
Trilateral Economic Symposium

"Globalization at a Crossroads: Prospects for the
Trilateral Economic Cooperation"

Conference Papers

June 22, 2017
Tokyo, Japan



Co-Sponsored by
Trilateral Cooperation Secretariat (TCS)
The Japan Forum on International Relations (JFIR)

Under the Auspices of
The Council on East Asian Community (CEAC)

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1. Program

日中韓三国経済シンポジウム Trilateral Economic Symposium

「岐路に立つグローバル化と日中韓三国経済の展望」 "Globalization at a Crossroads: Prospects for the Trilateral Economic Cooperation"

2017年6月22日 / June 22, 2017
国際文化会館、東京、日本 / International House of Japan (IHJ), Tokyo, Japan

共催 / Co-sponsored by
日本国際フォーラム / The Japan Forum on International Relations (JFIR)
日中韓三国協力事務局 / Trilateral Cooperation Secretariat (TCS)
Under the Auspices of / 後援
東アジア共同体評議会 / The Council on East Asian Community (CEAC)

2017年6月22日 (木) / Thursday, 22 June, 2017
国際文化会館「講堂」 / "Lecture Hall" International House of Japan

開会 / Opening

14:00 - 14:20

開会 (10分間) Opening (10 min.)	梅澤 彰馬 日中韓三国協力事務局事務次長 UMEZAWA Akima, Deputy Secretary-General, TCS
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開会挨拶 (10分間) Opening Remark (10 min.)	橋本 宏 日本国際フォーラム理事長 / 東アジア共同体評議会会長 HASHIMOTO Hiroshi, President, JFIR / Chairman, CEAC
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セッション / Session

14:20 - 16:15

議長 (5分間) Moderator (5 min.)	梅澤 彰馬 日中韓三国協力事務局事務次長 UMEZAWA Akima, Deputy Secretary-General, TCS
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報告A (12分間) Presenter A (12 min.)	伊藤 元重 学習院大学国際社会科学部教授 ITO Motoshige, Professor, Faculty of International Social Sciences, Gakushuin University
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報告B (12分間) Presenter B (12 min.)	宋 泳官 韓国開発研究院研究員 SONG Yeongkwon, Research Fellow, Korean Development Institute
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報告C (12分間) Presenter C (12 min.)	張 琦 中国国务院発展研究所対外経済研究部副部長 ZHANG Qi, Vice-Director-General, Research Department of Foreign Economic Relations, Development Research Centre of the State Council
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報告D (12分間) Presenter D (12 min.)	河合 正弘 日本国際フォーラム上席研究員 / 東京大学特任教授 / 環日本海経済研究所代表理事・所長 KAWAI Masahiro, Superior Research Fellow, JFIR / Project Professor, Tokyo University / Representative Director and Director General, Economic Research Institute for Northeast Asia
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自由討議 (60分間) Free Discussions (60 min.)	出席者全員 All Participants
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閉会 / Closing

16:15 - 16:30

閉会挨拶 (10分間) Closing Remark (10 min.)	梅澤 彰馬 日中韓三国協力事務局事務次長 UMEZAWA Akima, Deputy Secretary-General, TCS
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日本語・英語同時通訳付き / English-Japanese simultaneous interpretation will be provided

2. Biographies of the Panelists

UMEZAWA Akima

Deputy Secretary-General, TCS

Dr. UMEZAWA Akima started his term at Trilateral Cooperation Secretariat (TCS) as the Deputy Secretary-General in 2015. He joined the Japan Ministry of Foreign Affairs (MOFA) in 1991, and in 2009, he was appointed the Head of Chancery to the Embassy of Japan in Singapore. Upon returning to MOFA in 2011, he served as the Director of Fisheries Division and as the Cabinet Counsellor to the Ocean Policy Cabinet Secretariat and in 2013 he was an Advisor in the Representative of the Government of Japan to the International Court of Justice (ICJ). He received a Master's Degree in International Relations from University of Leeds, England, and a Ph.D. Degree in Ocean Management from University of Tokyo. He was also a Visiting Professor of Gujarat National Law University's Public International Law from 2015 to 2016.

HASHIMOTO Hiroshi

President, JFIR

Graduated from the Faculty of Law, Hitotsubashi University, in 1964 and joined the Ministry of Foreign Affairs of Japan (MOFA). Having served as First Secretary at the Embassy of Japan in the Soviet Union, Director of Regional Policy Division, Asian Affairs Bureau, Envoy Extraordinary and Minister Plenipotentiary at the Embassy of Japan in the United States, Ambassador to Singapore, and Ambassador to Austria, retired from MOFA in 2004. Joined JFIR in the same year and served as Auditor from 2010 to 2013.

ITOH Motoshige ***Professor, Faculty of International Social Sciences, Gakushuin University***

He is a Professor of the Faculty of International Social Sciences, Gakushuin University since April 2016 and Professor Emeritus of the University of Tokyo since June 2016. He obtained his Bachelor degree from the Faculty of Economics of the University of Tokyo and was awarded his PhD after studying at the Graduate School of Economics of the University of Rochester, N.Y. He is a member of the Council on Economic and Fiscal Policy of Japan since January 2013 as well as of various government committees such as the Ministry of International Trade and Industry, Ministry of Finance, Economic Planning Agency, Fair Trade Commission of Japan.

SONG Yeongkwan

Research Fellow, Korean Development Institute

He received a Ph.D in Economics from the University of Wisconsin-Madison, the U.S., where he has also received M.S. in Economics. Prior to his study in the U.S., he has obtained M.A. in Economics and B.A. in Economics and Mathematics from Yonsei University, South Korea. Previously, he was appointed to the Head of Creative and Innovative Economy Team of the National Economic Advisory Council (June 2013 – September 2013), Fellow at the Korea Institute for International Economic Policy (May 2004 – September 2011), Advisor at the Presidential Committee for G-20 Summit (December 2009 – June 2010), to mention a few. He has published various research papers and policy reports, and has contributed to two books; Changes in Industrial Landscape and the Future of Service Economy (2015) and Trade Policy in Asia: Higher Education and Media Services (2014).

ZHANG Qi *Vice-Director-General, Research Department of Foreign Economic Relations,
Development Research Centre of the State Council*

She has a Bachelor's Degree in Laws from Peking University and Master's degree in Economic Policy Management from Columbia University in the US. She joined the DRC in 1991, and worked in the Economic Research Bureau at OECD as a short-term consultant for half a year in 1999-2000 and was a Visiting Fellow at Harvard Kennedy School in 2015. Her major research interests cover: China's foreign economic relations and opening-up policy management, foreign trade and cross-border investment, special economic zones (FTZs), regional economic integration (RTAs), multilateral trade mechanism and global economic governance, etc. She has also engaged in government-designated international joint studies, such as China-Japan-Korea FTA, China-India RTA, China-Korea FTA, joint project with WB on China's new development driving forces etc.

KAWAI Masahiro *Superior Research Fellow, JFIR / Project Professor, Tokyo University*

Obtained a BA and an MA in Economics from the University of Tokyo in 1971 and 1973, respectively, and received a Ph.D. in Economics from Stanford University in 1978. Served as: Research Fellow of Brookings Institution; Associate Professor, Department of Political Economy, The Johns Hopkins University; and Professor of Economics, Institute of Social Science, University of Tokyo. During this period, also served as: Chief Economist, East Asia and Pacific, World Bank (1998-2001); Deputy Vice Minister for International Affairs, Japan's Ministry of Finance (2001-03); and Dean, Asian Development Bank Institute (2007-14). Became Professor Emeritus, University of Tokyo (2009). Now he concurrently serves as Representative Director and Director General, Economic Research Institute for Northeast Asia. He has published a number of books and numerous academic articles on economic globalization and regional economic integration and cooperation in Asia, including in areas of trade, investment, finance, and money. His recent co-edited publications include: *Asia and Policymaking for the Global Economy* (Brookings Institution Press, 2011); *Rebalancing for Sustainable Growth: Asia's Postcrisis Challenge* (Springer, 2015); and *Monetary and Financial Cooperation in East Asia: The State of Affairs after the Global Financial and European Crisis* (Oxford University Press, 2015)

(In order of appearance in the "Program")

