

Summaries and Conference Conclusion

Reports on Sessions

Session A Moderator: *Northeast Asia and FTAs*

KIMURA, Fukunari

Session B Moderator: *Food Security*

NAKAMURA, Toshihiko

Session C Moderator: *Energy and Environment*

SUZUKI, Tatsujiro

Concluding Remarks

Chairperson, Northeast Asia International Conference
for Economic Development Executive Committee,
and Chairman of the Board of Trustees, Director General, ERINA

YOSHIDA, Susumu

KIMURA, Fukunari (Professor, Faculty of Economics, Keio University)

In Session A on "Northeast Asia and FTAs" there took place, on a truly packed schedule, the presentation of results of joint research by Messrs. Kimura and Kuno, presentations by the four panelists, remarks by Mr. Kuroda from METI, and a panel discussion.

Firstly there was the presentation of "Northeast Asia and FTAs: Issues and Perspectives" (Arata Kuno and Fukunari Kimura, Keio University); (1) the recent state of the conclusion of FTAs encompassing Northeast Asia; (2) a discussion of the methods for measuring the degree of liberalization concerning trade in goods (trade-value-based or tariff-line-based); and (3) the problem of the protection of Japanese agriculture. The key points follow. Firstly, amid the development of the FTA network in East Asia, it is strange that Japan, China and the ROK have not tied up an FTA. Secondly, Japan's current degree of liberalization for FTAs is low. This lies within the problem of agricultural protection. Thirdly, to put it in one sentence, in the agricultural sector the products where no progress has been made in liberalization are actually limited, and the opening of the agricultural sector cannot be called absolutely impossible.

The first of the panelists' presentations was "The Prospects of Economic Cooperation in Northeast Asia" from Professor Tian Weiming of the College of Economics and Management, China Agricultural University.

He gave a presentation on the significance of Northeast Asian economic integration as seen from China and the potential for its realization, and the key points were as follows. Firstly, China has pursued the conclusion of FTAs as a part of its diplomacy toward its near-neighbors. Secondly, in view of trade and economic ties, the conclusion of a Japan-China-ROK FTA is by definition a necessity. Thirdly, the six countries of Northeast Asia—the DPRK, Russia and Mongolia added to the above three countries—have large differences, not only in their stages of economic development, but in their political systems and other areas, and economic integration will probably take time. Fourthly, at the Japan-China-ROK negotiations, the opening of markets to Chinese agricultural products will be one motivation for the Chinese side.

The second of the panelists' presentations was

"Japan's EPA Strategy and Northeast Asia: Developments and Challenges" by Professor Yorizumi Watanabe of the Faculty of Policy Management, Keio University.

He gave a presentation intermingling Japan's involvement in FTAs and his own experience (particularly Mexico) as an official negotiator. The key points were as follows. Firstly, for the formation of an FTA network in Northeast Asia, a *de-jure* economic integration, which systematizes the forerunning *de-facto* economic integration, will be inevitable. Secondly, the FTAs which Japan has formulated, as reflected in the title Economic Partnership Agreement (EPA), are not just the elimination of tariffs on trade goods, but are things that include multiple policy types, and they help in the improvement of business environments. Thirdly, a Japan-China-ROK FTA has become an issue which must be addressed at all costs.

The third of the panelists' presentations was "The ROK's FTA Policy and Its Position Regarding a Japan-China-ROK FTA" by Professor Cheong Inkyo, Department of Economics, Inha University.

He made a presentation, from the viewpoint of the FTA strategy which the ROK has been pursuing, on the background and current status of the FTAs concluded to date, and on the significance of the ROK-US FTA. The key points were as follows. Firstly, at the time of the development of the ROK's FTA strategy, there was a background of adequate preparation, including; the adoption of a multi-track approach, the drawing-up of an FTA roadmap, the creation of legislation on provisions for industrial realignment, and an increase in the number of negotiators (to 300). Secondly, under a new president, it is thought that the FTA strategy will be pursued all the more actively. Thirdly, the ROK-US FTA, significant in the breadth of policy types which cover it and the degree of liberalization, has achieved high-quality results. The results of pushing ahead with domestic reforms are also substantial. Fourthly, the China-ROK FTA negotiations may begin shortly under the new administration. Agricultural protection on the ROK-side may become an obstacle here. Fifthly, regarding a Japan-ROK FTA, the prospects for a reopening of negotiations are uncertain, and in terms of the urgency of negotiations with countries other than the ROK, may become a cause of regret.

The last of the panelists' presentations was by Mr. Claude Barfield, Resident Scholar at the American Enterprise Institute for Public Policy Research (AEI).

