

Commemorative Report: 25 Years for Northeast Asia

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This conference is the twenty-fifth since the holding of the Northeast Asia conference for the first time in February 1990 in Niigata. Thus I would like to look back on the changes in Northeast Asia over the last quarter century. Specifically, I would like to point out several economic or societal indices. When preparing this report, I undertook the collection and summarizing of data focusing on four points. Specifically, I would like to pursue the subject while introducing data regarding changes at the local level, in addition to national-level data relating to "economic growth", "structural change", and "trade".

Economic Growth

During the 25-year period from 1989, global GDP has increased, almost quadrupling. In that time, the fall of the Berlin Wall in 1989, the dissolution of the Soviet Union in 1991, and the 1997 Asian currency crisis occurred. After China acceded to the WTO in 2001 the pace of global economic growth increased. The impact of the Global Financial Crisis which arose in 2008 was even greater than the Asian currency crisis.

Amid the global economy expanding in this fashion, the Northeast Asian regional share within the global economy increased from 19% in 1990 to 23% in 2014. In other words, it grew at a rate exceeding that globally.

Changes have been seen also in the structure of GDP by individual nation within the Northeast Asian region over this period. Formerly Japan was the overwhelming economic colossus in the region, but currently China has become the region's largest and the world's number two economic superpower (Figure 1).

Naturally there are differences between individual

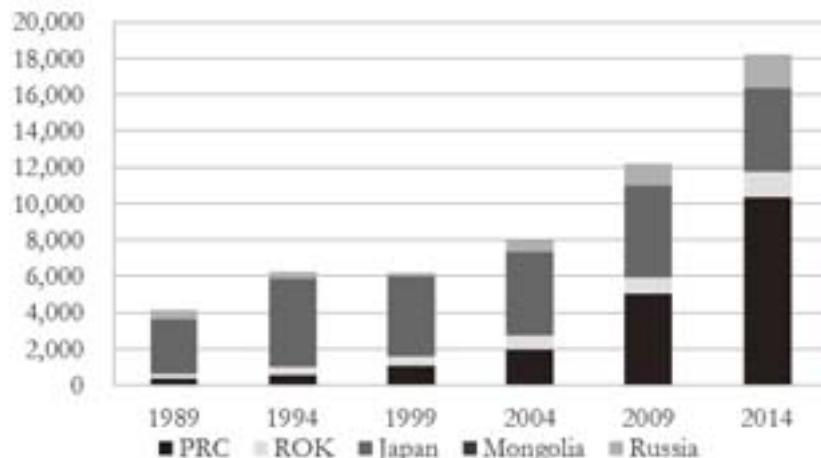
countries in the pace of economic growth. China has achieved the fastest growth, but its speed is slackening. The slowdown in growth is not something that began rapidly recently, but as a major tendency it has gradually slowed down from around 2010. Russia and Mongolia have had times of negative growth, and large deviations are characteristic.

From the data for per capita national income it can be confirmed that the economic level has also risen. What should be paid attention to is that the width of the discrepancies between individual countries is on a contracting trend. I would like to point out that within the Northeast Asian region the differences between individual countries are shrinking.

The Changes in Socioeconomic Structure

The population structure is the most fundamental one within the societal structure, and, more so than the fluctuations in the short term, is an indicator of great significance in long-term change. Therefore, I would like to compare the population pyramids of 1989 and 2015 for each Northeast Asian nation. In Japan, which has the greatest declining birth rate and growing proportion of elderly people, the number of people aged 40 and under has become extremely low. The decline in the birth rate is progressing in the ROK also. At this time, the proportion of the elderly is less than in Japan, but the speed of decline in the birth rate appears faster than that in Japan. It is not very well known in Japan, but in the DPRK a declining trend in the birth rate is evident too. In China, there has also been the influence of the so-called "One Child Policy", and the number of young people aged 10–29 is low. The population

Figure 1: GDP of NEA Countries (bil. USD)



Source: World Bank, *World Development Indicators*

Table 1: Minimum Wage (USD)

	PRC	Japan	Mongolia	ROK	Russia
1995	28.7	1,132.5	NA	343.0	13.4
(Russia=100)	(214.8)	(8,464.1)	NA	(2,563.3)	(100.0)
2013	226.0	1,358.8	125.8	928.4	163.7
(Russia=100)	(138.1)	(830.3)	(76.9)	(567.3)	(100.0)