3. Presentation Papers

ITOH Motoshige

Professor, Faculty of International Social Sciences, Gakushuin University

On the Present State of the Japanese Economy

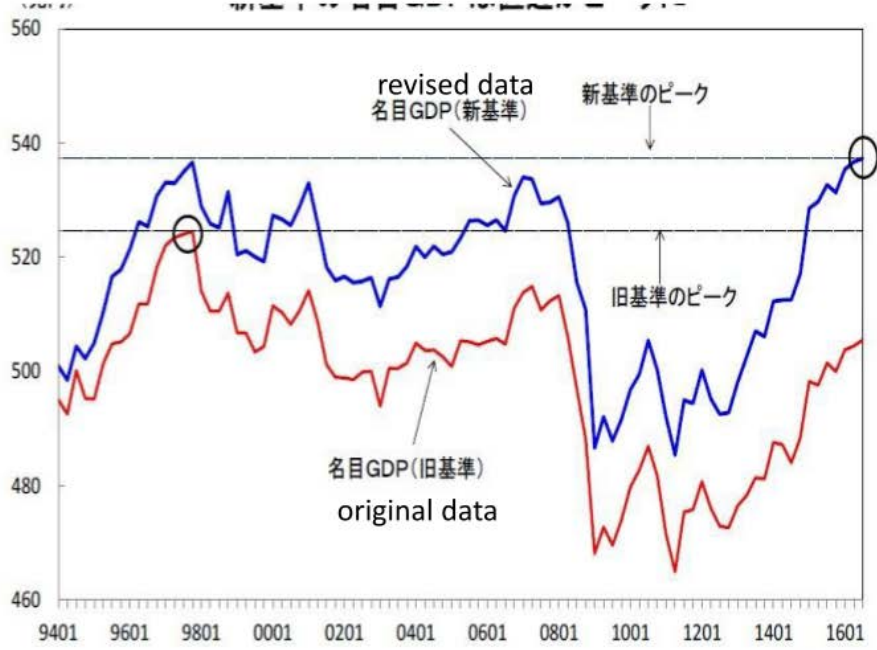
Motoshige ITOH

Council on Economic and Fiscal Policy, Japan

Gakushuin University

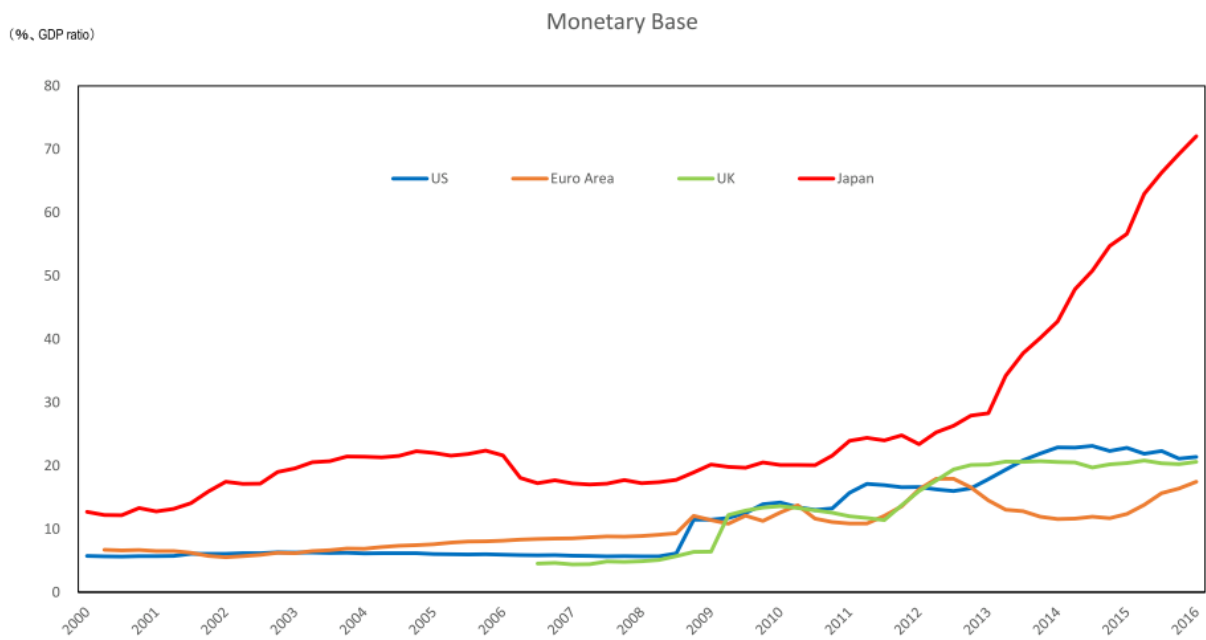
0

Nominal GDP of Japan; revised data



1

Expanding money balance



2

Three arrows

◆ Monetary policy

commitment to buy long-term JGB

low interest rates will continue for a long period.