Mr. Barfield made comments on a keynote address from the day before and on the presentations made thus far. There were four key points. Firstly, he introduced Professor Inoguchi's optimistic outlook of the preceding day that the strengthening of economic links could dissolve political tensions, although he didn't himself think that political opposition would be overcome that easily. He thought that that would probably become an obstacle to the formation of a Northeast Asian FTA. Secondly, a large proportion of trade in East Asia had become a trade in components and intermediate goods, and the implications must have changed for an FTA under the heretofore inter-industry trade. He wondered if this was diverging from the logic of the domino effect. In addition he thought the importance of the problems regarding the rules of origin was decreasing. Thirdly, the paper by Messrs. Kimura and Kuno stressed a "new open regionalism", although he thought that for FTAs it probably wouldn't be so easy because of the constant inclusion of exceptions to liberalization and the existence of outsiders continually left out of the loop of integration. Fourthly, it was strange that there was no mention of Taiwan. He thought it would be an important issue henceforth.

In overall remarks, Mr. Atsuo Kuroda, Deputy Director-General for Trade Policy, Trade Policy Bureau, METI, made comments from the standpoint of those responsible for the current FTA negotiations and agreements on investment with India and Vietnam, and the recommencing of FTA negotiations with the ROK. The key points were as follows. Firstly, the reappraisal of protections for the agricultural sector is rather difficult because of the state of domestic politics and of the political economy. Secondly, when considering FTAs, it is appropriate to place emphasis on the importance of various types of policy other than tariff elimination, including, as examples, policies on the environment and intellectual property. Thirdly, in relation to the degree of liberalization in FTAs, the Japanese government is using trade-value-based indices. Fourthly, he wanted to point out that tariff-line-based indices are not of the quality desired.

The discussion ran with the above as its basis, and the four panelists' opinions were heard, particularly on; (1) the potential for the realization of negotiations on a Japan-China-ROK FTA; (2) the impact which the ROK-US FTA may have on Japan-China-ROK economic integration; and (3) the relationship between East Asian and Northeast Asian economic integration and Asia-Pacific economic integration. Although there was unanimous agreement and differences in opinions, I would like to expand on (2) in particular. Firstly, all were agreed on the necessity and inevitability of the conclusion of a Japan-China-ROK FTA. In the short term, however, opinions that it would be difficult were voiced (Tian and Barfield). On the other hand regarding Japan-ROK negotiations, it was pointed out that things were more in order than previously for their resumption (Cheong). Secondly, the following opinions were given; the ROK-US FTA could become a "reference" as an FTA of high quality (Kuno, Cheong and Barfield) and

could bring about a domino effect (Cheong and Barfield).

Next there were questions from the floor on; (1) the current state and significance of the improvement of infrastructure in Northeast Asia; (2) the reasons for the cessation of Japan-ROK FTA negotiations and the likelihood of their recommencement; and (3) the import of the Shanghai Cooperation Organization.

In general, there was a sense that a Japan-China-ROK FTA and an FTA with Northeast Asia were quite thoroughly discussed, and this was a meaningful session with detailed discussions on concrete trade patterns and issues for negotiation.

NAKAMURA, Toshihiko (Director, Research Division, ERINA)

The main subject of Session B is one of the origins for the idea, here in Niigata, of striving to form a Northeast Asian Economic Subregion, and that starting point was food security and agricultural cooperation. In 1979, the late Tozaburo Sano, Director of the Kamedagou Land Improvement District within Niigata City, in response to a request from Wang Zhen, a Vice Premier of China, cooperated in the opening up for cultivation of the Sanjiang Plain in Heilongjiang Province. This developed gradually, and evolved into a movement to try and promote cooperation across Northeast Asia. At that time the Sanjiang Plain had an area of reclaimable wasteland of 6.7 million hectares, larger than that of the arable land in Japan.

With this 17th conference, this is the first time that the issue of food security has been addressed. Collaborative research by Niigata University, Tokyo University and ERINA began last year, a food security session was held at this latest conference, and there will be a special feature on food security in the *ERINA Report Volume 80* to be published in February. The key-phrase "food cluster" runs through all of these.

In the session meeting there were two keynote reports. First was a report entitled "Post-Growth Era Food and Agriculture Problems" from Professor Shinichi Shogenji, the Dean of the Graduate School of Agriculture and Life Sciences/Faculty of Agriculture of the University of Tokyo. It suggested that within the region a common understanding of and cooperation on the food security of Northeast Asia are necessary, and that one of the keys to that is a mutual grasping of the flow of food from production to supply to consumption. The second speaker, Dr. Nie Fengying, the Director of the International Division, the Agricultural Information Institute of the Chinese Academy of Agricultural Sciences, gave a report entitled "China's Food Security Policy". China's food supply and demand balance is becoming strained and, in one measure to tackle it, it has been proposed that the active-involvement of local government and farmers and the construction of food installations outside the country are necessary.

