

Closing Remarks (Day 1)

KAWAI Masahiro

Chairperson, NICE Executive Committee; Representative Director, ERINA

At today's NICE (Day 1), with the title "Northeast Asia Regional Economic Cooperation—Now and in the Future", a special speaker and panelists engaged in lively discussions and carefully answered thoughtful questions from the floor.

Special Address

Mr. TANAKA Hitoshi, Chairman of the Institute for International Strategy, The Japan Research Institute, Limited, gave an address entitled "State of Affairs in Northeast Asia—How Do We View the U.S.-China Conflict?" Mr. Tanaka provided deep insights into the state of affairs and future prospects on the US-China conflict and the Japan-DPRK and Japan-ROK relations, based on his first-hand experience as a diplomat.

Mr. Tanaka's main point of emphasis was on the importance of keeping a good balance considering the '4Cs' amid the US-China conflict, and the major role Japan can play. '4Cs' means military conflict, political competition, economic coexistence, and global cooperation. Mr. Tanaka pointed out that the U.S. and China's significant military, political and diplomatic conflict may result in the 5th 'C', i.e., a crash, if it leads to a state of extreme conflict or serious adverse competition, hence managing the bilateral relations by enhancing coexistence and cooperation is crucial to avoid the crash.

Japan signed the RCEP developed by 15 partner countries including China, and was among the 10 countries that effectuated the agreement in January 2022 to promote intraregional trade and investment cooperation in East Asia. Mr. Tanaka recommended that, in response to China's application for the membership of CPTPP, Japan should accept it to engage China. CPTPP is a high-standard economic cooperation agreement; still, we should not lower the standard for China but rather advance discussions to encourage China to move toward the high standard, he said.

Also, Mr. Tanaka emphasized that Japan should initiate dialogue with the DPRK and ROK, deepen mutual understanding, and build trustful relationships with both countries. Forging reliable intergovernmental relationships is essential in advancing the Japan-DPRK relationship on the one hand and improving the Japan-ROK relationship on the other, he concluded.

Northeast Asian Economy Session "Strategic Approaches toward Southeast Asia of Northeast Asian Countries"

In the Northeast Asian economy session, expert panelists from 5 countries, i.e., Japan, China, ROK, Russia and Mongolia, discussed strategies and policies toward Southeast Asia from the perspectives of their own countries. ASEAN is attracting global attention as an economically and politically important region, and individual Northeast Asian countries are seeking to deepen

their relationships with ASEAN.

As Dr. SUKEGAWA Seiya, Professor of Kokushikan University, pointed out from the perspective of Japan, Japanese companies have made large-scale investments in ASEAN countries. In terms of the stock of Japanese direct investment in emerging economies, China is the largest country attracting Japanese investment; however, as a region, ASEAN is the largest investment destination, exceeding China. ASEAN is the manufacturing hub for Japanese companies as well as the consumer market supported by the rising middle-income class, and is thus an extremely important region for the Japanese economy. Dr. Sukegawa emphasized the importance of RCEP as a framework for Japanese companies to strengthen supply chains and expand businesses with ASEAN countries.

Dr. LI Tianguo, Associate Professor of National Institute of International Strategy, Chinese Academy of Social Sciences (CASS), talked about the third-country cooperation between China and ROK with the "Belt and Road" in mind. Dr. Li suggested that improved bilateral cooperation between the companies of Japan-China, Japan-ROK, and China-ROK through the framework of RCEP can create various business opportunities.

Dr. CHO Seung Jin, Associate Research Fellow of Korea Institute for International Economic Policy (KIEP), explained that ROK is strengthening its relationship with ASEAN under the 'New Southern Policy' advocated by the Moon Jae-in administration. Although ROK has lagged behind Japan and China in terms of intergovernmental cooperation with ASEAN, the country is strengthening its relationship with ASEAN while implementing 'selection and concentration,' Dr. Cho said.

Dr. Ekaterina KOLDUNOVA, Acting Director of ASEAN Centre and Asian and African Studies Department, MGIMO University, Russia and Ms. Erdenetsogt SARANTOGOS, Director-General of Asia and the Pacific Department, the Ministry of Foreign Affairs of Mongolia, explained the approaches toward ASEAN from the perspectives of Russia and Mongolia, respectively. Although neither of these countries may have had strong economic ties with ASEAN for a long period of time in the past due to geographical distances, Dr. Koldunova and Ms. Sarantogos argued that both countries have been seeking to enhance their relationships with ASEAN recently. Especially, according to Ms. Sarantogos, Mongolia is preparing for becoming ASEAN's dialogue partner.