◆ Fiscal Stimulus

increasing tax revenue provides option for fiscal expansion

◆ Growth strategy

Six PMs for six years before PM Abe

consistent policies such as

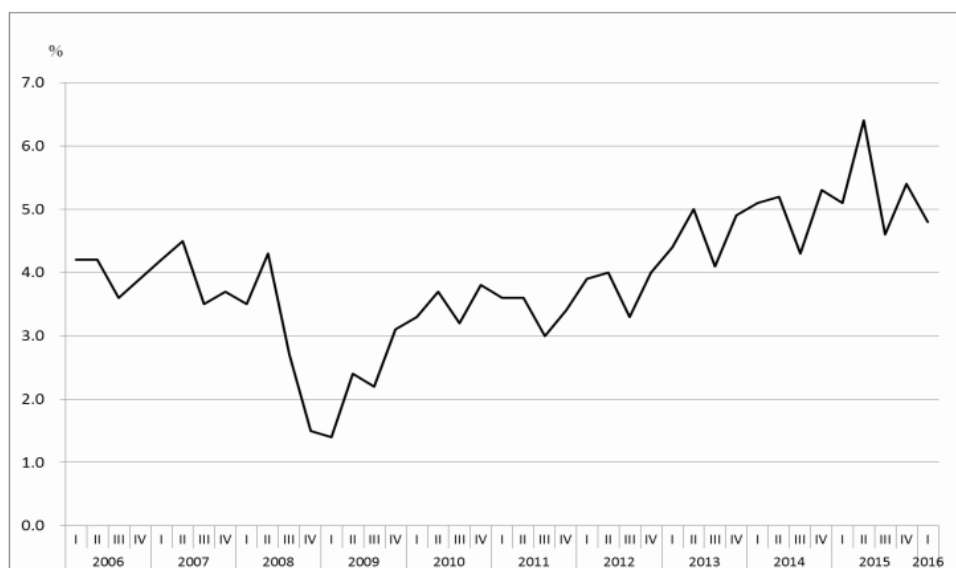
corporate governance reform

labor market reform

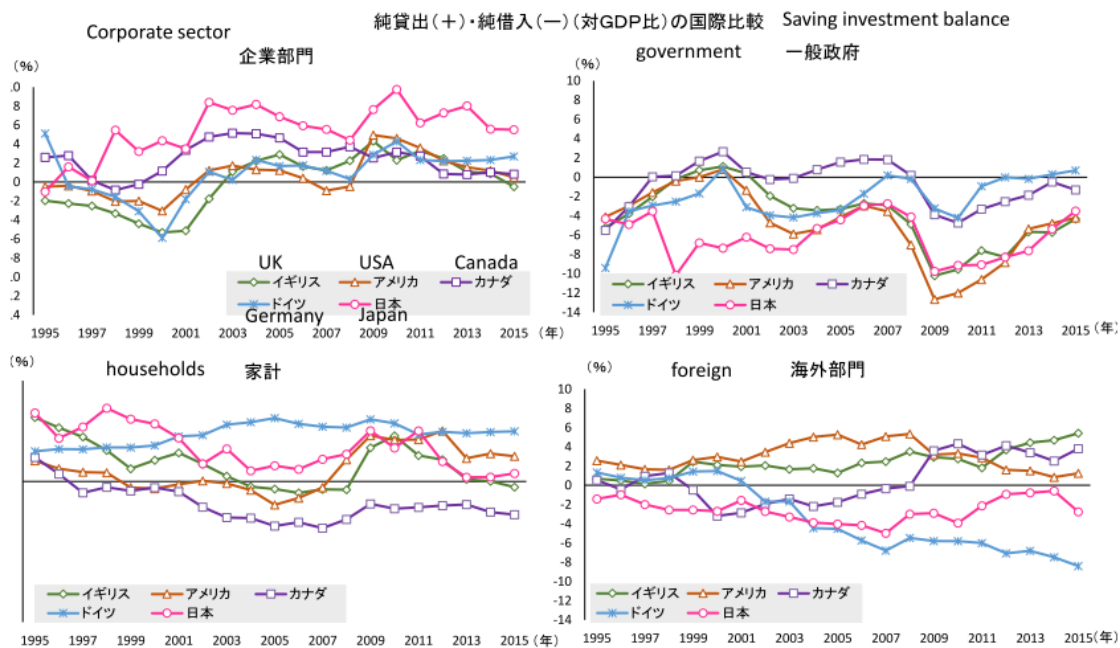
technology policies

3

Ratio of Current profit to sales

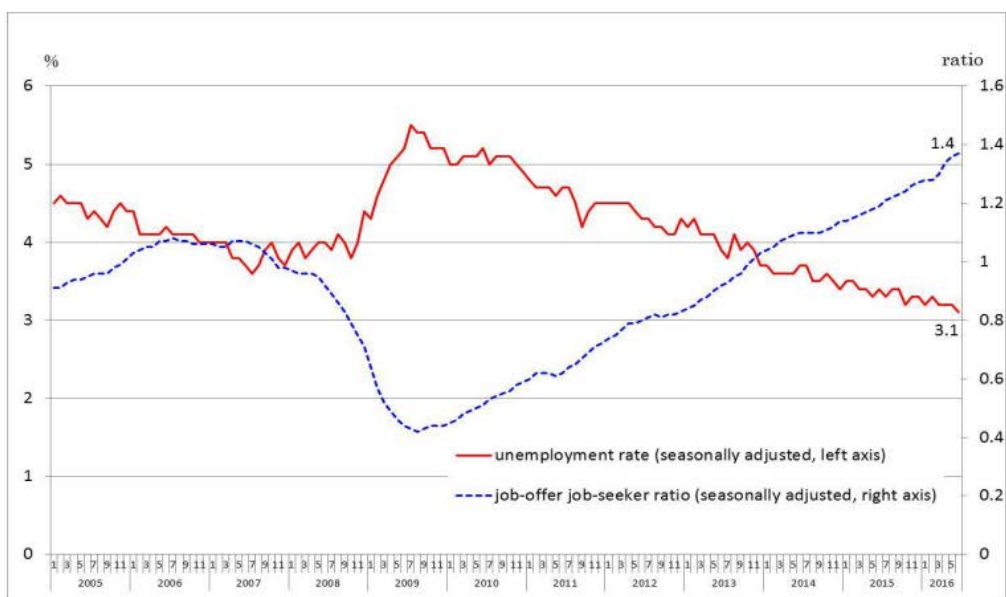


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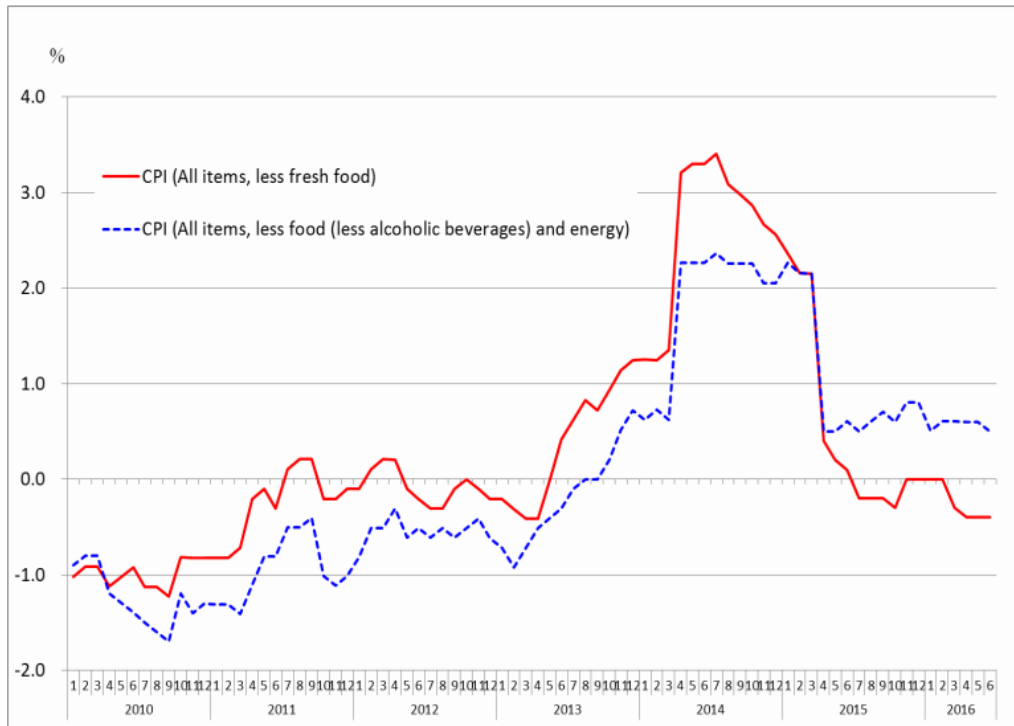


(※)内閣府「2030年展望と改革タスクフォース報告書(参考資料集)」により作成。

Trends of unemployment rate and job-offer job-seeker ratio



Return of deflation?

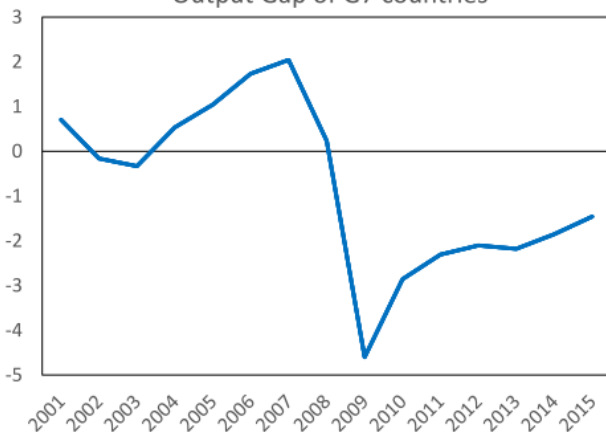


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Secular Stagnation?

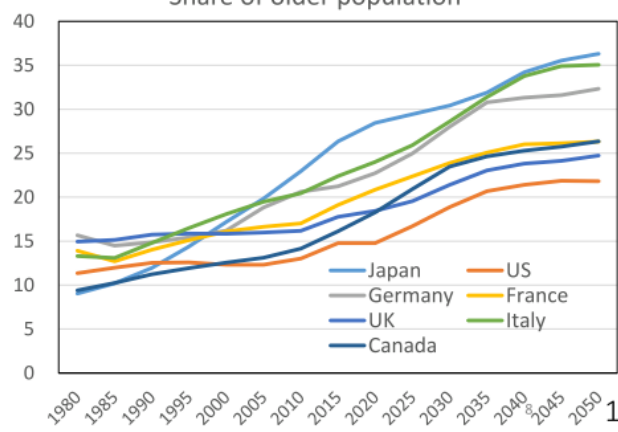
- ◆ Lack of Demand
- ◆ Legacy of the Global Financial Crisis
- ◆ Demographic changes such as ageing
- ◆ Slowdown in innovation and technological diffusion

Output Gap of G7 countries



(Source) IMF, World Economic Outlook Database Apr 2016

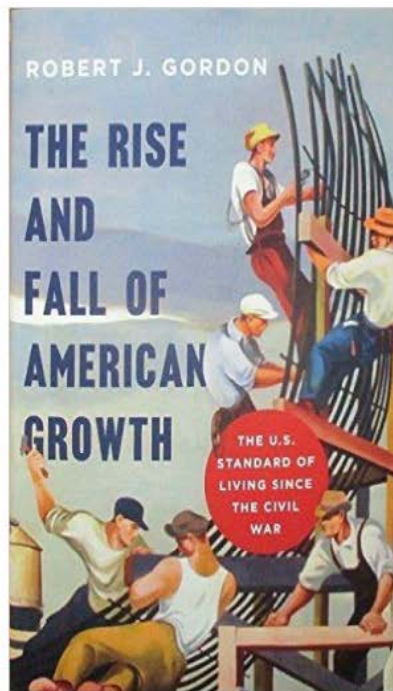
Share of older population



(Source) United Nations, World Population Prospects, the 2015 Revision

1

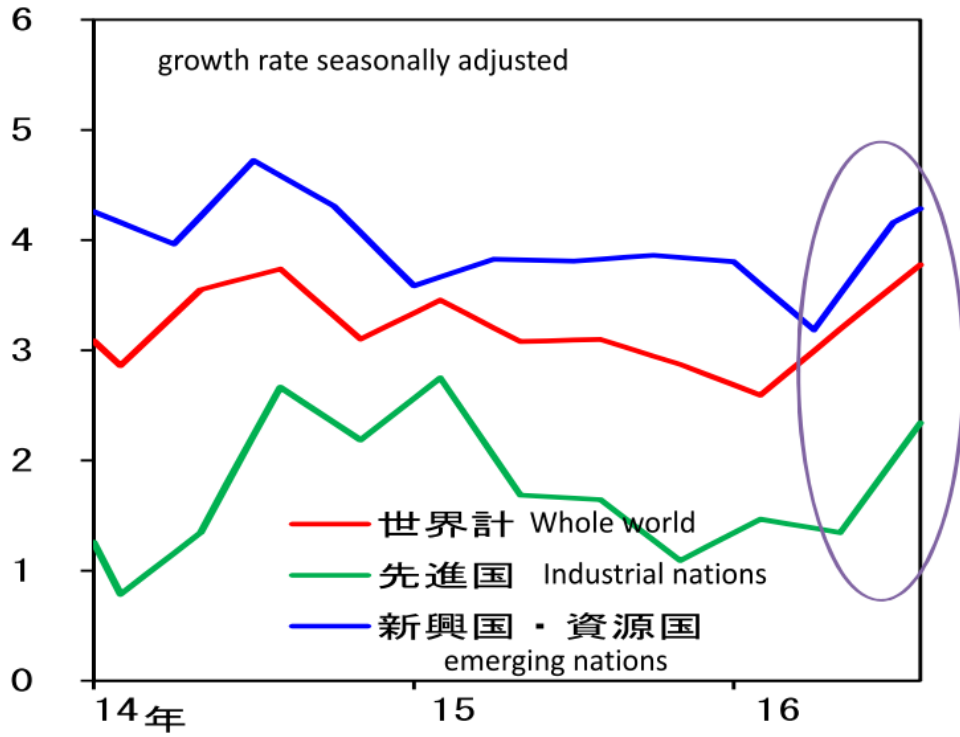
Sluggshi innovation: TFP has been very low since 1980s



