

## *Closing Remarks*

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### **Introduction**

At the 2012 NICE (Northeast Asia International Conference for Economic Development) a great many persons gathered together for us, including participants from other countries, and as Chairperson of the Executive Committee I would like to extend my deepest gratitude. At the conference we enjoyed valuable addresses and reports, as well as debate, but it is difficult to mention them all individually in these closing remarks of some ten-plus minutes, so please allow me to deliver my own summation, limiting myself to the important points which form the message of this conference.

1. While one year has passed since the twentieth NICE last year, at the conference this time it has been possible to actually sense various wide-ranging changes which have occurred over this one-year period in such spheres as politics, economics, society, international politics and military affairs, and international economic cooperation, for Northeast Asia in its entirety, including the Great East Japan Earthquake and the death of Kim Jong Il and the succession of power by Kim Jong Un, and appears to make possible the presaging of further changes in the future. In particular, in terms of economics, it was a year where China became the global number two in GDP, and has been developing dynamically, appearing on the world stage not just as the "world's factory", but also as a "giant market", and global capital, including that of Japan, has flowed into China as in a torrent, aimed toward the Chinese market. Accepting this, China is promoting economic cooperation, and is treading a peaceable path. However in other areas, militarily, not only is the strengthening of its arsenal striking, such as the construction and introduction of an aircraft carrier and the introduction of stealth fighter planes, but it has been repeating its assertive claims, including the so-called "core interests" in the island issues in the East China Sea and South China Sea, and further, an aggressive approach accompanying its actions of concrete capability can also be seen. In this way it is a reality that China is both economically and militarily becoming the epicenter of waves which are heading out to its neighboring countries. How the neighboring countries should best handle such waves was one of the focuses for discussion here this time.

2. A young country acquiring economic and military power and appearing on the world stage, demanding resources and food and striving to expand abroad is, in a sense, quite natural. However, the case where the expansion abroad is military and not based on commerce is one that is fraught with danger. While it is said that history can repeat, the nightmare of our country 100 years ago could reoccur. Of

course, that must be prevented at all costs. But what should be done to that end? What is the economic role therein? How to tackle this problem head on was the keynote address of Yuji Miyamoto, former Ambassador Extraordinary and Plenipotentiary to the People's Republic of China. The answer very clearly is that, with there being in the globalised economy itself its own power to check such a danger, it is essential to develop economic exchange and economic cooperation vigorously, and to continue making the relative significance of border problems smaller—that is, continue to lower the border fences—and then ambassadors would be able to conclude matters. This very matter can be said to have shown the way for Northeast Asia to move forward. I also—by reason of China's economic development having developed by depending to a considerable extent on overseas capital and overseas technology and the global market—consider it obvious that China's economy would stagnate if China were to take action so as to be alienated from other countries, because advanced technology in particular will become increasingly important for subsequent Chinese economic development. I hope that China's wise leaders deal appropriately with the movements of expansionism and nationalism within China. At the same time as that, for the development of Northeast Asian economic exchange, we ourselves must also make effort, with one significance of the Northeast Asia International Conference for Economic Development also lying here, and this is the message from this conference this time around.

3. The Chinese economy has raised the international competitiveness of its manufactured products, has accumulated a huge amount of capital, and has been building up its domestic market into a giant market. In the case of Japan and the ROK, they have been activating this giant market as both an export destination for goods and as a target for foreign direct investment in a domestic market-oriented form, and while they are attempting to make this useful for their own national economic development, therein also lurks the danger of the hollowing out of domestic industry. Moreover, this kind of giant economic power is such that there is the concern it would draw in the less-developed Mongolian and DPRK economies, like a powerful magnet, via the development of resources, investment, and imports and exports. The Russian Far East also is concerned by the cornering of its resources by China and the rise in its economic dependence on China. In addition, there are also those who worry about the influx of Chinese people into the Russian Far East, but if future Chinese economic development progresses markedly, then the reverse phenomenon may occur of a further

depopulation of the Russian Far East with an outflow of Russians into China. Including Japan as well, for each country it is necessary to respond, having a robust strategy as to how to engage with the Chinese economy. In the case of the DPRK, it appears that the dependency on the Chinese economy can only deepen for the foreseeable future, and if the DPRK, not desiring that, were to consider that it wanted to avoid that, then the momentum may emerge in the DPRK for reconsidering the issues which are the causes of the current international framework, such as the nuclear and abduction issues.