Source: International Labour Organization, *ILOStat*

Table 2: Energy Import Dependency (%)

	PRC	DPRK	Japan	Mongolia	ROK	Russia
1990	-1.17	12.97	82.90	19.59	75.65	-47.08
1995	-1.92	8.91	80.09	16.63	85.39	-51.98
2000	2.72	4.71	79.65	18.69	81.69	-57.93
2005	4.18	-3.30	80.73	-32.44	79.56	-84.63
2010	10.50	-10.22	80.10	-341.58	82.03	-83.79
2011	11.48	-43.88	88.87	-451.52	81.96	-78.05
2012	12.75	-43.88	93.74	-364.77	82.46	-76.00

Source: World Bank, *World Development Indicators*

structure of Russia is somewhat complex, and it would be fair to say that overall there is a trend of a declining birth rate and a growing proportion of elderly people. In recent years, the number of births has recovered, but it is doubtful whether this will be sustained long-term. It would be fair to say that Mongolia is the sole “young” country in Northeast Asia. In the period of negative economic growth of the 1990s the number of births decreased, but at present a population increase is evident exceeding that of the parental generation.

The characteristics of the population structure broken down by age also influence the rate of population increase. Within Northeast Asia only Mongolia is exhibiting a high rate of population increase. For the remaining countries the rate of population increase is either on a falling trend or staying at a low level.

To sum up population in one phrase, it may be said that in Northeast Asia there has been an aging of the population and a slackening of the rate of population increase over the last 25 years.

The impact of declining birth rates is eventually expressed in the form of a decrease in the labor-force supply. Considering this in extremely simplified form, if the labor-force supply to the labor market decreases, it is forecast that wages will rise. In fact, the lowest wages in each country in the period from 1995 to 2013 rose (Table 1). At the same time, what should be paid more attention to than that is the fact that the disparities between the nations decreased. Formerly, it was commonly held that there is a comparative advantage in the production of labor-intensive goods with the low labor costs in China. However, with the wage disparities shrinking it can be said that such a characteristic feature has been on the wane.

As a production factor on a par with the labor force there is capital. However, as far as can be seen from the movements in the capital account balances of each country, it would appear difficult to put them together and draw any specific conclusion. An example of something that can be pointed out as an individual characteristic is that Japan continues to be a country providing capital to other countries.

Turning to look at energy, in the aspect of the degree of import dependence on energy from abroad, there are countries which have experienced great changes over the last 25 years. China has gone from being a net exporter to a

net importer, and Mongolia and the DPRK have gone from being net importers to net exporters (Table 2). Recently Mongolia has been exporting 2–3 times as much energy as the country itself consumes.

In December last year the Paris Agreement was reached aiming at preventing global warming, and from the environmental aspect also energy-efficient utilization is an important issue for all the countries. As each country's government is putting in effort there is a trend of the figures for all countries improving. Comparing each of the nations, it can be understood that the disparities between individual nations in this index also have rapidly decreased. In particular, the improvement in China is marked, and has grown to a level exceeding that of Russia.

Having outlined above the situation for population, the labor market, the movement of capital, and energy in Northeast Asia, the message I would like to introduce is that the differences between the individual nations in Northeast Asia have greatly decreased over this past quarter of a century. This is my own actual experience from travelling around all parts of Northeast Asia while on work trips and the like.

Trade

The share which the trade volume for the whole of Northeast Asia accounts for in total global trade was 12% in 1990, but expanded 1.5-fold to 18% in 2013. The trade volume for each country increased over this period.

Regarding exports from each Northeast Asian country to others within the region, comparing the data for 1992 and 2013, it can be pointed out that the exports to China of each country greatly increased. (Table 3) In addition, exports to the ROK have also increased in many countries. As a whole, the volume of exports from each Northeast Asian nation to the other countries within the region has increased at a pace exceeding that for the volume of exports to countries outside the region. Put another way, Northeast Asian intraregional trade relations have come to be further tightly-knit over the last quarter of a century.