Low interest of major countries

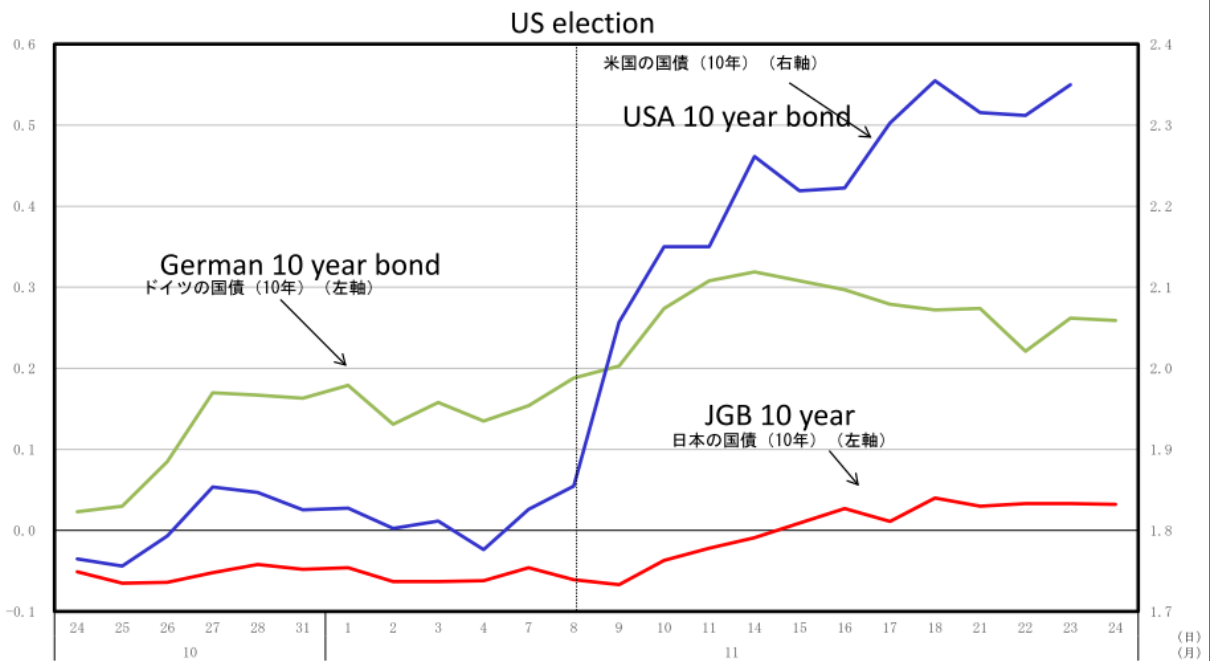


(季節調整済、前期比年率、%)



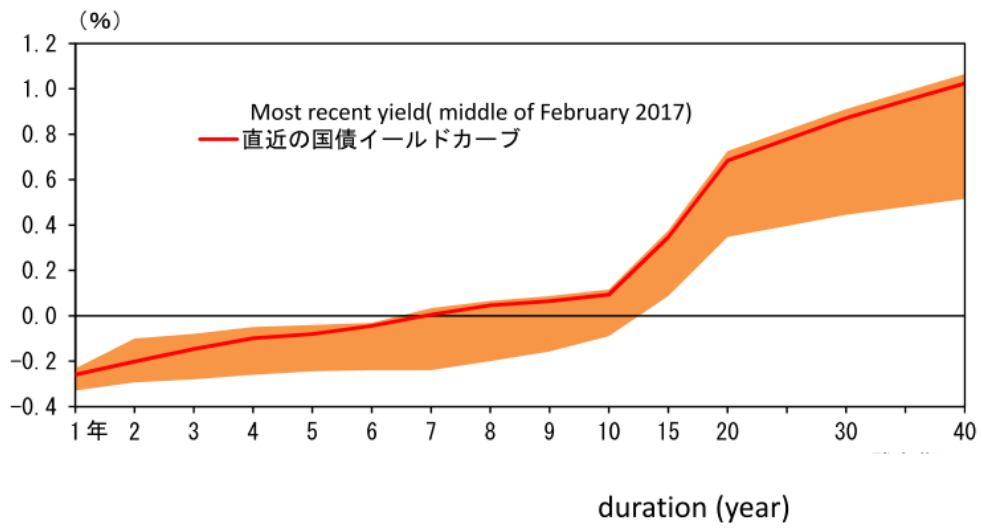
11

Trump effects; long-term interest rate



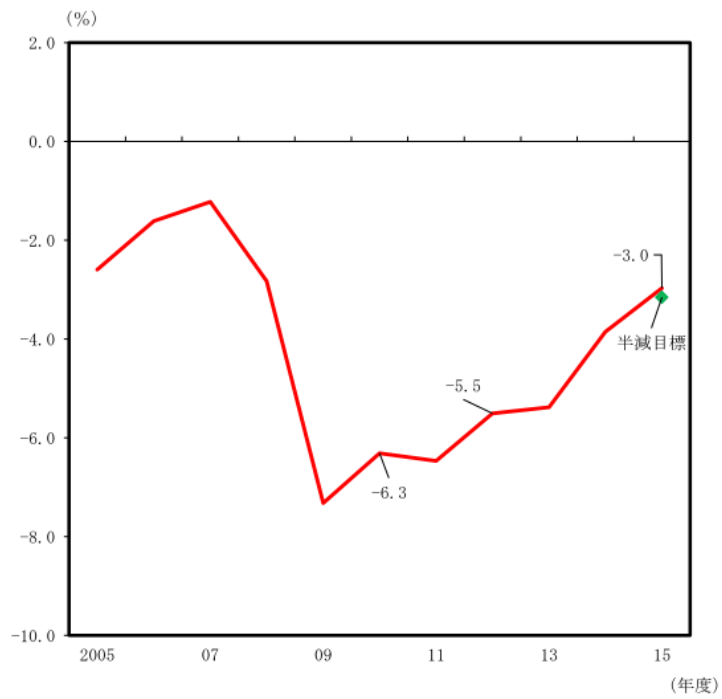
12

JGB yield curve



13

Primary fiscal balance



14

Abenomics in Progress: Growth Strategy

- ◆ Corporate Governance Reform
- ◆ Pro-growth corporate tax reform
- ◆ EPA(FTA) and agricultural reform
- ◆ Expansion of private participation in public services (PPP, PFI)
- ◆ Increased labor participation of women and elderly people

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Importance of trilateral cooperation

- ◆ importance of EPA for Japan
- ◆ RCEP is crucial for regional economic integration
- ◆ Trilateral FTA (EPA) is necessary for RCEP
- ◆ EPA and domestic reform
- ◆ bicycle theory- continuing trade negotiation is necessary

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Acceleration of Growth Strategy

1. Realizing Productivity Revolution

- The 4th Industrial Revolution
- Regulatory reform

2. Increasing investment in new growth areas

- Environment (Investment in energy saving, renewable and alternative sources)
- Healthcare, medical and other senior market
- Education, human resource development

3. Mitigating the impacts of labor force decline

- Further active participation of women and the elderly
- Utilization of foreign human resources
- Labor market reform

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SONG Yeongkwan
Research Fellow, Korean Development Institute

Economic Policies of Moon Jae-in Administration

Yeongkwan SONG

FELLOW

Korea's Leading Think Tank





C O N T E N T S

I. Overview

II. Key Areas

- 1. Balanced Growth**
- 2. Job Creation**
- 3. Fair Income Distribution**

III. Comments



I. Overview



- **People-oriented economic policy**
- **Basic idea: balanced growth and fair income distribution**
 - **Move away from large corporation-led economic growth**
 - **Invest in people: aggressive investment in welfare, such as childcare, education, medicine, and elderly care**
- **Expected benefits**
 - **Enhancing people's quality of life**
 - **Creating more jobs**
- **Main policy tool: expansive fiscal policy (7% increase)**

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II. Key Areas



1. Balanced Growth



Stylized Facts

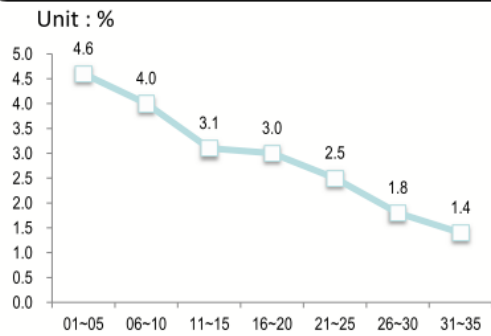
Potential growth rate decline



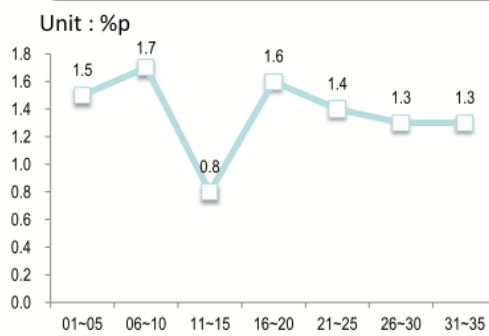
Key Reasons

- **Decreased** population growth rate
- **Not increasing** investment
- **End of “catch up”** economic growth

Korea's Potential Real GDP Growth Rate Prospects



Korea's Potential TFP Prospects



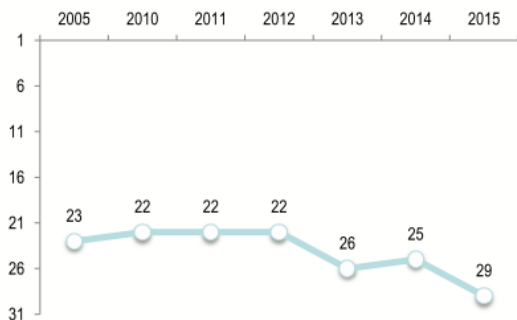
Source: Dongchul Cho, Economic Dynamism of Korea : with a Focus on the Comparison with Japan, KDI, 2014

