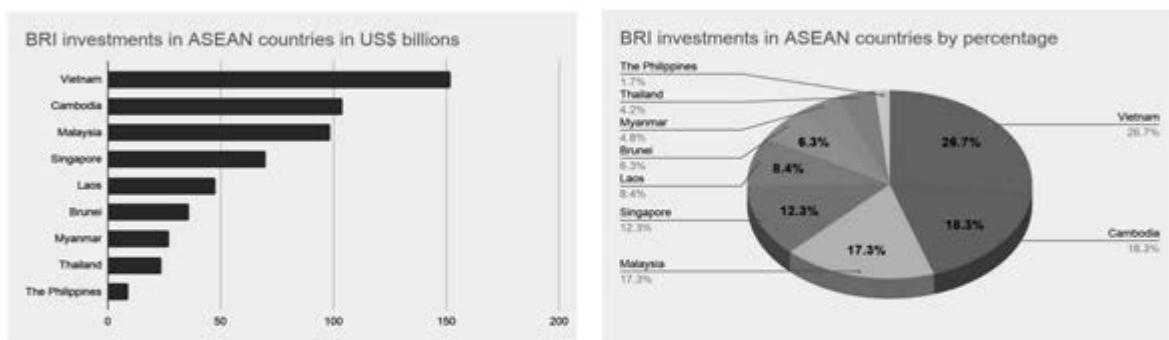
- 2019 - 9 top leaders from ASEAN (except Indonesia who sent Vice President Jusuf Kalla)
- 2017 - 7 top leaders from ASEAN

Southeast Asia is well positioned as the meeting point of the two BRI components: the Belt covering the land route spanning the Asian continent all the way to Europe and the Maritime Silk Route covering the seas and oceans linking Asia to Africa, Europe and the rest of the world.

BRI and MPAC can be complementary to one another

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## Belt and Road Initiative in ASEAN by numbers



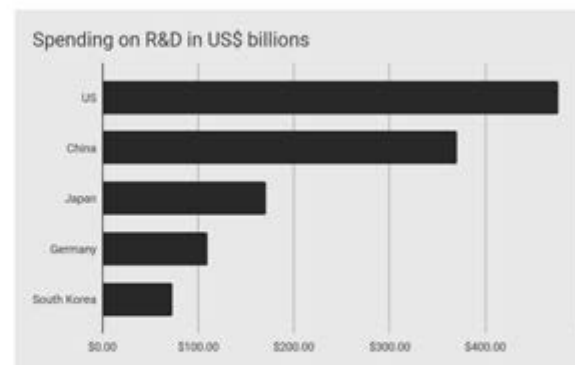
Source: Oxford Economics and the CIMB ASEAN Research Institute, "China's (BRI) and Southeast Asia", October 2018

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## Way of the Future: Technology & Digital Economy

China is currently the world leader in:

- Cashless payments (US\$41.51 trillion worth of transactions in 2018: People's Bank of China)
- Quantum computing (China has 492 patents, US 248)
- Supercomputers (China has 220, compared to the US' 116)
  - Sunway TaihuLight was the fastest supercomputer in the world for the first two years of its life, now replaced by the US' Summit and Sierra supercomputers
- First country to launch a satellite capable of quantum communications



Source: UNESCO Institute for Statistics adjusted for purchasing-power parity (PPP).

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## Cooperating for Peace, Prosperity and Development



**Belt and Road Initiative:** "The BRI ... represents real work that could be seen and felt to bring real benefits to countries in the region... (and) ... BRI is not to replace existing mechanisms or initiatives for regional cooperation ... (but to) ... build on the existing basis to help countries align their development strategies and form complementarity" - President Xi Jinping, Boao Forum for Asia, 2015



**Free and Open Indo-Pacific:** "A vast expanse of sea stretches from the Pacific Ocean to the Indian Ocean ... We must ensure that these waters are a public good that brings peace and prosperity to all people without discrimination into the future." - Prime Minister Shinzo Abe, 196th Session of the Diet, 2018



**New Southern Policy:** "It's my goal to elevate Korea's relationship with ASEAN to the level of its relations with the four major powers around the Korean Peninsula... (and) ... strongly push forward its New Southern Policy to dramatically improve cooperative ties with ASEAN" - President Moon Jae-in, at Bogor, Indonesia 2017

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## China's Rise, 5G technology and Huawei



China is determined to be a trendsetter and driver of tomorrow's technology:

- Innovation and technology
- "Made in China 2025": support and promote 10 cutting-edge industries – including robotics, aerospace, 5G communications, new materials and new energy vehicles
- Replace imports with local products
- Build global champions able to take on Western tech giants.
- Develop new markets for advanced Chinese technology through BRI, FTAs and other platforms

Western response?

- China's high-tech pivot represents an existential threat.
- China's technology companies are merely extensions of the Chinese government.
- China engages in intellectual property theft
- Therefore, ban and restrict Huawei, ZTE and other Chinese companies

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## When China Sneezes, Will ASEAN Catch Cold?



- The interdependence between China and ASEAN has become increasingly complex
- Growth shocks in China will have significant impact on ASEAN
- Based on modelling by Oxford Economics, if China's GDP growth falls by 1.0 point in 2020 before bouncing back, it will lower China's demand for imports of goods and services from the world - including ASEAN
- ASEAN-5 countries will see exports fall by 0.3-0.6% in 2020
- Knock on effect - since trade comprises a large share of GDP for most ASEAN countries, reduced demand from China could significantly impact ASEAN's GDP between 0.1-0.6%
- While some ASEAN members have gained from the ongoing US - China trade war, a prolonged standoff between the two superpowers could bring about serious impact to ASEAN economies and unintended consequences to ASEAN's political standing

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## The Rise of China and Its Impact on East Asian Economy

### Presentation

### Saowaruj RATTANAKHAMFU

Senior Research Fellow  
Science and Technology Development Policy  
Thailand Development Research Institute (TDRI)

*Thailand*



Dr. Saowaruj RATTANAKHAMFU has worked at Thailand Development Research Institute (TDRI) since 2008. Currently she is a senior research fellow and head of the competitiveness policy team at TDRI. Her work focuses on enhancing competitiveness through innovation and industrial policies. She is also familiar with ASEAN trade and investment policies.

She earned a bachelor of social science in international relations (honors) from Chulalongkorn University, a master in economics from the University of Washington, and a doctorate in economics from the University of Melbourne.