Changes in Regional Levels

Up to this point I have raised the changes and trends at the national level. Here I will turn to the perspective at the local level. NICE is of course a conference for discussing Northeast Asian regional economic cooperation, but at the

Table 3: Trade Matrix of Northeast Asia (Share in the total export; %)

1992

	PRC	DPK	JPN	MNG	ROK	RUS
PRC		13.11	4.63	17.89	3.46	0.99
DPRK	0.64		0.07	NA	0.01	NA
Japan	13.75	21.60		4.82	15.14	1.72
Mongolia	0.16	NA	0.00		0.01	NA
ROK	2.83	13.70	5.09	0.41		0.25
Russia	2.75	5.46	0.49	56.62	0.15	

Source: ERINA「北東アジア経済白書」1996, etc.

same time the issue of regional development in each country is also one of the key topics. I would like to raise several aspects in pinpoint fashion below.

First, I focus on rail transportation between China and Russia. From the data for the volume of cargo handled at the border railway stations connecting China and Russia, it can be seen that, entering this century, the volume of transportation from Russia to China in particular greatly increased at the two stations of Manzhouli and Suifenhe.

Next, I would like to document in turn the situation for trade in each region of each nation. First, the three provinces of China's Northeast have all increased their amounts of trade with every Northeast Asian country. In particular, Heilongjiang Province has greatly increased its amount of trade with Russia, and Liaoning and Jilin Provinces have greatly increased their trade with Japan, the ROK, and the DPRK. In addition, in the Far Eastern region of Russia, trade with Japan, China, and the ROK has greatly increased. In contrast the United States was once one of the main trading partners for the Russian Far East, but has now been left far behind by Japan, China, and the ROK. Furthermore, in the Japan Sea coastal regions of Honshu in Japan, they have increased trade with all the nations of Northeast Asia.

The expansion of trade with Northeast Asia contributed also to the invigoration of each of the ports on Honshu's Japan Sea coast. On the Japan Sea coast of Honshu there are ten ports handling international container freight, including the Port of Niigata. The total of the container-handling volumes for these ten ports has grown more than 20-fold in the last quarter of a century. The absolute amount remains small, but the recording of such a large growth rate alone is considered to be of great significance for the ports on the Japan Sea coast. In addition, the volume of container freight handled and the number of regular container services calling at ports are inextricably linked, and the number of container services for all ports has increased.

Summary

What our predecessors who started this conference were thinking of a quarter of a century ago was forming a "Japan Sea Economic Subregion". On that occasion, the phrase "mutual complementarity of productive resources" was often used. Under an understanding that Japan and the ROK

2013

	PRC	DPK	JPN	MNG	ROK	RUS
PRC		77.90	18.09	86.82	25.96	6.76
DPRK	0.16		0.00	NA	0.20	0.00
Japan	6.80	0.00		0.25	5.75	3.73
Mongolia	0.11	NA	0.04		0.06	0.30
ROK	4.13	16.45	7.90	0.30		2.82
Russia	2.24	0.21	1.53	1.45	1.81	

were technology- and capital-rich, China and the DPRK were labor-force-rich, and Russia and Mongolia were natural-resource-rich, there was the philosophy that regional development was possible via the combining of these productive resources. In addition, one of the central issues in the initial period of this conference was the concept of constructing an international city on the lower reaches of the Tumen River. It has not always been the case that these have all been realized. Dreams have parts which finish up as dreams. Moreover, the evaluation is often heard that the Northeast Asian region in the narrow sense lags behind the development of other regions.

However, it cannot be said that there are problems only. I am a realistic optimist, and today I have emphasized the bright side as much as possible. As stated above, the Northeast Asian regional economy has been growing, and intraregional trade has also increased. Looking in sharp focus, there are also regions that have developed more than was forecast. While holding such real achievements important, I consider it important to continue moving forward, resolving the host of issues.

Additionally, I would like to stress again that the differences between all the nations have been decreasing in line with the economic and societal structural changes. The situation has become one where it cannot be said that a simple "mutual complementarity of productive resources" has been established unconditionally. The arenas where horizontal cooperation is expected, such as taking joint initiatives on the same issues, are increasing.

Lastly, I would like to look toward 25 years in the future. For example, considering matters from the perspective of transportation and distribution, although close as the crow flies, it is irrational to have to take a circuitous route in order to undertake transportation. As physical obstacles such as the lack of development of infrastructure and systemic obstacles such as border-crossing procedures are the reason for the emerging of this irrational situation, it is important to remove them. By doing so the path to taking advantage of the geographical proximity will open up. It is my hope that 25 years from now the fellow neighbors of Northeast Asia will come to have truly "geographically-near and close relationships".

[Translated by ERINA]