

Closing Remarks

NISHIMURA, Yoshiaki

Chairperson, Northeast Asia International Conference for Economic Development Executive Committee, and
Representative Director, ERINA

We enjoyed the participation of a great many people at the 2013 Northeast Asia International Conference for Economic Development in Niigata (NICE), which ran over two days. In addition we received cooperation and support from the embassies and consulates of each country and the related institutions in Japan for the staging of the conference. I would like to express my profound gratitude as the representative of the Executive Committee for this conference. I myself listened to the discussions throughout the two days, and the content was of extremely high density and the tension was non-stop. In these closing remarks of a little over ten minutes, as it would be difficult to mention the issues individually, please allow me to talk on my own summarization, limiting myself to the important points that are to be the message of this conference.

If it were an ordinary year this conference would usually be held at the end of January or the beginning of February, but this year it has ended up being held at this time in late March. As I think you will have gathered, this is because of the impact of the political tension between Japan and China over the Senkaku Islands issue. We of the Executive Committee were convinced of the greater significance of staging this conference, which discusses economic cooperation, at precisely just such a time, yet there have been obstacles even in the preparation for staging the conference, and we had no alternative other than to delay the conference.

As suggested by this, looking back over this last year, in one sense it was felt that it was a stormy time for the Sea of Japan rim. The testing by the DPRK for its development of nuclear missiles was also shocking. More than that, however, with the confrontation between Japan and China over the Senkaku Islands being profound, an impending sense of crisis was felt of being one step away from a military clash. The repercussions went as far as economic problems, and tension remains at the present time also. On the other hand, however, the APEC summit staged by the Russian government ended successfully, and in addition with it achieving accession to the WTO, and as a result of the path emphasizing the Russian Far East having been made clearer and having started to take concrete form, the strengthening of economic relations between Russia and the nations of the Pacific is nurturing a feeling of stability in Northeast Asia, and I think its impact will spread widely. Furthermore, moves toward economic integration have been seen, including FTA negotiations by Japan, China and the ROK commencing, and Prime Minister Abe announcing participation in the TPP negotiations. Although NICE this time around was comprised of keynote addresses and four sessions, I think that the content of the discussion can be divided broadly into three areas.

The first area concerns the problem of the Senkaku Islands, and in his keynote address Ukeru Magosaki made clear, if one looks objectively and dispassionately, that while there is some foundation to the claim of the Japanese side of "with the Senkaku Islands being Japan's intrinsic territory, a territorial problem doesn't exist to begin with", on the other hand there is not absolutely no foundation to the Chinese view either and it is not completely unjustifiable. The Chinese side, however, has been self-assertive only, has made moves as if to try and steal effective control of the Senkaku Islands by force from Japan, and the situation is one that is volatile and with the fear of violence exploding. China is showing the vigor to catch up with the United States economically, and while it can be the case that a tendency emerges for a young country to appear on the world stage with economic and military force and run to nationalism and expansionism, there has in addition been the aspect of nationalism being used for domestic rule and it appears that China's recent moves are fairly deep rooted. Japan has to seriously tackle this problem. In the paper for the keynote address, however, the danger of Japan securing effective control by military force and the danger of relying on the support of the US military by way of the Japan-US Security Treaty were pointed out. It would seem that the most realistic thing is to continue dialogue, based on the UN principle of the non-use of military force, and to shelve the issue, but I think that the starting point is for the Japanese side to at least admit that "a territorial issue exists" diplomatically in order to start a dialogue.

In addition, in Kenji Hattori's keynote address the importance of economic exchange was pointed out. In order to relativize the Senkaku issue politically and lessen its weight, and fundamentally stabilize Japan-China relations, it is essential that Japan and China recognize their mutually-dependent relationship and develop it, and in so doing it would seem that further developing economic relations is the most effective method. Were it to come to a military clash, and if people's blood were spilt, then Japan-China economic relations would have to be put on hold for a long time. There is also the fear, however, that that would lead to the stagnation of China's economy itself. Visible just ahead in China are a period where the quality of manufactured goods rather than the volume will be emphasized in line with the improvement of the standard of living and a period where the raising of efficiency will become the source of economic growth with the excess rural labor force drying up in due course, and the supporting of this new economic development will be nothing other than technological innovation. Whether China's economy and society can get on the track of technological innovation as a whole is now being questioned. Because Japan's

technology and technological innovation mechanisms on the part of China and China's market on the part of Japan are indispensable for the two sides, I think that the two countries must pay more heed to deeply mutually depending on each other. Nationalism has its own momentum, and controlling it is a difficult problem, but reducing as much as possible excessive stimuli so as not to cross the line is important, and moreover it is hoped that the mutual understanding of people via economic cooperation and calm interaction will lead to that curbing.

Next is the second area, and in the keynote address of Chairman Victor Gorchakov it was reported that: the Russian government successfully staged the APEC summit and on that occasion projects for energy resource development, the putting in place of logistical infrastructure and the development of manufacturing industry were proposed and discussed; the Russian government is examining the introduction of an investment tax reduction system targeting the Far East and Zabaykalye region; and furthermore the increase in funding for the development of the Far East and Zabaykalye was decided on under President Putin. At the same time as that, it was pointed out that for Russia after accession to the WTO initiatives have become necessary in order to realize the WTO accession, as one might put it, including the adjustment of the Russian economic system to the WTO rules, the studying of the WTO rules by government bodies and the business world, and the adjustment of Russia's regional legal system to the WTO rules. The line by the Russian government emphasizing the Russian Far East has become yet more real, and if the realization of the WTO accession progresses further, it is hoped that Northeast Asian economic relations will also show remarkable development, and not just between the Russian Far East and Japan.