## Thank you



*Slides prepared by Tan Sri Rostam Mohd Isa, Chairman and Chief Executive and Harris Zainul, Researcher  
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## The Rise of China and Its Impact on East Asian Economy



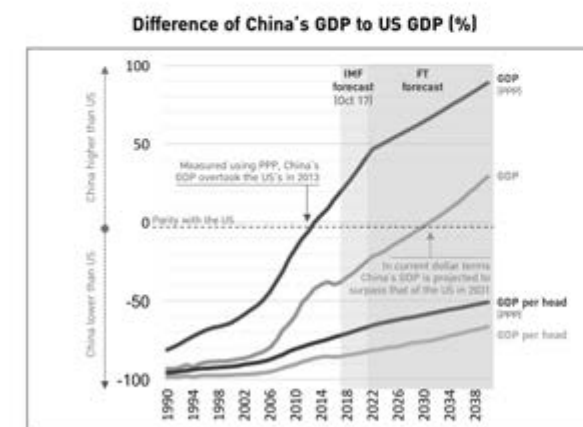
Saowaruj Rattanakhamfu

Thailand Development Research Institute  
29 August 2019

## China has been rising rapidly

- China has overtaken the US in PPP GDP and will surpass in current dollar term around 2030

- The world economic center of gravity is moving towards China



## Geopolitics and shift in balance of power

- Protectionism
- Economic Slowdown in China
- Relationship with the US and China



Trade war is partly a result of geopolitical rivalry between the US and China; prolonged trade wars may lead to new geopolitical relationships

2

## US views China as a rival to its world power

- As the US is withdrawing itself from the global affairs and alienating its allies, China is extending its influence through the Belt and Road Initiative.
- China also implements the "Made in China 2025" policy to be a leader in strategic industries.
- Their rivalry can fall into the "Thucydides Trap", if China's rising causes fear in the US that escalates to (trade) wars.



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## TDRI

### China's Belt & Road Initiatives

#### Twin Objectives

##### Political

- Securing new access to the seas
- Projecting power westward

##### Economic

- Exporting surplus capacities
- Securing new markets

Asia will be attracted more to China

#### 6 Economic Corridors



## TDRI

### How the power has shifted in the past five years?



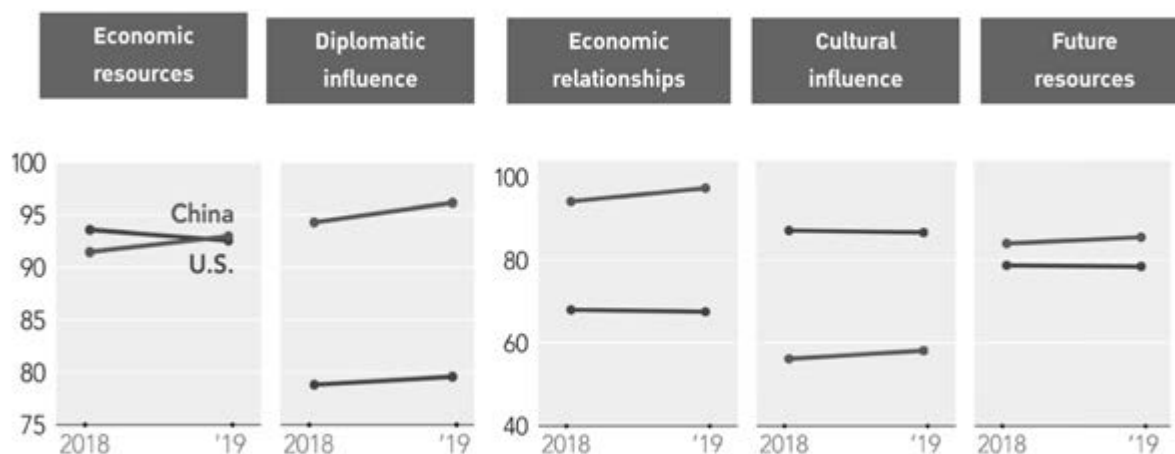
- Shifting toward China
- Counteracting China
- Playing both sides

- ASEAN is not unified.
- US Allies ban Huawei.

Source: The New York Times

## TDRI

### China has strong influence in Asia



Source: Asia Power Index 2019, Lowy Institute

## TDRI

### US Allies have banned Huawei

#### Which countries have banned Huawei?

- Ban in effect
- Limited ban, tighter regulations
- On the fence
- Embracing Huawei



Source: Statista

## TDRI

### China's influence on Asia



"China does ultimately want to become the #1 power in Asia, and potentially in the world."

"China will rely on "soft power" — primarily trade — to influence other countries in Asia."

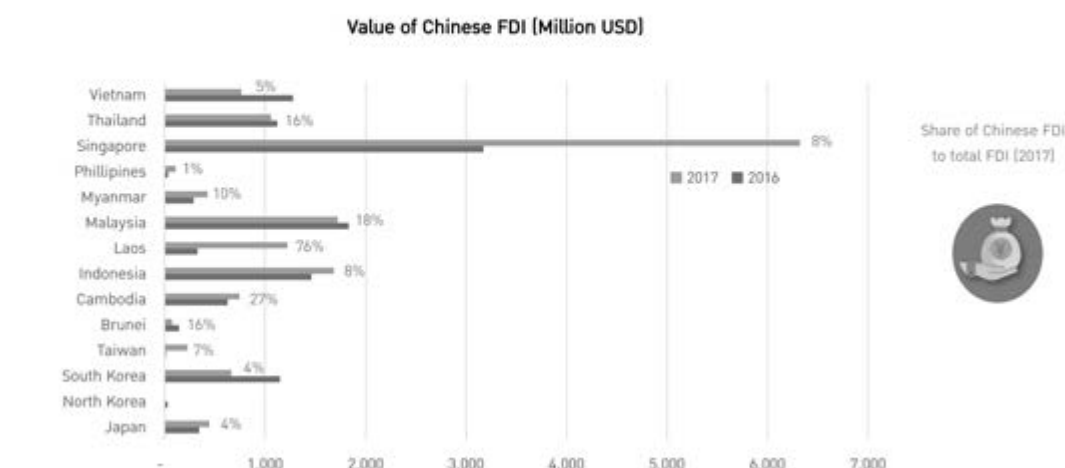
"China is sucking the Southeast Asian countries into its economic system because of its vast market and growing purchasing power. Japan and South Korea will inevitably be sucked in as well."