Next came the four presentations of research results. The first of these presentations was "A New Prospect in ROK Agriculture: 'Venture Agriculture'" from Min Seung Kyu, Research Fellow, Public Policy Research, Samsung Economic Research Institute. With the three "P"—innovations of "Product," "Process" and "People," agriculture is heading toward being midway between

a primary and a secondary industry. He reported that henceforth he would like to activate the international interchange of agricultural producers.

The second presentation was "China's Food Security Strategy" from Professor Chen Yongfu of the College of Economics and Management, China Agricultural University. He reported that in China, with its large changes in food import and export volumes, the establishment of systems for food stockpiling and technology transfer is required.

The third presentation, with a slightly different perspective to the others, was "The Changes in Food and Rural Policies and the Problem of the Revitalization of Rural Areas in Britain" from Professor Hironori Yagi of the Graduate School of Agricultural and Life Sciences/Faculty of Agriculture, Tokyo University. He reported that, at the same time as Britain's rural policies within the framework of the WTO, the initiatives for multifaceted agricultural management in Japan's regions are also attracting attention.

The final presentation was "Toward the Formation of Food Industry Clusters in Northeast Asia" from Lily Kiminami, Associate Professor at the Faculty of Agriculture, Niigata University. She indicated that the future direction of the collaborative research would be to go on to make practical recommendations for the formation of the regional and local food production clusters in the collaborative research by Niigata University, Tokyo University and ERINA.

In the future it is intended that the following three points will be tackled in the collaborative research or as topics within this conference:

- 1) Japan and the ROK, along with Northeast Asian countries such as China, Russia and Mongolia, should be able to point out a path to contribute, through their own experiences and technologies, to the formation of international clusters related to food production, processing and distribution.
- 2) China, in addition to its own national food security policy, should be able to raise its food production indicators in a more proactive policy, and be able to contribute to food security on a global scale.
- 3) The unutilized land within the vastness of Russia, while an unknown quantity to us, could hold great potential to contribute to food security.

SUZUKI, Tatsujiro (Visiting Professor, Graduate School of Public Policy, The University of Tokyo)

I will give a general outline of the reports. There were presentations by the six panelists.

Professor Li Zhidong of Nagaoka University of Technology reported on China's energy issues. Dr. Pak Yongduk, the Director of the Regional Energy Cooperation Division, Center for Energy Research, Northeast Asia, Korea Energy Economics Institute, mainly focused on energy conservation regarding the ROK. Dr. Likhachev, Deputy Director of the Energy Research Institute of the Russian Academy of Sciences, reported on Russia's energy policy. Takeshi Sekiyama, the General Manager of the International Cooperation Department, The Energy Conservation Center, Japan, reported on international cooperation in energy conservation. Mr. Tumentsogt,

Infrastructure Operations Officer, The World Bank Mongolia Office, reported on Mongolian energy issues. Lastly, Dr. Von Hippel, Senior Associate at the Nautilus Institute for Security and Sustainability, made proposals regarding energy cooperation in Northeast Asia and the DPRK issues.

Although there are differences for all the countries, there are also points in common, and I shall group these together from that perspective.

Firstly, in East Asia in particular the issues in the areas of energy security and environmental protection with which we are confronted are legion. The situation differs in each country; however, the common benefits are many, and hidden away is the great potential that the sense of crisis will transform into an opportunity for regional cooperation.

Secondly, regarding the furthering of energy conservation—which contributes to measures against global warming, energy security, and the raising of economic efficiency—cooperation, as a common issue, should be further pushed forward. For energy conservation, the improving of energy efficiency is necessary.

Thirdly, via the enterprises involved in the upgrading of infrastructure in the energy sector over the entire region—such as the construction of crude oil and natural gas pipelines from eastern Siberia in Russia and the problem of the DPRK's energy crisis—there could be the revealing of an opening for the promotion of cooperation.

Fourthly, based on a shared foundation of being one region, the collection and organizing of statistics are necessary—such as the volumes of greenhouse gas emissions and the energy consumption situation. The creation of a common database for each country is necessary, and this is a key theme in international cooperation.

Fifthly, in the light of the growing concern about the increase in coal consumption, particularly in Northeast Asia, and the fact of the rising need for clean coal technology, which includes carbon capture and storage technology, investigation into joint corroboration projects is required.

The discussions converged on energy conservation and global warming measures, but there is a pressing need for the promotion of cooperation through the transfer of energy saving technology and the training of specialists. In addition to promoting energy conservation, what is important is whether and to what extent each country is able to systematically structure its policies, including giving incentives to the world of industry. The discussions came to the conclusion of it being possible, in Northeast Asia also, to proceed as one region with global warming countermeasures and energy conservation policies, through—keeping a focus on the Post-Kyoto period—the establishing of frameworks and systems.