4. Although concerned with Japan-China economic relations, amid the domestic market continuing to grow huge, with China's GDP and per capita GNI having increased, FDI, including from Japan, has been flowing into China on a massive scale. Not only such a matter in terms of volume, in Japan's investment in China can also be seen a qualitative change where not just efficiency-oriented (export-oriented) forms but domestic-market-oriented forms are increasing as well, and in addition there can be seen a regional widening via expansion into the interior in response to the rise in labor costs, and moreover an industry-sectoral widening also. Within that, it appears that also at work is the thinking that the securing of one's position within China's giant market leads to the strengthening of one's position within the global market. If China's surplus rural labor force dries up in the near future, then for China's economy a transformation in development pattern from extensive development to efficiency-oriented intensive development will be unavoidable, and in overcoming this difficulty it appears that the introduction of advanced technology from other countries has been becoming increasingly important. Regarding this matter, if there is no change in political conditions, then it implies that the expansion into China of Japanese firms will continue in the future as well, and furthermore China's investment in Japan aimed at the acquisition of technology will also have the potential to increase. However, in the case of Japan's small and medium-sized enterprises, even possessing high technology, in newly entering into China, the fact that there are problems in the quality of China's market—with there being a variety of problems (for example, the difficulty of getting hold of information, theft, the obstacle of the regulations on the transfer of money, the disregard from local governments, the dishonesty of grassroots officials, the abruptness of the institution of legislation, and the difficulty in obtaining funding, etc.)—has been made clear in actuality based on surveys of firms within Niigata Prefecture.

5. Incidentally, another plank of the conference this time around was the topic of the economic development of Russia and the Russian Far East which await the Vladivostok APEC summit. As Alexander Shuruburin, the Director of the APEC Meetings Department, APEC Study Center, said, interest has been drawn to Russia, on the premise of WHO membership, creating a direction for actively participating in economic integration with the "East", which is to say, the Asia-Pacific region. In that regard, the challenges Russia is placing emphasis on—

namely, the liberalization of trade and investment, food security, the establishing of supply chains, the forwarding of regional economic integration, and the encouraging of innovation, etc.—can be called issues that we are also able to do jointly. At last year's NICE, however, it was pointed out that difficult problems exist in the business environment and market quality of Russia and the Russian Far East; there is the need to create a local-government-level apparatus for international cooperation which truly gets to grips with overcoming these problems, and there are the circumstances which the problems have brought up. This matter is not something that can be finished at the NICE conference alone, and the continuing of efforts was promised; subsequently the Japan-Russia Conference on Interregional Cooperation was held in Khabarovsk in October and Yuzhno-Sakhalinsk in November, and further, it has been planned to undertake investigation for substantiation with a Japan-Russia forum of concerned parties being staged this March. I would like to acclaim the continuation of initiatives such as these.