-Lee Kuan Yew-

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## TDRI

### China highly dominates regional investment



Source: CEIC

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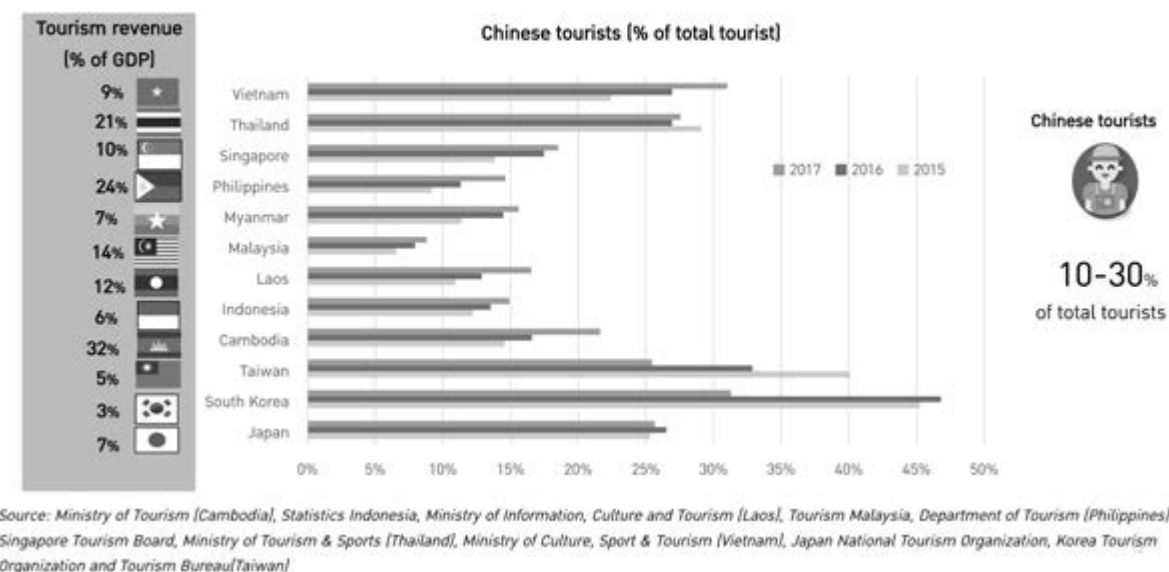
## TDRI

### Asia's Exports increasingly depend on China



## TDRI

### Chinese tourists notably affect the tourism sector





## TDRI

### Risks and vulnerabilities



Note: Terminal High-Altitude Area Defense (THAAD)

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## TDRI

### 1. Expanding market access

- Secure the access to main markets by making use of FTAs



- Speed up RCEP negotiations
- Require great effort to achieve "high-quality RCEP"



- Enter into CPTPP
- 7 signatories have ratified

## TDRI

### What should we do?

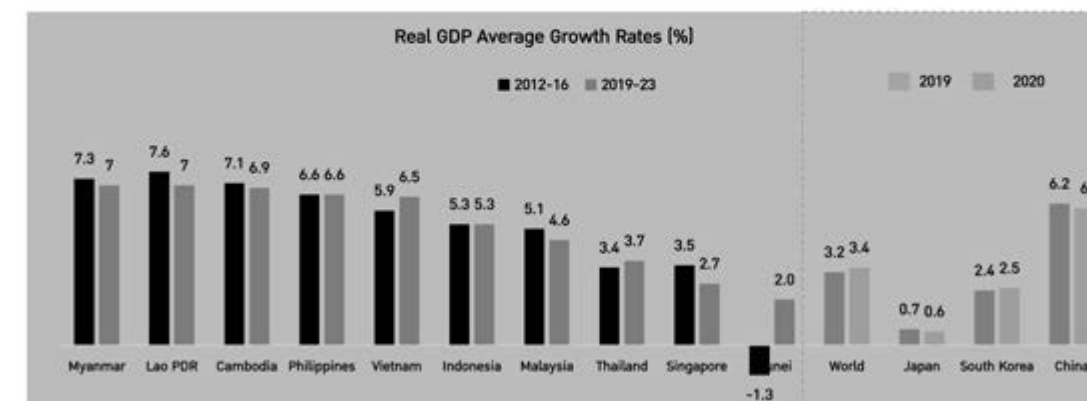


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## TDRI

### 2. Boosting ties with ASEAN

- ASEAN is among the fastest growing region.
- To grow faster, we should integrate more deeply with ASEAN.



Source: OECD (2019), IMF

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TDRI

### 3. Expanding talent pool

The countries with the most STEM graduates (2016)



Source: Forbes

- Improve our own talent pool, especially for STEM graduates, and our technological capabilities.
- Attract and integrate talented immigrants



Discussant

**CHOI Shing Kwok**

Director

Institute of Southeast Asian Studies (ISEAS) -Yusof Ishak Institute

*Singapore*

CHOI Shing Kwok is currently the Director of the ISEAS-Yusof Ishak Institute. Before his retirement from the civil service, he was the Permanent Secretary of the Ministry of the Environment and Water Resources (MEWR) for 5 years from July 2012. He also served 7 years as Permanent Secretary in the Ministry of Transport and 9 years as Director of the Security & Intelligence Division in the Ministry of Defence.

He obtained his Bachelor and Master's degrees in Engineering Tripos from Cambridge University in 1981 and 1985 respectively. He also received a Master of Public Administration degree from Harvard University in 1994 as an Edward Mason Fellow.

During his military career, CHOI Shing Kwok held a variety of command and staff appointments in the SAF. Promoted to Brigadier-General in 1996, he took early retirement from the SAF in 2000 and was absorbed into the Administrative Service. CHOI Shing Kwok has also held a variety of board appointments in public and private sector entities in the past and is currently a board member of Singapore Power Limited.

While in the SAF, CHOI Shing Kwok received the SAF Command Appointment Award in 1989 and the Public Administration Medal (Silver) in 1993. For his distinguished service in the Ministry of Defence, he received the Meritorious Service Medal in 2000.



Discussant

**FUKAGAWA Yukiko**

Professor

School of Political Science and Economics

Waseda University

*Japan*

After undergraduate program at Waseda, she studied at Yale University for MA in International Development Economics, and finished Ph.D program at Waseda Graduate School of Business Studies. Her major interest lies in economic development in East Asia, especially Korea. She worked for Japan External Trade Organization (JETRO) and Long-Term Credit Bank Research Institute (LTCBR) before joining the faculty member of Aoyama Gakuin University and the University of Tokyo. She came back to Waseda in 2006. She was a visiting fellow at Cambridge University in 2014, and Yonsei University in 2015.

