

## 1st Stage Summary

# China's Economic Rise and Northeast Asian Economic Cooperation: In the Context of US-China Conflict and COVID-19

**ARAI Hirofumi**

Director and Senior Research Fellow, Research Division, ERINA

In 2020, the novel coronavirus's global spread negatively impacted the Northeast Asian (NEA) economies, resulting in their economic slowdown. Despite being the second-largest economic superpower and the only major country that showed positive economic growth, China also faces many difficulties, inclusive of economic, technological, and national security issues.

Most recently, the US-China trade war along with the COVID-19 spread has been attracting particular attention from around the world. Against this backdrop, the first stage of the conference discussed the impact of these two shocks on Chinese economic prospects, its cooperation with NEA countries, and new challenges that they should tackle with in the future.

Professor, ZHANG Yunling, in his keynote speech "Northeast Asia in a New Context," emphasized the increasing importance of the triangular cooperation of China, Japan, and the ROK, for the NEA economy, which is now the largest economic region in the world. Currently, the region faces many challenges in promoting economic integration: the US-China trade war, the COVID-19 shock, and economic security. At the same time, he reminded us that this hard time grants us good opportunities for expanding cooperation. Among others, cooperation for combating COVID-19, the Regional Comprehensive Economic Partnership Agreement (RCEP), and the beginning of the new presidency in the United States will significantly advance NEA economic integration. China can also provide regional cooperation opportunities through, for example, its new policy of "dual circulation".

Following the keynote address, six panelists gave their views from the perspectives of China, Japan, Russia, Mongolia, the Republic of Korea, and the DPRK.

Professor ZHANG Jianping overviewed "Chinese Macroeconomic and Northeast Asian Economic Cooperation Strategy" and pointed out that Asia-Pacific regional economic cooperation is essential for promoting the "Belt and Road Initiative" and US-China relations. In particular, the conclusion of the US-China Phase 1 Trade Agreement last year will hopefully positively impact regional economic cooperation.

From Japan's side, professor MARUKAWA Tomoo presented "China's Industrial Policy in the 2020s." He noticed that the US-China trade dispute has impacted the "Made in China 2025"

strategy and China's industrial policy changes. One example is that China has stopped its policy orientation toward increasing domestic procurement rate of integrated circuits (ICs).

Professor WANG Yun-Jong reported "China and Northeast Asian Economic Cooperation: ROK's Perspective" and shed light on the impact of the US-China conflict and COVID-19 on the Korean economy, the country's standing position in the BRI, and the possibility of the China-Japan-South Korea Free Trade Agreement.

Professor LUKIN Artyom gave his views on how important "Sino-Russian Economic Relations and Far Eastern Russia" is to expand their cooperation in the energy, agriculture, and transportation sectors and promote the Far East's regional development. He noted that the two countries' cooperation in various areas did not achieve what the Russian side expected on the one hand and some areas show the risk of overdependence on Chinese markets.

Professor SHURKHUU Dorj reported on "Mongolian Perspective: Shifting from a Chinese Supplier to a Regional Supplier" and pointed out the importance of Mongolia's strategic changes addressing the diversification of trade partners.

Lastly, Dr. LI Nan from the Chinese Academy of Social Sciences presented "The Reshaping of the National Strategy of DPRK and the China-DPRK Relationship: A Chinese Perspective." He summarized and gave his views on the 8th Congress of the Workers' Party of Korea that was held this January.

The discussion in the first stage of the conference gave us a clear insight that China's economic rise provides NEA countries with great opportunities while it could put them at risk of overdependence on China. In particular, supply chain issues are becoming much clearer and more severe in the context of the US-China trade war and the novel coronavirus infection. It is crucial to determine how the US-China relationship under Biden's administration and regional relations with China will develop in the short term. At the same time, NEA cooperation will be the key to regional peace and stability in the long term. The discussion of the first stage has hopefully provided policy implications that necessitate expanding intra-regional dialogue, building a sense of trust, and establishing institutional cooperation systems such as FTAs.