6. There are pros and cons regarding the TPP (Trans-Pacific Strategic Economic Partnership Agreement), but in any event this time around we were first and foremost provided with accurate information in relation to the significance of the TPP aimed at an FTAAP (Free Trade Area of the Asia-Pacific), the course of negotiations toward the TPP, and the substance of the TPP, etc. by Kaneko Tomohiro, Director, International Economic Affairs Division, Trade Policy Bureau, Ministry of Economy, Trade and Industry, as well as Yorizumi Watanabe, Professor, Faculty of Policy Management, Keio University. Regarding participation in the TPP, it would appear, basically, that conclusion has been reached on the points where the benefits are great, connected to the improvement of the competitive conditions for Japanese industry, although for the TPP, because there are also aspects that are subject to negotiation, including agricultural issues, it can be said that it is necessary to keep watching closely the subsequent process of negotiations. In addition, as in the points made by Kim Bong-gil, Professor, Faculty of Economics, University of Toyama, we might say that there is also the aspect of international political judgment as to who will take the leadership-role in the formation of trade and investment rules in the Asia-Pacific. For the TPP they have left at an impasse the multilateral negotiations within the WTO Doha Round, the most basic framework, and although the problem points of a flood of FTAs, formation of blocs, and the like going ahead, have been pointed out by Makoto Ikema, Professor Emeritus, Hitotsubashi University, hopes for large-area Free Trade Agreements like the TPP leading to the breaking-down of such blockages were also voiced. I would like us, while continuing to watch the progress of negotiations, to go on deepening the discussion at NICE.

7. Relating to distribution, in the Tumen River Area the activation of the Rason Economic and Trade Zone, the development of the railway between Khasan in Russia and Tumangang in the DPRK, and the development of international distribution infrastructure from northeastern

China to the Tumen River and Rajin Port in the DPRK, etc., are being carried out, and China and Russia value Rajin Port as an exit to the Pacific and have been actively participating in development of infrastructure. In addition, efforts in the development of distribution infrastructure from northeastern China via Zarubino, Russia, to Niigata are being undertaken. Still further, construction proposals for a Russia-DPRK-ROK gas pipeline have also emerged. It is hoped that such new moves will continue to become one great overall move, becoming integrated with the improvement of systemic infrastructure. It is hoped that international "collaborative research" within the GTI and the initiatives on cooperation in the development of distribution infrastructure by the governments of the four nations will lead to an overall resolution of such problems. Within distribution issues, the 2012 NICE also received the sharp criticism of being for the observer and lacking proactiveness.

8. Lastly there are the problems in international financial cooperation. We received a detailed explanation on the situation of China strengthening export controls on rare metals and rare earth elements. This of itself, while there is the suspicion of violating WHO rules, presses the development of subterranean resources other than in China. The attention on the development of subterranean resources in Mongolia can also be called a part thereof. In order to transport production from Mongolia to the Pacific, however, the development of international distribution infrastructure is necessary. The development of distribution infrastructure, in particular the construction of international hard infrastructure, is essential above all else. Such resource development and infrastructure development in Northeast Asia, however, wind up, in the final analysis, at the problem

of the contribution of development expenses and infrastructure construction financing. At NICE last year we received the proposal of a Northeast Asian infrastructure development fund from Masahiro Kawai, Dean and Chief Executive Officer, Asian Development Bank Institute (ADBI), and subsequently the establishment of a resource development fund between China and Russia and an environment and infrastructure fund between Japan and China have been drawn up; in addition the proposal from the Russia side for creation of a fund was made, amongst other things, in the Russia-Japan Conference on Interregional Cooperation working group, and the formula for the fund has been drawing attention. This time around, from Jin Cyhn, Principal Economist, Regional Cooperation and Operations Coordination Division, Southeast Asia Department, Asian Development Bank (ADB), we received a detailed explanation on the experience of the ASEAN Infrastructure Development Fund, which the ADB promotes, and its lessons for Northeast Asia. The necessity for organizations for international financial cooperation in Northeast Asia has been discussed for more than a decade, but in reality nothing has come into being. I would like NICE to continue considering whether such a blockage can be broken through by means of this fund's formula.

9. My apologies for speaking for so long, but I would like you to treat the above as my closing remarks. Finally, as ERINA's "Northeast Asia Economic Research Series" No. 1 has recently been published, commemorating the twentieth NICE conference, I would be honored if you take a look on your way back. Although I have ended with a self-advertisement, I would like to thank you for your kind attention.

[Translated by ERINA]