She engaged in many consultation and advisory activities for the government, such as the Committee for Industrial Structure in the Ministry of Economy and Industry etc.. Her recent publication includes "Beyond "Abenomics": Japan's integration catch-up and prospects for Japan-UK cooperation", Chatham House, 2019, Economic Development in East Asia, co-ed with Fumiyasu Mieno, Minerva publication, 2017, Japan's Future International Cooperation, Nihon Hyoronsha, 2015.

# East Asian Institutes Forum

The Changing Regional Dynamics in East Asia



## Discussant

### Palikone THALONGSENGCHANH

Senior Researcher  
Cooperation-Planning  
National Agriculture and Forestry Institute (NAFRI)

*Lao PDR*

Dr. Palikone THALONGSENGCHANH is Senior Researcher at the National Agriculture and Forestry Institute (NAFRI).

He was nominated as journey staff for riparian country at MRCs in Phnom Penh (Cambodia) for Water Utilization Program (WUP) (2002-2004), and was project manager for Watershed + Water Resource Management for Nam Ngum and Nam Theun Rivers, which was a hydropower dams control project (2000-2005). In 2006, he was nominated for Deputy Director of Land and Natural Resources Research Information Center of the Ministry of Natural Resources and Environment (MoNRE).

In 2012, Dr. Palikone THALONGSENGCHANH was nominated as Assistant to the Spokesman and Deputy Director of the Public Relation Department of the Prime Minister's Office. In 2014, he was nominated to work for the National Agriculture and Forestry Research Institute (NAFRI) and currently serves as its Senior Researcher.

Some of his other working experiences include Member of the National Science and Research for Policy since 2007; National Board Committee member for the education improvement and development since 2008; and Member of the Mekong Region Land Governance since 2010.

Dr. Palikone THALONGSENGCHANH received his Master of Science of Water Resources Management "Ecology-Hydrology" from the University of Water Resources and Hydrology, Sankt-Petersburg, Russian Federation (Former Soviet Union) (1989-1995), and his PhD in Geography in Water and Natural Resources Management from the University of Water Resources and Hydrology, Sankt- Petersburg, Russian Federation (Soviet Union) (1996-2000). He also received a MIF and JSPS scholarship – as a Postdoctoral Fellowship and Visiting Professor on Land, Water, Climate and Ecology in Kyoto University (Department of Geophysics and Disaster Prevention Research Institute), Kyoto, Japan (2005-2008).



# East Asian Institutes Forum

The Changing Regional Dynamics in East Asia



## Discussant

### NGUYEN Dinh Cung

President  
Central Institute for Economic Management (CIEM)

*Vietnam*

Dr. NGUYEN Dinh Cung has been working at the Central Institute for Economic Management of Vietnam (CIEM) since 1983. From 1997 to 2000, he served as the Deputy Director of the Macroeconomic Policy Department. From 2000 to 2009, Dr. NGUYEN Dinh Cung held the position of Director of the Macroeconomic Policy Department. From 2009 to 2013, Dr. NGUYEN Dinh Cung acted as the Vice President of CIEM. Dr. NGUYEN Dinh Cung was officially appointed as President of the CIEM in May 2014.

Dr. NGUYEN Dinh Cung currently holds memberships of the Vietnam Economic Association, Prime Minister's Task Force for the Enterprise Law's Enforcement, and Vietnam Association of Financial Investors (VAFI).

Dr. NGUYEN Dinh Cung possesses extensive experience with research and consultation in the areas of Vietnam's Institutional Reforms toward a Market Economy. He assumed the role of key drafter of the Enterprise Law in 1999, Enterprise Law in 2005 and amended Enterprise Law in 2014. He is at this stage leading the further amendment of the Enterprise Law. Since 2009, Dr. NGUYEN Dinh Cung has been advocating and preparing detailed plans for comprehensively restructuring the economy and renovating growth paradigm of Vietnam. Also, Dr. NGUYEN Dinh Cung led and performed major research projects on Vietnam's competitiveness at both national and sectoral levels.

## [Session 2]

### Trade War between the United States and China and its Impact on East Asian Economy

Chair

**Celia M. REYES**

President

Philippine Institute for Development Studies (PIDS)

*Philippines*



Dr. Celia M. REYES is the new and first woman president of Philippine Institute for Development Studies. She specializes in the field of econometrics and has conducted and published numerous research and policy papers on poverty assessments and evaluations of social protection programs. She is also the network leader of the Community-Based Monitoring System (CBMS), providing free technical assistance to local government units in the country in the implementation of the CBMS. The CBMS is a local poverty monitoring tool she developed under the Micro Impacts of Macroeconomic Adjustment Policies project. As an expert in poverty research, Celia M. REYES has been engaged as project leader and resource person in various consultancy projects of international organizations such as the ASEAN Secretariat, United Nations Children's Fund, United Nations Development Programme, Australian Agency for International Development, Canadian International Development Agency, Oxford Poverty and Human Development Initiative, International Development Research Centre, and World Bank, among others.

She has also served as president of the Philippine Economic Society in 2011 and has been an adviser to various national government technical working groups on poverty monitoring and indicator systems in the country since the early 1990s. She is currently the chairperson of the interagency committee on poverty statistics convened by the Philippine Statistics Authority, as well as the editor-in-chief of the Philippine Journal of Development, PIDS' multidisciplinary social science journal that publishes policy-oriented studies and researches on development issues in the Asia-Pacific region.

Celia M. REYES is a cum laude graduate of Bachelor of Science in Statistics and a Master of Arts degree in Economics from the University of the Philippines, and has a Doctor of Philosophy degree in Economics from the University of Pennsylvania.

# East Asian Institutes Forum

The Changing Regional Dynamics in East Asia



## The China-US Trade War and its impacts on China and East Asia Economy

### Presentation

### LI Xiangyang

Director  
National Institute of International Strategy  
Chinese Academy of Social Sciences (NIIS-CASS)

*China*

LI Xiangyang is a director and senior research fellow and director of National Institute of International Strategy (NIIS) in CASS. He is president of both Chinese Society of South Asia and Chinese Society of Asia-Pacific, of Chinese Society of World Economics, of Chinese Society of Emerging Economies. And he is also a member of the International Economic and Financial Advisory Committee of China's Foreign Ministry, of the Expert Committee on International Development Cooperation of China's Ministry of Commerce.

He received BA in Economics from Central University of Finance and Economics, and his MA and Ph.D. in Economics from Graduate School of CASS in 1983, 1988, 1998 respectively. In addition, he studied at Tilburg University of Netherland in 1996. He served as deputy-director, Institute of World Economics and Politics in CASS, from 2004-2009, and then entered present institution.