Competitiveness and Life Satisfaction



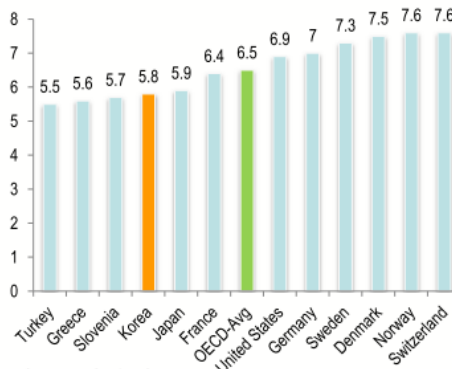
- **Declining national competitiveness**
- **Low life satisfaction**

Competitiveness Score Ranking Trend of Korea



Source: IMD

Life satisfaction Index by Countries(2016)



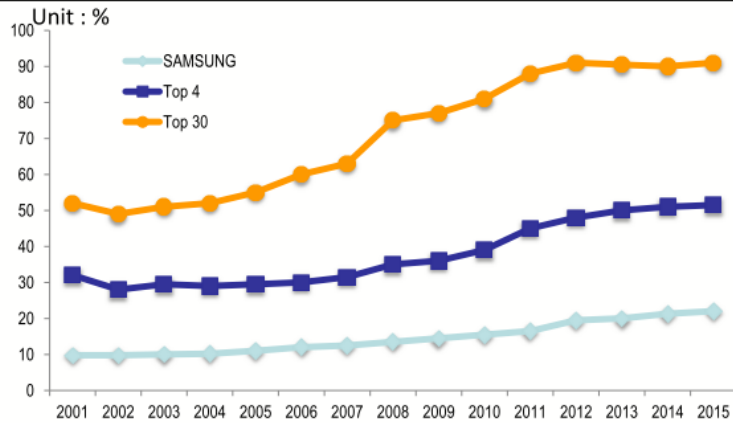
Source: OECD Stat

Wealth Concentration



High level of wealth concentration

Conglomerate (Chaebol) Wealth Ratio in Total GDP



Source: Sang-Jo Kim, Strategies and Tasks of Chaebol Reform, 2015

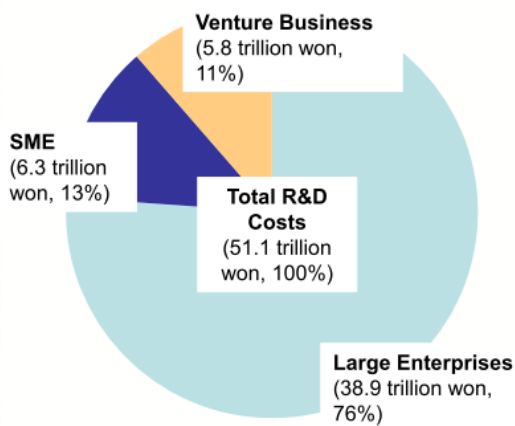
-10-

Increased Gap: Large Enterprises and SMEs



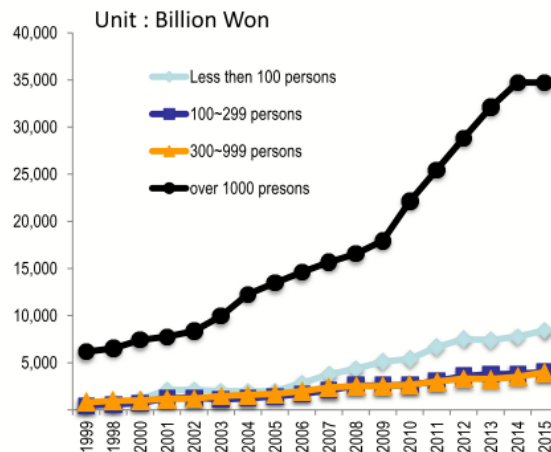
Significant gap in every aspect including R&D Costs

R&D Cost by Business Type (2015)



Source: National Science & Technology Commission

R&D Cost by Business Type (2015)



Source: National Statistical Office (NSO)

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Moon's Policy Solutions

4 Main Policies



- **Income-driven growth**
- **Strong Enforcement of Fair Trade Act**
- **Fostering SMEs**
- **Fostering the industries of the future**



2. Job Creation



Stylized Facts

Labor Market Situation



- Low labor market participation ratio of Youth and Women

Employment to Population Ratio By Type (2015)

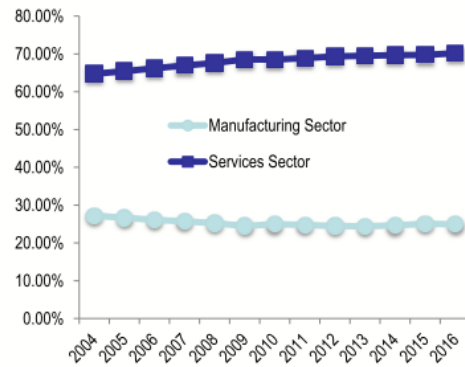
(Unit: %)

Type	Korea	U.S.	Sweden	Japan
Youth(15~24)	26.90	48.60	43.72	40.66
Senior(55~64)	65.94	61.52	74.64	69.97
Women	49.94	53.74	64.44	48.06

Source: OECD Stat.

- Decreased role of manufacturing sector

Employment to Population Ratio Trend By Sector (2015)



Source: OECD Stat.

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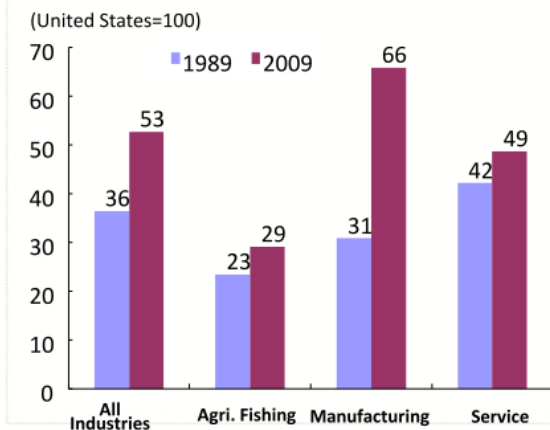
Increased Gap between Manufacturing and Service Industry



Between 1989-2009

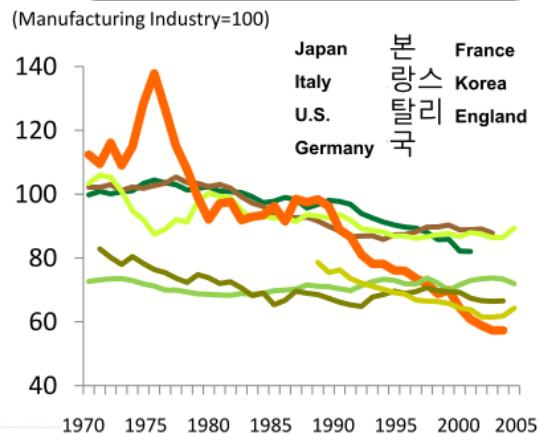
- Manufacturing Labor Productivity: Major Increase (U.S.=100, 31→66)
- Service Labor Productivity: Minor Increase (42→49)
- Wage Disparity: Increased since early 1990s

Value Added per Person(PPP Standard)



Source: OECD STAN Database

Employee Wage in Service Industry



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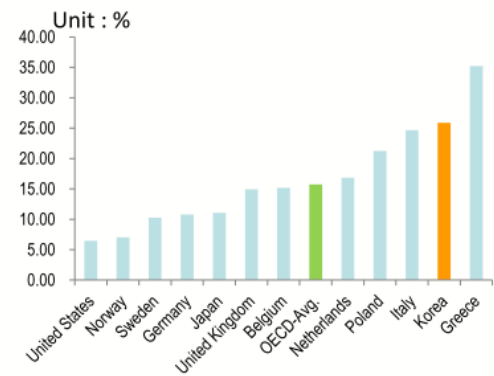
Excessive Ratio of Small-Scale Enterprises



- Ratio of Independent Business Owners: Top among OECD Nations

- Employment Ratio of Small-Scale Enterprises: high level in the world

Ratio of Independent Business Owners (2015)



Source: OECD Stat.

Employment Ratio by Business Size (2014)

(Unit: %)

Business Size	Korea	U.K.	Germany	Japan	U.S.
1-9 persons	26.2	9.0	5.3	7.0	5.4
10-249 persons	55.2	48.2	39.6	58.7	31.2
250 more	18.6	42.8	55.1	34.3	63.4

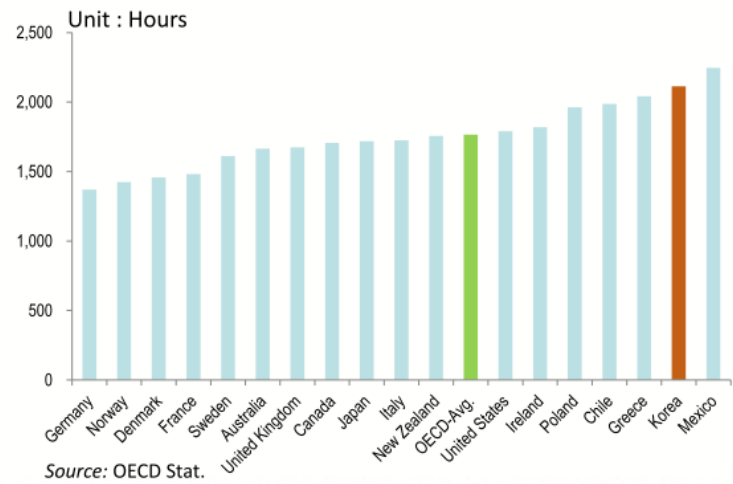
Source: OECD Stat.