Economic Exchanges Session "Current Status and Prospects of Logistics in Northeast Asia—Utilization of Local Ports in Japan"

In the Economic Exchanges session, panelists reported on the current status and prospects of Northeast Asian sea routes and

local ports in Japan, ROK and Russia, and the discussions were very stimulating.

Mr. YANAI Masaya, Professor of Tohoku Gakuin University, shared a new vision for Hokuriku ports, which provided high expectations to achieve in the form of developing direct sea routes to Southeast Asia, through widening the network area for Kitamaebune (or northern-bound ships) and connecting ports along the Sea of Japan via IT and infrastructure.

Mr. OTSUKA Hiroyuki, Director of the Board and Niigata Mill Manager, Hokuetsu Corporation, explained the advantages and challenges of utilizing Niigata (East) Port. He said advantages include the geographical proximity of the company and the port which reduces transportation costs (one-fifth that of using the Keihin Port in Japan's metropolitan area), while challenges include the lack of direct shipping routes to specific foreign destinations which increases transport time and costs due to the need for transshipment, the lack of a rail transport connection to Niigata Port, and the limited capacity at the port's container yards which makes earlier container delivery difficult.

Mr. AOYAMA Masahiro, President of Niigata World Trade Terminal Co., Ltd (N-WTT), talked about the operation of Niigata East Port and the vision to make it easy to use from both hardware and software aspects, connecting it to the Sea of Japan economic rim and the Yellow Sea economic rim, and further reaching southern China (South China), Southeast Asia, and South Asia. Mr. Aoyama appreciated the efforts by both Niigata Prefecture and Niigata City to provide high quality incentives to the private sector.

Mr. Dmitriy MIKHAYLOV, Head of Liner Division, FESCO Integrated Transport LLC (Vladivostok), said that the company would like to develop a new sea route connecting Japan and Far East Russian ports along the Sea of Japan. Mr. Mikhaylov explained the benefits of connecting Japan and Russia via shipping routes, such as through Niigata, with the potential use of the Siberian Land Bridge to reach Europe, which would reduce costs and lead times.

Mr. LEE Eung-hyuk, Director of Marketing and International Affairs, Busan Port Authority, shared the benefits and advantages of utilizing Busan Port as a transit point for ocean transport. According to Mr. Lee, Busan Port has extensive line services (regular sea routes) and attracts many shipping routes in the Northeast Asian region such as for cargo transshipment, and specifically, 62 out of Japan's 65 ports are connected to Busan. Mr. Lee noted

that as a hub of ocean transport (storage, sorting, shipping), Busan Port has the benefit of accommodating North American routes and Southeast Asian routes.

In his comments, Professor Yanai pointed out that using Busan Port has significant advantages for Japan, however, there are also disadvantages (such as longer lead times and higher costs due to transshipment compared to direct routes to final destinations). In the current situation where internationally competitive ports such as Busan Port are located in Japan's neighborhood, Japanese ports may reconsider how to make themselves more competitive and survive by offering attractive services for shipping companies and forwarders. We would like to continue further discussions on the significance and pros and cons of Busan Port for Japan.

Overview

At a country level, Japan has some conflict with China in security and/or political aspects; however, at a local level and from an economic aspect, it is important to maintain a good relationship with China which has a significant, attractive domestic market for growth. Not only Japanese companies but also even American companies are interested in maintaining economic relationships with China. The reality is that there are hardly any U.S. companies operating in China that would consider leaving China, particularly for political reasons.

Economic relationships can connect countries, and thus coexistence and cooperation, two of the '4Cs' mentioned by Mr. Tanaka, are crucial. ERINA believes that closer economic relations will ultimately lead to the avoidance of critical confrontations between countries and thus contribute to peace, stability and prosperity in the Northeast Asian region.

The relationship with Southeast Asia is also becoming closer for Northeast Asian countries, including Japan. Strengthening maritime connectivity with not only neighboring countries but also Southeast Asian countries is beneficial for individual Northeast Asian economies' reinvigoration. For Japan, the improvement of logistics and transportation networks and the increased use of local ports on the Japanese western coast facing the Sea of Japan is important to support local economic revitalization. ERINA will continue to discuss such issues in the future.

I hope to see you at the venue or online for the next conference (Day 2). I would like to express my sincere gratitude to the special speaker, panelists, and all participants at the venue and online.