

Japan's Perspectives on Regional Economic Development in Northeast Asia

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I would like to cover three points: the general characteristics of the Asia-Pacific region, or more specifically, the Pacific Rim; development of regional cooperation in the Asia-Pacific region, particularly APEC; and Northeast Asia in these contexts.

The most distinctive feature of the Pacific rim is its diversity—in economic development, natural resources, religion, culture, and political systems. The United States and Japan have per capita incomes of about thirty thousand U.S. dollars a year, while China, Indonesia and others have per capita incomes below one thousand U.S. dollars per year. Another distinctive feature is the region's very rapid economic development. When I was a student in Japan, Asia was often described as backward, stagnating and poverty-stricken. But now Asia is described as an engine of growth for the world economy and the envy of the world.

A third distinctive feature is that the region does not have a sense of solidarity or cooperation among its countries. However, because of economic development and interdependence, the concept of cooperation has been gradually emerging. This has resulted in PECC, PBEC, and finally APEC, which was initiated by Australia in 1989. A fourth distinctive feature of the Pacific rim region is that Northeast Asia is lagging behind in terms of regional cooperation, and, in part, economic development.

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APEC is at the core of cooperation in this region. In its seven years of existence, it has developed slowly but steadily, not as rapidly as the United States expected, but more rapidly than some other countries expected. APEC activities have been focused in three sectors. The first is liberalization of trade and investment. At Bogor in 1994, the leaders of APEC countries agreed that all trade and investment would be liberalized by the year 2020 for developing countries, and 2010 for developed countries in this region.

The second sector is facilitation of the flow of trade and investment. The difference between facilitation and liberalization is that liberalization is concerned with institutions, while facilitation deals with lowering tariffs and

relaxing restrictions in customs procedures and in standards. The third sector is technical cooperation. The Osaka summit meeting of APEC in 1995 translated ideas into actions. The sequence of meetings will now proceed through Manila, Canada, Malaysia, and New Zealand. Japan attaches great importance to APEC as a core of its cooperation in this region.

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Northeast Asia consists of Russia, the DPRK, the ROK, China, Japan and Mongolia. I would like to add one more country to those six and that is the United States—as an outside partner. In order to carry out or promote economic cooperation and technical cooperation in this region, we need the United States. Without the cooperation of the United States, the process will not go smoothly. Thus it is a positive development that the Sixth Conference of the Northeast Asia Economic Forum is being held here in the United States.

There are both economic and political reasons why cooperation has lagged in Northeast Asia. Compared to other parts of the Pacific, there are severe deficiencies in infrastructure. Another reason is the difficult economic situation in Russia. I was involved in the coordination of assistance to the former Soviet Union in 1992-93. I do not yet see a bright light at the end of the tunnel.

The territorial issue also clouds Japan/Russia economic relations. Without formal relations, without a peace treaty with Russia, Japan cannot extend its governmental financial cooperation on a large scale. This has to await the return of the four northern islands. Thus until the satisfactory conclusion of a Russo-Japanese peace treaty, economic cooperation with Russia will be only on a small scale. Japan would like to solve these difficult issues with Russia promptly and then extend its financial cooperation.

Japan has no relations with the DPRK. Indeed the DPRK is a missing link and this is one of the obstacles to furtherance of cooperation in this region. Unfortunately, normalization talks between Japan and North Korea were suspended in November 1992 and we do not yet foresee their resumption. Japan would like to resume its negotiations with the DPRK at its earliest convenience. But Japan-DPRK relations must go hand-in-hand with improvement of relations between the DPRK and the ROK, and in conformity with improvement of relations between the United States and the DPRK. KEDO (the Korean Peninsula Energy Development Organization) of which I am the head, is a positive step forward and it is hoped that a breakthrough will occur.

Thus both Russia and the DPRK are missing links in full economic cooperation in the region. These are serious difficulties and they will take time to resolve. We have to tackle the issues step by step, doing what we can on both the governmental and private levels. I am a cautious optimist, and I continue to be optimistic regarding the future of the Northeast Asian region. So let us try to move in that direction together.