Long Working Hours



- Working hours are quite long compared to other OECD countries

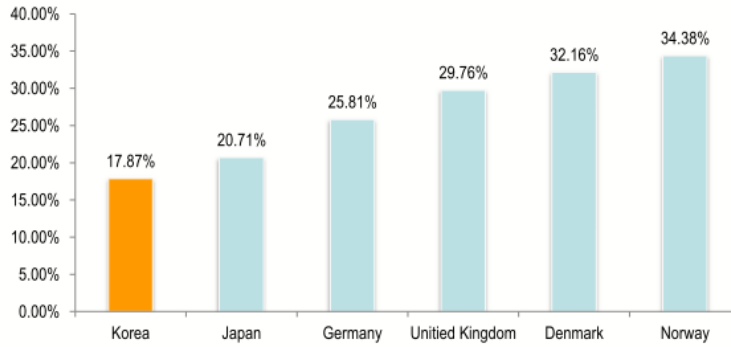
Hours Worked by Countries



Source: OECD Stat.

■ Small public sector jobs in Korea

Employment Ratio of Public work Activities



Source: OECD Stat.

* Public Work = Public administration and defence + Education + Health and social work

Moon's Policy Solutions

- **Expansion of public sector jobs**
- **Shortening working hours**
- **Fostering SMEs and the industries of the future**
- **Forming the Committee on Job Creation**



3. Fair Income Distribution

Stylized Facts

Worsened income inequality due to Changes in Industrial Structure



■ Income inequality worsen since late 2000s

- Relative Poverty Rate: 2006, 16.6% → 2016, 19.5% (+3.2%p)
- 20:20 Ratio: 2006, 6.65 → 2016, 9.32 (+2.67)

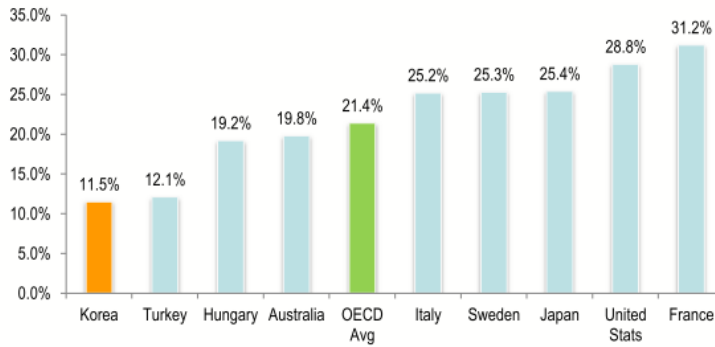
Korea's Income inequality Index

Index Type/Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gini's Coefficient	0.33	0.34	0.34	0.34	0.34	0.34	0.33	0.33	0.34	0.34	0.35
20:20 Ratio	6.65	7.09	7.38	7.7	7.74	7.86	7.51	7.59	8.08	8.24	9.32
Relative Poverty Rate(%)	16.6	17.3	17.5	18.1	18	18.3	17.6	17.8	17.9	18.6	19.5
Top 1% Income Share (%)	10	11	11	11	11	12	12	-	-	-	-
Top 10% Income share (%)	41	42	42	42	43	44	45	-	-	-	-

Source: National Statistical Office

■ Korea's welfare spending lowest among OECD

Net Total Social Expenditure in % GDP



Source: OECD Stat.

Moon's Policy Solutions

2 Main Policies

- **Minimum wage increase**
- **Invest in Welfare**

III. Comments

Need to improve microscopic flexibility



■ Greater flexibility, faster recovery

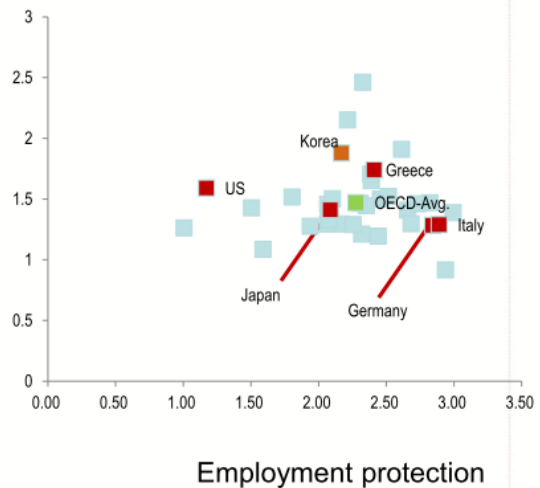
- competitive commodity market
- flexible labor market

■ Efforts needed to improve overall flexibility

- increased punishment for rigged bid
- termination of enterprise and industrial policy aimed at protection, facilitation of M&A
- revitalization of private rental housing market
- reformed wage system, reduced full-time employment protection

OECD Commodity market regulation and employment regulation index (2013)

Commodity market regulation index



Source: OECD

Note: Product Market Regulation and Employment Protection Legislation, 0=least regulated, 6=most regulated

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Public education's insufficient support for employment



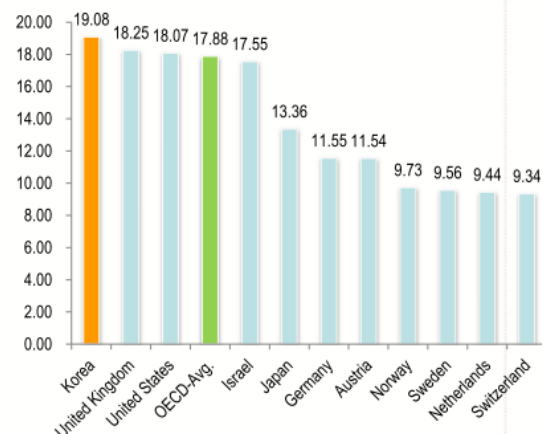
■ Increased mismatch between education acquired and demands of industries

- Increased youth unemployment (2010, 34 thousand, 8.0%)

■ Expansion of college education mainly in general colleges

- Enrollment (1999 → 2010)
 - General Colleges: 31.9 → 35.9 (thousand)
 - Technical Colleges: 30.7 → 24.9
 - Industrial Colleges: 3.1 → 1.8

Ratio of NEET among College Graduates (Age 15~29, 2013)



Source: OECD Stat.

Note: NEET is neither in employment nor in education or training. Korea and New Zealand 2005, England 2003

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- Restructuring universities based on new demand
- Enhancing the efficiency of government R&D
- Find a new way to support SMEs
- Tax reform



Thank You

ZHANG Qi

**Vice-Director-General, Research Department of Foreign Economic
Relations, Development Research Centre of the State Council**



China's opening-up under the New Normal

Zhang Qi

Deputy Director-General

Research Dept. of Foreign Economic Relations

Development Research Center of the State Council, China

◆ **Since 2015, frequently asked the questions:**

- How is China's economic performance?
- What's the implications on the world economy
- What policies will be taken to tackle the new situation?

2

◆ **China's economic new normal**

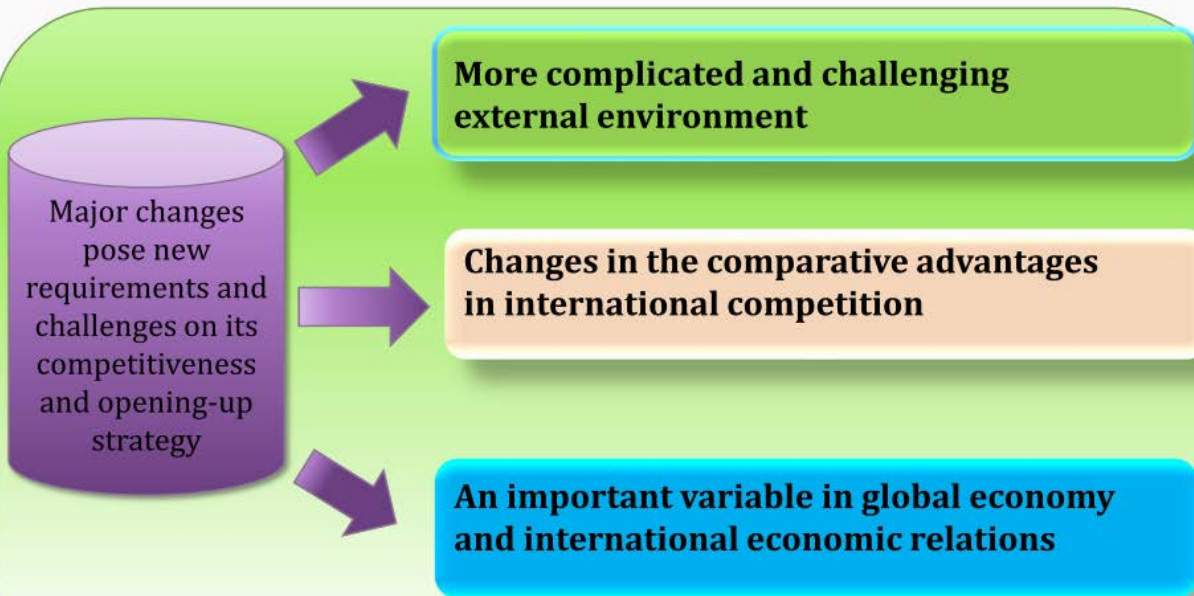
Domestic: "New Normal" emerged with three notable features