YOSHIDA, Susumu (Chairperson, Northeast Asia International Conference for Economic Development Executive Committee, and Chairman of the Board of Trustees, Director General, ERINA)

With this conference, the international conferences we have been able to hold now tally 17. The conferences to date have in the main deliberated on "transportation" and "energy." Regarding transportation, there have been

presentations of research results for nine transportation corridors. Regarding energy, the concept of a Northeast Asian Energy Community has been debated and is moving toward realization. These two fields are the two supporting pillars for a Northeast Asian Economic Subregion.

At this conference the issues of "Northeast Asia and FTAs," "Food Security" and "Energy and Environment" were tackled. In addition, before the opening of the conference, a presentation seminar was held on Russia's energy policy, entitled "The Primorsky Krai as an Energy-Resource Transportation Base."

At the "Opening and Keynote Addresses" we were honored with the opening address by Mr. Atsuo Kuroda, Deputy-Director General for Trade Policy, Trade Policy Bureau, METI, and two keynote addresses, one entitled "Japan Rethinking Northeast Asia" by Professor Takashi Inoguchi of the Research and Development Initiative, Chuo University, and the other "US Trade Policy: The Rise of Regional and Bilateral Alternatives to Multilateralism" by Mr. Claude Barfield, Resident Scholar at the American Enterprise Institute for Public Policy Research. East Asian transactions within the region have reached 56-57%, and do not compare unfavorably with NAFTA and the EU. The basic routes to an East Asian FTA of ASEAN Plus Three, ASEAN Plus Six and APEC, and the considerable activity to that end, although differing for each route, are a signature feature of recent times. While the economic cooperation in this region is contributing to the solution of political problems, the difficult of reaching political agreements is highlighted when compared to the movement in economic consolidation.

There were three sessions at this conference, and being connected to one another, they were able to tackle key issues in this region. Continuing from last year, a quite deep discussion was had on FTAs. Mr. Kuroda, Deputy-Director General for Trade Policy, commented on its high level. Real problems were discussed, in particular the interrelated views on the impact of the US-ROK FTA, the possibility of a Japan-China-ROK FTA, the movement toward the formation of an East Asian Community, and the movement toward the conclusion of an FTA centered on APEC.

Food security—a major issue for Niigata—is also an issue that must be discussed when considering any future FTA. In this session, we heard that the food self-sufficiency ratio has become a problem in each country; Japan's food self-sufficiency ratio has of course fallen, but also now in China, where the number of provinces remaining which are capable of self-sufficiency has fallen from ten to three. Each country's common sense of crisis about food security demands each country's cooperation. It was proposed that it may be necessary to construct a network related to a mutual understanding of each country's production, supply and consumption of food, and trade in food. Additionally, there

is a need for the donation of technology.

In the energy and environment session extremely wide-ranging problems were organized by country and field and discussed. Here too, it was highlighted that the sense of crisis has come to a turning point with a forging of links toward cooperation. I think that Japan can play a major role, in areas such as energy conservation issues and technology transfer, in particular. Additionally, the measures from 2013 on were discussed.

In this region the cooperation in production by the ASEAN countries and Japan, China and the ROK has progressed and there are many problems with commercial ties which should be solved: The necessity of an FTA or EPA has grown large. In economic integration they are a barrier which has to be passed through, and in the construction of an East Asian Community too, these problems need to be solved.

Moreover, thinking about the energy security, environmental protection and food security which were discussed today, we shouldn't leave out the neighboring countries of Russia and Mongolia. We must consider the Northeast Asian Economic Subregion under that remit. The "construction of a food trade network," the "construction of an Asian energy and environmental organization," and the previously discussed "Northeast Asian Energy Community" will take in all the countries of Northeast Asia including Russia and Mongolia.

Generally it is said that once the East Asian Community has been achieved, the establishment of the Northeast Asian Economic Subregion will follow it. In reality, however, Northeast Asian regional cooperation has already moved forwards, and we must face that squarely.

The concepts of ASEAN Plus Three, ASEAN Plus Six and APEC are moving forward in parallel, but with the Northeast Asian Economic Subregion being in existence, the sustainable economic development of this region is planned via the promoting of the parallel development of each of those areas.

On the occasion of this conference, I would like to express our profound gratitude as organizers for the explanations of the current conditions in each country and the statements on international issues made by the speakers. I would additionally like to give thanks to the very many people who have enthusiastically participated in this event. On behalf of the organizers, Niigata Prefecture, Niigata City and ERINA, I would again like to extend our sincere gratitude that thanks to your enthusiastic support we have added a 17th conference to the tally.

In addition, we are very grateful to the wonderful interpreters and for their hard work on our behalf.

Next time, at the 18th conference, I hope that we will stage a conference of an even higher level, reflecting the achievements here.