LI Xiangyang's scholarly interests cover international economics, firm theory, globalization and regional economic integration, China's foreign strategy. He has published numerous works in these fields



## The China-US Trade War and its impacts on China and East Asia Economy

Li Xiangyang  
NISS, CASS

### Content

1. The motives behind the US trade war against China
2. The prospects for China-US trade war
3. Impacts of China-US trade war on China and East Asia economy

### I. The motives behind the US trade war against China

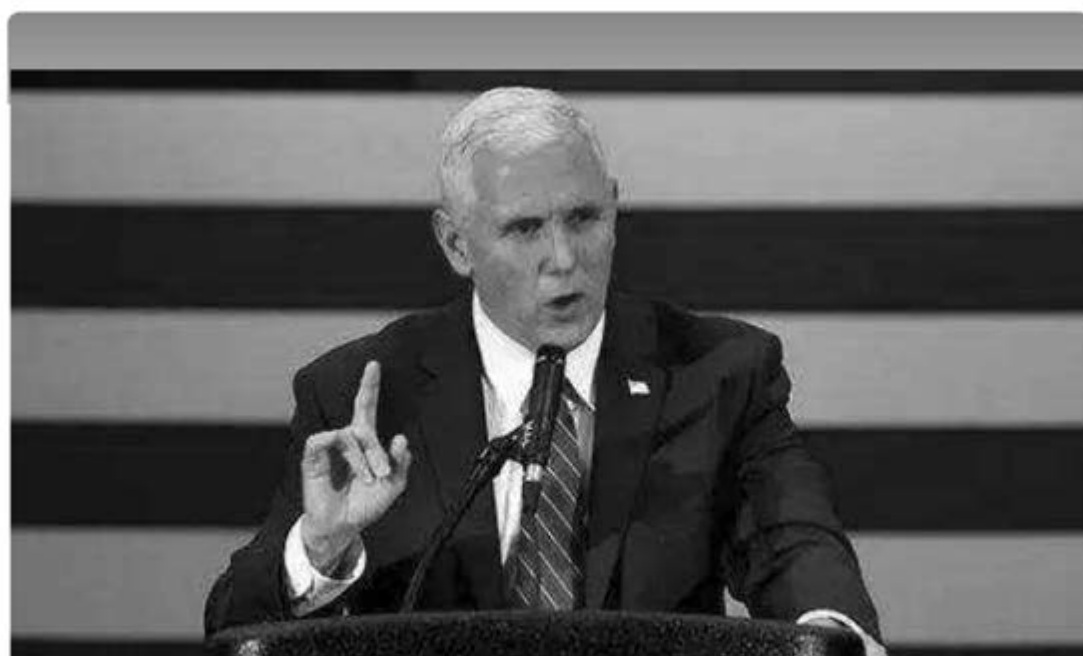
#### 1. An excuse to launch trade war against China

- trade imbalance
- forced technology transfer
- Intellectual Property Protection
- state-owned enterprise

(continued)

#### 2. The real motive of the United States is to contain the rise of China

Pence(2018) "New Cold War"



## II. The prospects for China-US trade war

### 1. chicken game and China-US trade war

### 2. Evolution of the trade war

Scenario 1: trade war

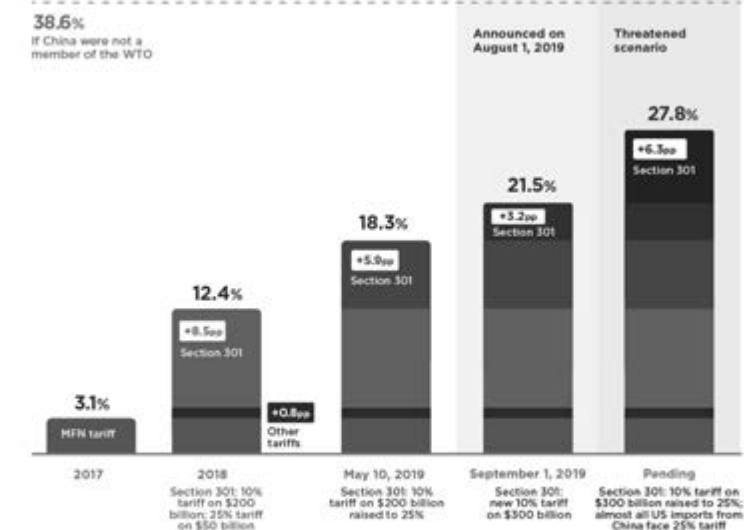
Scenario 2: technology war

Scenario 3: financial war

Scenario 4: decouple or new cold war

### 3. Possibility of decoupling

## Trump's Latest Trade War Escalation Will Push Average Tariffs on China Above 20 Percent



#PIIECharts

Learn more at [piie.com/research/piie-charts](https://www.piie.com/research/piie-charts)



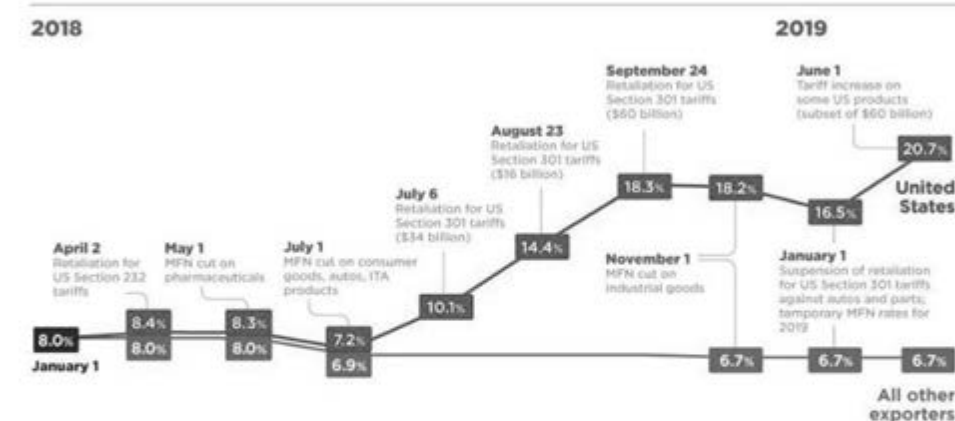
pp = percentage points; MFN = most favored nation; WTO = World Trade Organization

Note: Updated on August 1, 2019. Other tariffs include steel (+0.6pp), solar (+0.2pp), aluminum (+0.3pp), and washing machines (+0.1pp). Trade-weighted average tariffs computed from product-level tariff and trade data, weighted by China's exports to the world in 2017. US tariff rate towards China if it were not a member of the WTO is calculated based on US non-MFN "Column 2" tariff rates.