- the economy has shifted from the previous high speed to a medium-to-high speed growth
- the economic structure is constantly improved and upgraded
- input and investment driven → increasingly innovation driven

External: another kind of "new normal"

3

changing external environment and relations

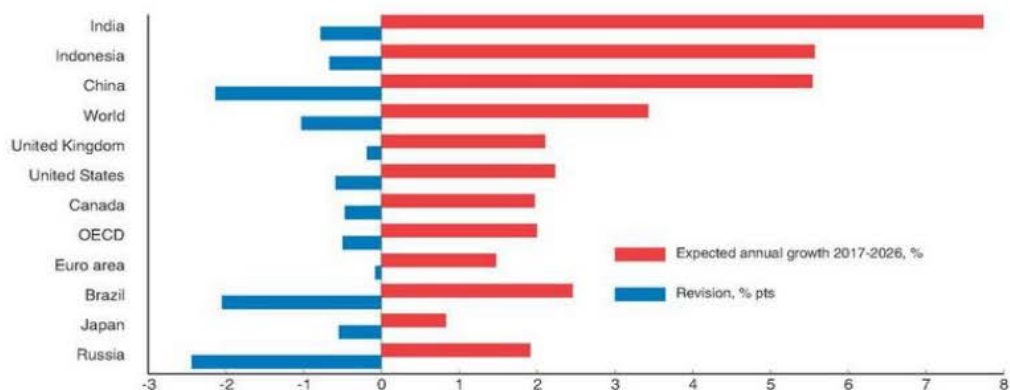


4

External

◆ Weak global economic recovery?

Figure 1.6. Long-term GDP growth expectations have declined over the past five years



Note: The revision is the difference between April 2011 projections of average annual GDP growth over 2012-2021 and April 2016 projections of average annual GDP growth over 2017-2026. OECD and World estimates based on weighted average of available countries, using 2015 PPP shares.

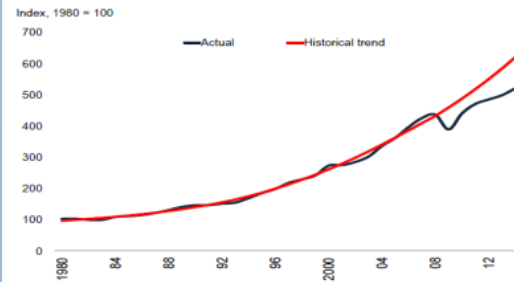
Source: Consensus Forecasts; and OECD calculations.

StatLink <http://dx.doi.org/10.1787/888933437197>

5

External

World trade growth has been significantly subdued in recent years.



Source: World Bank.

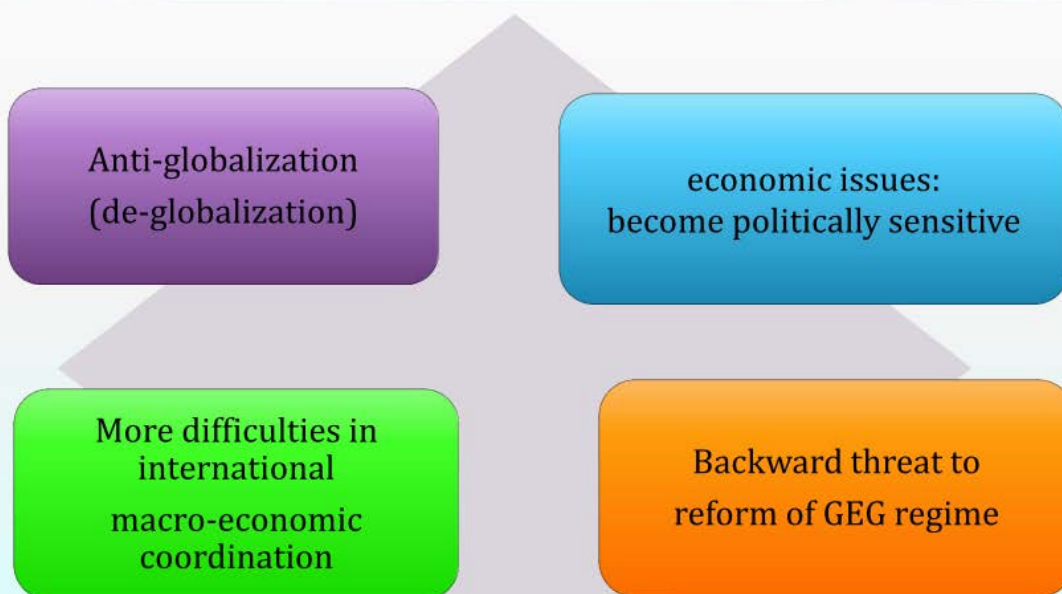
Note: World trade refers to total world imports. The historical trend is computed over the 1970-2014 period, smoothed using a Hodrick-Prescott filter.

- ◆ trade: end of hyper-globalization (twice the growth rate of GDP)
- ◆ capital flow: not back to pre-crisis level

	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP	4.0	1.5	-2	4.1	2.9	2.4	2.5	2.5	2.8
TRADE	8	3	-10.6	12.6	6.8	2.8	3.5	3.4	-14.1
FDI	34	-20.4	-20.4	11.9	17.7	-10.3	4.6	-16.3	36
FDI value (\$ trillion)	1.9	1.49	1.19	1.33	1.56	1.4	1.47	1.23	1.6

6

Black Swan Events happened in 2016 such as Brexit , Trump elected, etc.



prominent change of China's position & implications

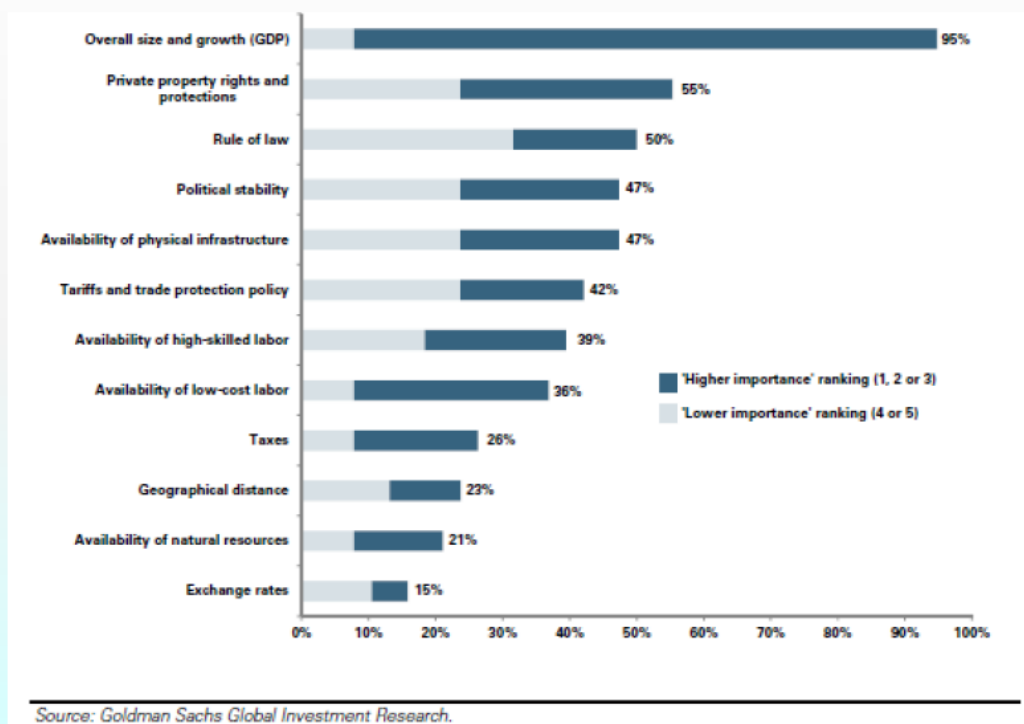
- ◆ **Affected by the world → more impact on others**
become an important viable in world economy
Catch up the opportunities → create opportunities

- IMF: biggest **contribution to world economic growth**: China (more than 1/3), BRICKS (over 45%), US +EU + Japan (20%)

- Biggest economy by 2025 (Prediction by WB, Price-water Ltd, DRC)