The session which focused on and examined the issue of Russia's WTO accession and the Far East business environment was Session A: "Russia after WTO Accession and the Staging of APEC". In it the hope was voiced for the transparency and predictability of the business environment via the permeation of common global rules from WTO accession, and in terms of organizations the roles were introduced of the Japan-Russia Association to Promote Interregional Business and the Khabarovsk Japan Center Businesspersons' Club in the improvement of the business environment. As the establishment of the former was proposed at NICE two years ago it has been thus actually established, and I think it is a matter of great pleasure that its strengthening is being sought. Additionally in this session ERINA collaborative researchers also participated, and it was pointed out that when Japanese firms want to do business in Russia they cannot overlook the areas of the characteristic Human Resource Management in Russian firms and benefit packages, but I think that for the issue of benefit packages there is interest also from the perspective of the securing of the labor force in the Russian Far East in particular. The development tendencies of trade between Japan and Russia were pointed out, but if these efforts bear fruit hope will come for further development of trade and economic relations between the Russian Far East and the

countries of Asia.

The session which discussed how to handle Russian energy, when Russia is attempting to set out in earnest on energy resource development in East Siberia and the Far East and exports to the east, was Session C: "Energy Cooperation". It was pointed out from both the Russian side and from the consuming side, including China and the ROK, that for the future they must construct a framework for energy cooperation for Northeast Asia in its entirety, moving forward via bilateral or multilateral cooperation the development of Russian oil and natural gas and their export to China, the ROK and Japan. In particular in Japan's case the situation has become clearer since the Great East Japan Earthquake and the Fukushima nuclear plant accident of two years ago, but being confronted with the task of diversifying supply sources and transportation routes for energy resources which are dominated by the Middle East and the southern route, the task of the creation of networks and the optimal location within the country of domestic energy provision bases which are concentrated on the Pacific side where there is concern over massive earthquakes, and the task of supplementing with fossil fuels and renewable energy the lack of energy due to the halting, resting and decommissioning of nuclear plants, the interest in and hopes for Russian oil and natural gas is heightening. In addition it was pointed out that there is the need for the putting in place of transportation infrastructure across national boundaries for the export to the nations of the Pacific of Mongolia's abundant coal resources, and the need for international cooperation here as well, and the "establishment of a Northeast Asian Coal Association" was proposed.

Incidentally, a huge amount of finance will be necessary for resource development and the putting in place of transportation infrastructure, and the session which examined this issue was Session D: "Development Finance Cooperation". This topic has been discussed at NICE over many years, but initially the pros and cons regarding the "Northeast Asia International Development Bank" proposal were fought over. Recently, however, the international development bank proposal has been left for the long term and a funding proposal similar to the "ASEAN Infrastructure Fund" has come to be emphasized. In addition, because it is fairly impossible politically as matters now stand to assume the participation of all the nations of Northeast Asia, a flexible concept has also been proposed of establishing a fund through bilateral and trilateral cooperation to the extent feasible. Setting aside the propriety of that, in seeking the potential for the creation of such an infrastructure fund in Northeast Asia, Session D was a session designed to try to learn by way of case studies how best to tackle it concretely. In this session the "Northeast Asia infrastructure fund" concept was proposed, and moreover the invaluable experience of the ADB was introduced, including the process up to the establishment of the "ASEAN Infrastructure Fund", the role played by the governments of each country and the ADB in that, and the suggestion for a "Northeast Asia infrastructure fund" from the "ASEAN Infrastructure Fund". Here there is not time to

enter into specific matters, but I think this, in considering future initiatives in accordance with the experience of JBIC, is extremely helpful. Moreover, I think that the proposal is also important of a subregional financial cooperation concept among local governments which takes into consideration the condition of Northeast Asia in that it does not wholly consist of entire countries but includes parts of some countries. I think that the way of thinking of cooperation among local governments, included in this concept, is thought-provoking also for the question of approaches to the establishment of a "Northeast Asia infrastructure fund".

Because I raise it last it in no way means it is not important, but the third area is the issue of economic integration with which Session B dealt. Recent rapid developments have been seen for this problem area and many negotiations are to be commenced, including: the Japan-Mongolia EPA negotiations; the Japan-China-ROK FTA negotiations; the negotiations for RCEP (Regional Comprehensive Economic Partnership) which would tie together the five FTAs with ASEAN which the six nations of Japan, China, the ROK, India, Australia and New Zealand have; the FTA negotiations between Japan and the EU; and participation in the negotiations in the Trans-Pacific Strategic Economic Partnership Agreement (TPP).

These are based on respective individual concepts, and as things which are put together via negotiations, it isn't yet known what form they will take, but basically they are considered things which will stimulate the development of the Japanese economy. The negotiations for these many agreements, however, look as though they will be advanced in parallel, and while in so doing I think that the future problem will be how they will be consistently coordinated, it was pointed out that from the academic perspective there is also the fear that the "spaghetti bowl" effect will end up occurring, where the rules get complicated and intertwined. In addition, there is interest in what will be realized from each of the agreements in the future, but in the case of Japan which is starting out from the generally low FTA liberalization rate, the outlook appears obscure because of the high degree of liberalization for the TPP and the great size of the impact on agriculture. In addition, with the differences in market-economic concept of what kind of basic rules to construct within the economic integration of Southeast Asia and East Asia, the problem of which country will take up the leadership lies ahead. In any event, for the reason that the subsequent negotiations process will draw attention regarding the other agreements also and not just the TPP, I would like to continue raising this topic at this conference.