Sources: Figure 1 of Chad P. Bown and Evin (Yiwen) Zheng's blog, "Trump's 2019 Protection Could Push China Back to Smoot-Hawley Tariff Levels."

Figure 1

## China's average tariff rate is climbing on US goods and falling for the rest of the world



ITA = Information Technology Agreement; MFN = most favored nation

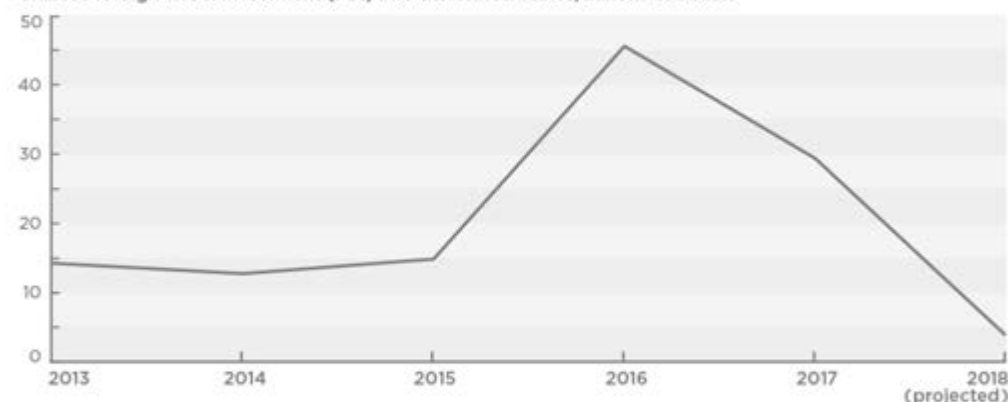
Note: Trade-weighted average tariffs computed from product-level tariff and trade data, weighted by US exports to the world in 2017.

Sources: Constructed by the authors with data from Trade Map and Market Access Map (International Trade Centre, [marketanalysis.intracen.org](https://marketanalysis.intracen.org)) and China's Ministry of Finance's announcements (as linked in appendix table A.1).



## Investment from China into the United States Has Fallen to Nearly Zero

Chinese foreign direct investment (FDI) into the United States, billions of dollars



#PIIECharts

Learn more at [pie.com/research/pie-charts](http://pie.com/research/pie-charts)



Note: Projection is based on data from the first two quarters of 2018.

Source: The Rhodium Group.

(continued)

### 2. Impacts of the trade war on East Asia economy

First order: Trade transfer and investment transfer effect

Second order: Distortion of GVC in East Asia

Third order: The rise of nationalism and the retreat of globalization.

## III. Impacts of China-US trade war on China and East Asia economy

### 1. Impacts of the trade war on China economy

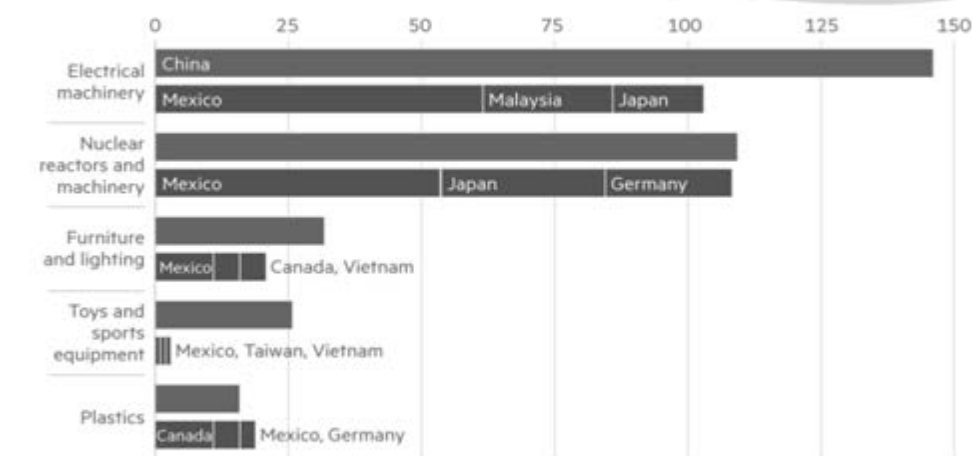
—Impact of US tariff escalation on China's exports and its economic growth rate (employment)

—The biggest shock of the trade war on China economy is to combat investor confidence.

—China's way out lies in deeper reform, broader openness, more reliance on the domestic consumer market, and more independent innovation.

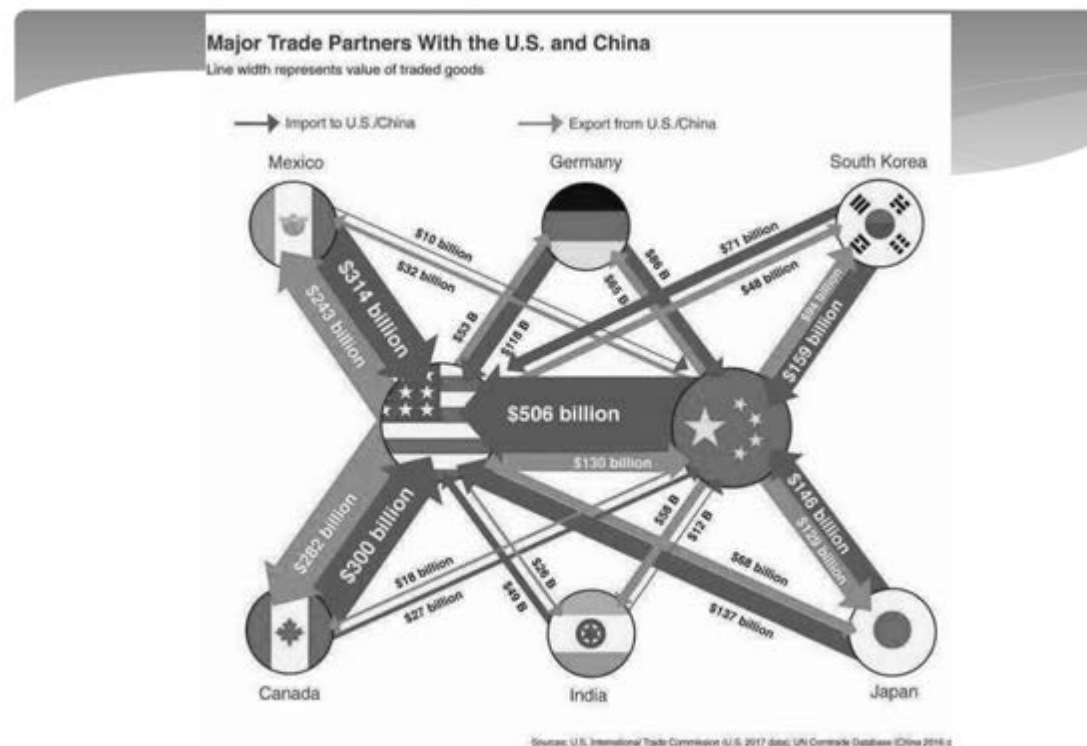
### Countries best placed to benefit from US-China trade war

Top Chinese exports to US and next three biggest exporters, 2017 (\$bn)



Source: US International Trade Commission  
© FT





Thank you for  
your attention!



# East Asian Institutes Forum

The Changing Regional Dynamics in East Asia



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## US-China Trade War: Impacts on Vietnam

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### Presentation

### NGUYEN Dinh Cung

President  
Central Institute for Economic Management (CIEM)

*Vietnam*

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Dr. NGUYEN Dinh Cung has been working at the Central Institute for Economic Management of Vietnam (CIEM) since 1983. From 1997 to 2000, he served as the Deputy Director of the Macroeconomic Policy Department. From 2000 to 2009, Dr. NGUYEN Dinh Cung held the position of Director of the Macroeconomic Policy Department. From 2009 to 2013, Dr. NGUYEN Dinh Cung acted as the Vice President of CIEM. Dr. NGUYEN Dinh Cung was officially appointed as President of the CIEM in May 2014.

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## US-CHINA TRADE WAR: IMPACTS ON VIET NAM

Dr. Nguyen Dinh Cung

Central Institute for Economic Management (CIEM), Viet Nam

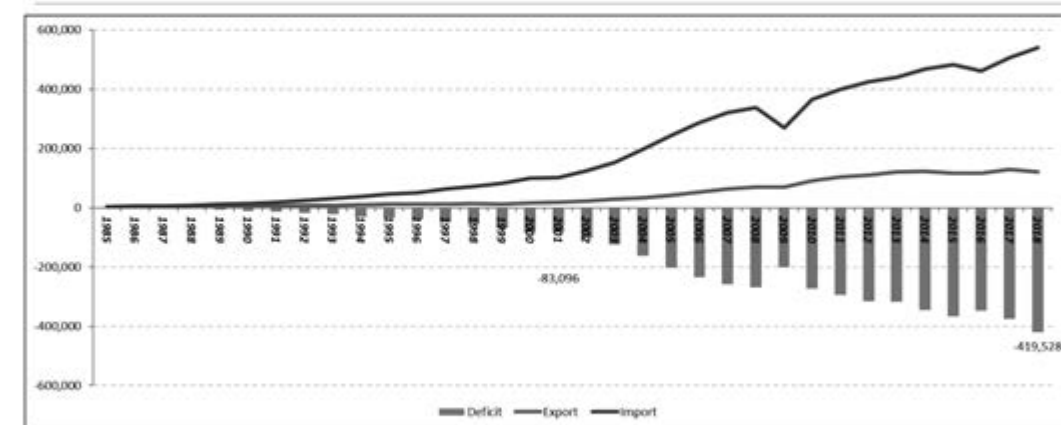
## US-China trade war: Main milestones



## Introduction

- Viet Nam
  - small economy, highly dependent on trade and foreign investment;
  - emphasized the importance of effective economic integration;
  - A range of FTAs, including ambitious ones (most recently, CPTPP and EVFTA).
- US – China trade war affects global trade and investment, while both are big economic partners of Viet Nam.
  - => trade war will affect Viet Nam both directly and indirectly
- Various analyses and international media seem to indicate that VN may be the biggest winner of US-China trade war, **BUT...**

## U.S. trade deficit in goods with China, 1985-2018

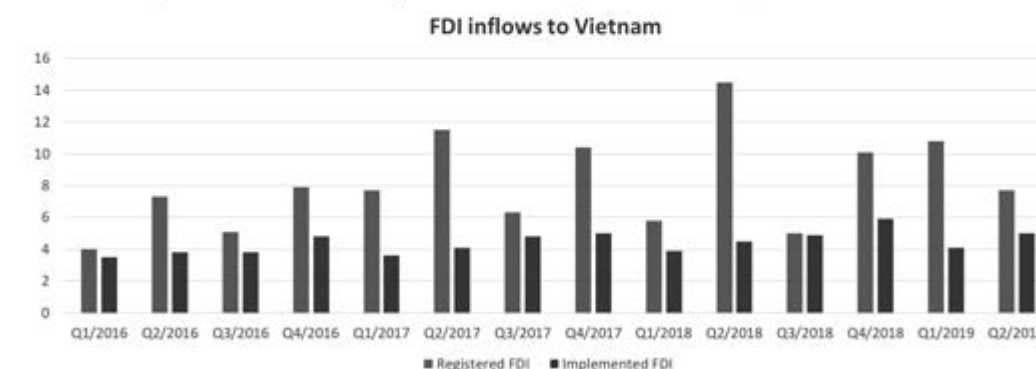




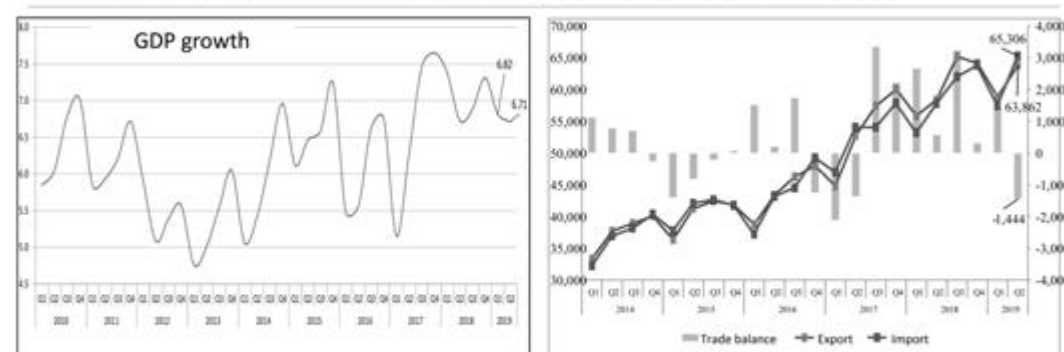
## Contended opportunities...

- Tariff barriers imposed by US and China increase export opportunities for third countries (including Viet Nam);
- Due to increasing uncertainties, major multinational companies transfer their manufacturing facilities from China to other countries;
- FDI flows move away from China to Viet Nam.

- Implemented FDI increased steadily (9.7% in first 6 months of 2019, higher than same period last year of 1.2%)



## Macroeconomic performance so far



- Relatively high economic growth and export growth (first 6 months of 2019: attaining 6.76% and 7.3%, respectively)

## But not all due to trade war...

- VN has implemented many FTAs (CPTPP since 1/2019).
- VN has improved investment – business environment quickly
- VN has political stability  
=> *strengthen the confidence of the business community and investors*
- Trend of FDI outflows from China: has been in place for many years (due to rising labor costs, China Plus One strategy, etc.)

**US - China trade war only further induces the outward investment flows from China to Viet Nam**

## Major risks and Challenges

- Competing with Chinese products in VN market and other 3rd markets;
- If control is ineffective, Chinese products may be rebranded as Vietnamese goods before export to the US
 

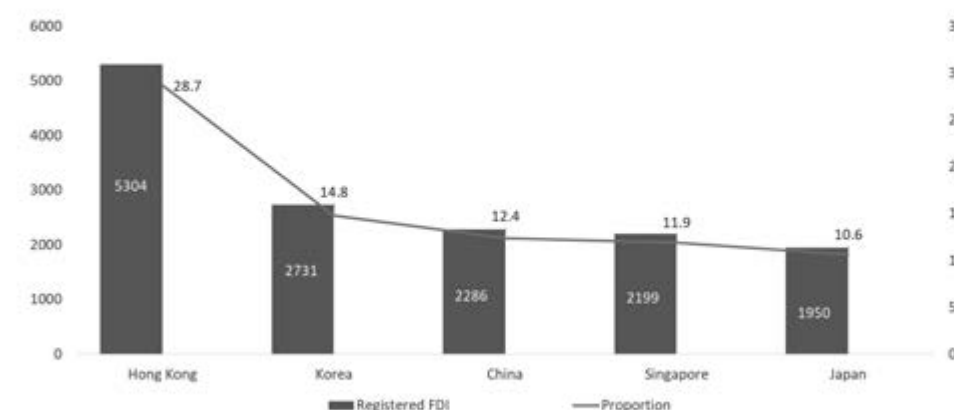
*Since 2018, the US has investigated "transshipment" of Chinese products through VN to avoid tariffs. The US actions may increase if Viet Nam does not have effective measures on origin of products.*
- Even increasing imports from US?
- US – China trade war could lead to actions and policy adjustments of other countries.

*Implications on international financial volatility?.*

## Major Risks and Challenges

- Attracting foreign investment into VN is complicated
  - Consistency with socio-economic development priorities;
  - Low capacity to absorb capital flows (due to labor restrictions, implications for macroeconomic stability, etc.);
  - VN cannot discriminate FDI by originating country.
- If VN cannot maintain the dialogue and share information/experiences with major economies, the risk may be greater.

### ✓ Large amount of FDI comes from Hong Kong and China



## Responses of Viet Nam

- Continuing to improve, stabilize the macro economy; flexibly respond to unfavorable developments;
- Closely monitor the trade war and responses of major partners;
- Deepening collaboration with middle-power countries;
- Strengthening statistical system to control "trade fraud";
- Specifying set of standards for FDI (MPI reported to Politburo on new directions to attract and use FDI)

# THANK YOU



## Discussant

### FUKAGAWA Yukiko

Professor  
School of Political Science and Economics  
Waseda University

*Japan*

After undergraduate program at Waseda, she studied at Yale University for MA in International Development Economics, and finished Ph.D program at Waseda Graduate School of Business Studies. Her major interest lies in economic development in East Asia, especially Korea. She worked for Japan External Trade Organization (JETRO) and Long-Term Credit Bank Research Institute (LTCBR) before joining the faculty member of Aoyama Gakuin University and the University of Tokyo. She came back to Waseda in 2006. She was a visiting fellow at Cambridge University in 2014, and Yonsei University in 2015.

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## Discussant

### Yose Rizal DAMURI

Head  
Department of Economics  
Centre for Strategic and International Studies (CSIS)

*Indonesia*

Yose Rizal DAMURI is the Head of the Department of Economics, Centre for Strategic and International Studies. His research activities focus on international trade, regional integration and globalization of value chain. Yose Rizal DAMURI has been teaching International Economics courses in the Department of Economics University of Indonesia for many years.

He is active in many networks of research institutes in East Asia region, such as in Asia Pacific Research Network on Trade (ARTNet) and ERIA Research Institute Network (ERIA-RIN). Currently he serves as the Co-Chair of Indonesia National Committee of Pacific Economic Cooperation (INCPEC). Yose Rizal DAMURI is active in many policy forum including as the Research Coordinator of Indonesia Service Dialogue, a forum dedicated for the development of services sector in Indonesia. He also helps the Indonesian government as an Advisor to Indonesian Trade Negotiating Team. He received his PhD in International Economics from the Graduate Institute of International Studies, Geneva, Switzerland.



# East Asian Institutes Forum

## The Changing Regional Dynamics in East Asia



### Discussant

## BONG Angkeara

Research Consultant  
Education Unit  
Cambodia Development Resource Institute (CDRI)

*Cambodia*

Dr. BONG Angkeara is a Research Consultant at the Cambodia Development Resource Institute (CDRI) and Assistant to Minister Attached to the Prime Minister, Council of Ministers, Cambodia. His areas of research includes public policy (economic diplomacy), regional integration, international trade, and post-secondary education. He has extensive experiences in international economics, project management, aid and scholarship management, and business and entrepreneurship.

Before joining CDRI, he was a former Acting Country Director and Acting Office Manager at the International Development Program. He played a leading role in the organization and liaised with foreign donors and project partners, including the Australian Agency for International Development (AusAID), United States Agency for International Development (USAID), New Zealand Agency for International Development (NZAID), Government Ministries, and other agencies overseas. He is also an Adjunct Lecturer at some universities in Cambodia, including the Royal University of Law and Economics (RULE), Paragon International University (PIU), and Limkokwing University of Creative Technology (LUCT). His research papers have been published in various international refereed journals, including Global Business Review, Journal of Asian Finance, Economics and Business, etc.

He graduated a Master of Public Policy (Economic Policy) and a Postgraduate Diploma in Public Administration from the Australian National University sponsored by the World Bank. He received his PhD in Economics from the University of Brunei Darussalam.