8

Figure: key factors behind US firms' decision-making on FDI to China



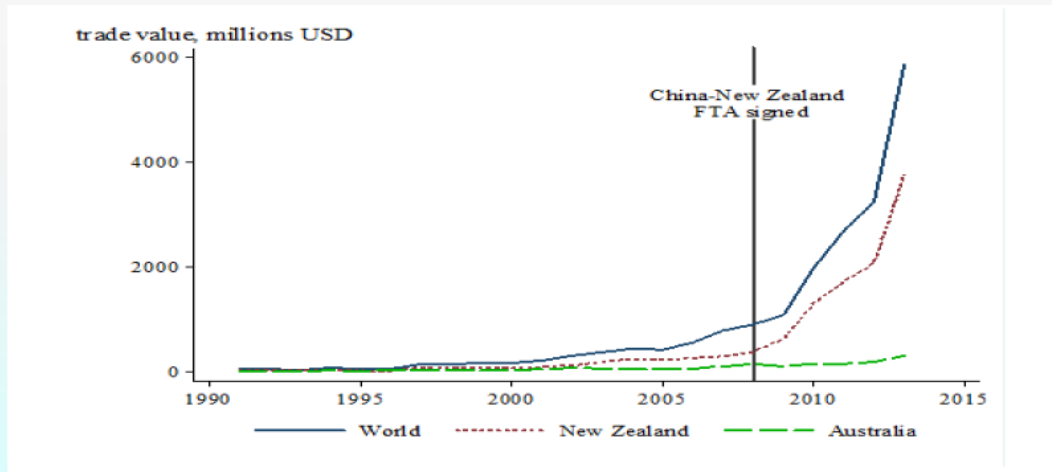
➤ **Import:**

- **Market: potential is big in reality**

slow down but remarkable, over \$ 1000 bn. in the next five years

- **Great effects on export to China by China's FTA partner**

figure: dairy export to China



**China's economic performance:
getting stable with manageable challenges**

◆ **Efforts : structural reform and further opening up**

(三去一降 + 扩大开放)

cutting overcapacity, reducing inventory, lowering costs as well as shoring up weakness has achieved notable results, new economy enjoyed rapid growth (getting more stable).

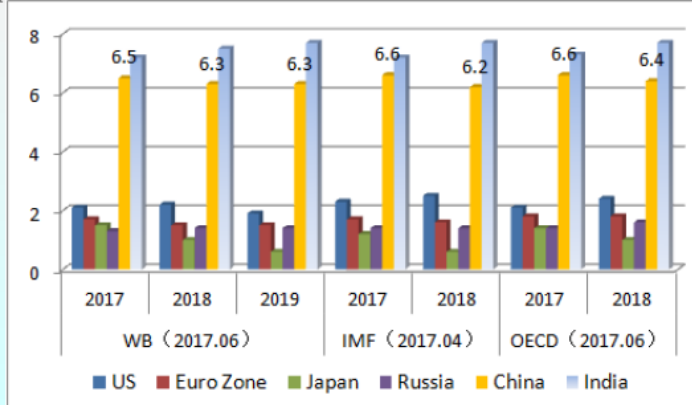
◆ **Positive signals with development potentials**

- International org.'s outlook

- Policy tools

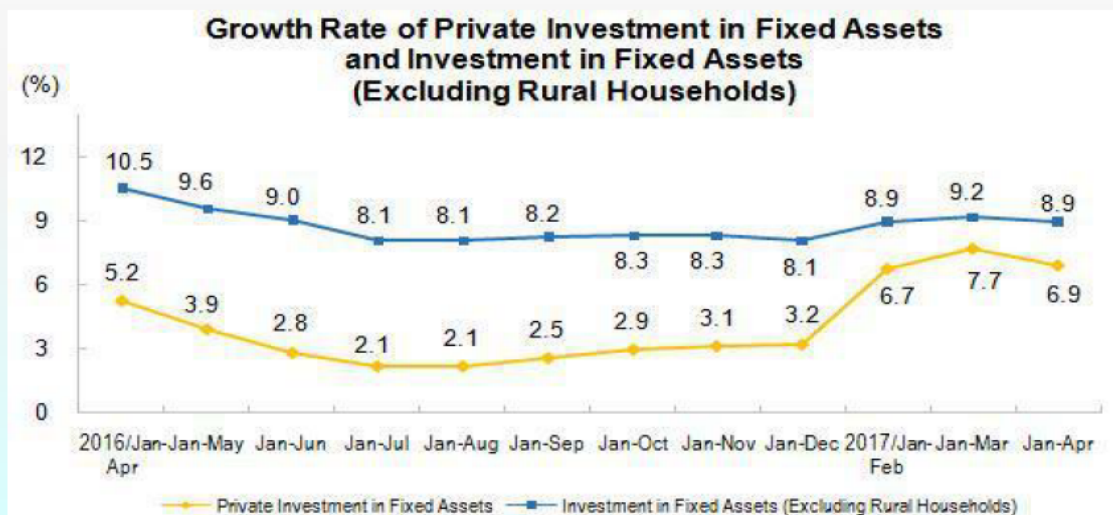
- Employment: new jobs

13million (2015)



Investment in Fixed Assets

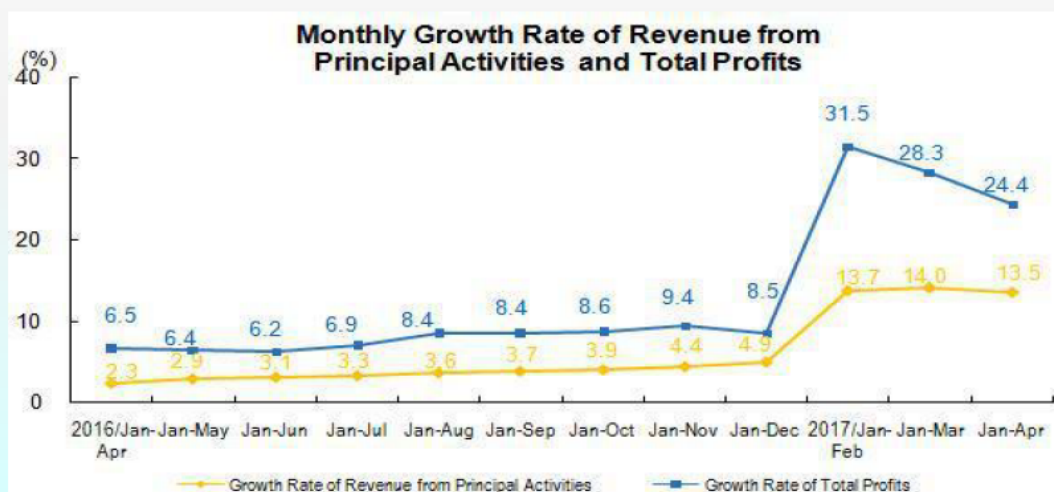
- ◆ In the first four months of 2017, the private investment in fixed assets reached increase of 6.9 percent in nominal terms. The proportion of private investment in fixed assets to the total investment in fixed assets (excluding rural households) was 61%.



12

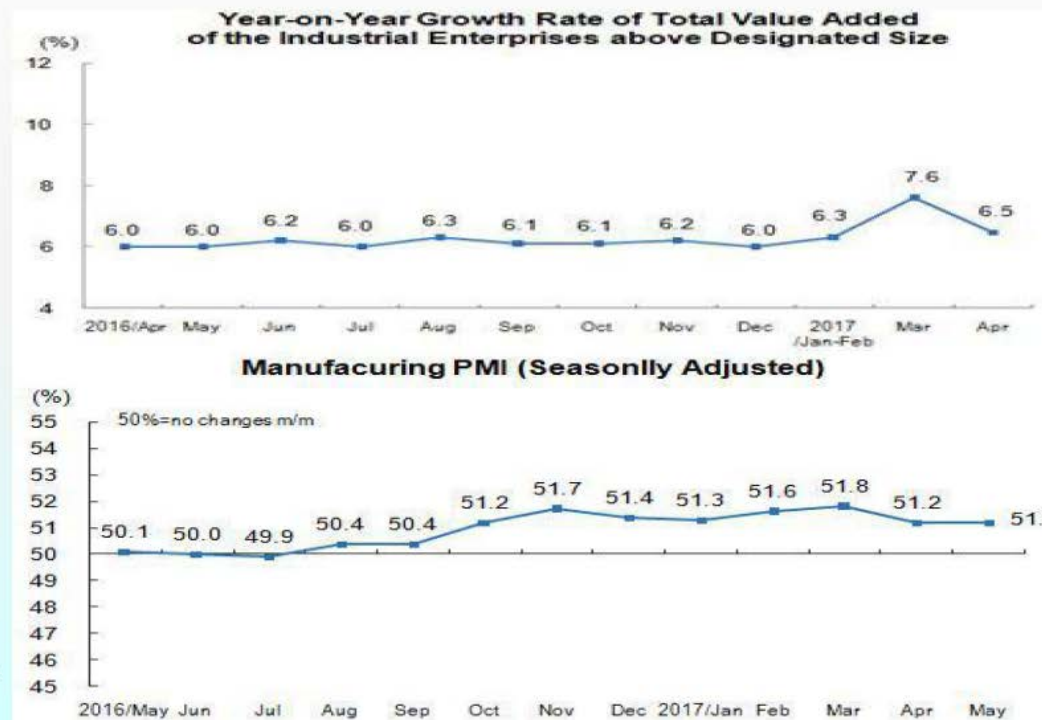
Industrial Profits Increased

- ◆ In the first four months of 2017, the profits made by industrial enterprises above the designated size achieved 2,278.03 billion yuan, a year-on-year increase of 24.4 percent
- ◆ Much better performance than 2016



13

- **Total value added:** growth rate picked up slightly
- **PMI improved:** China's manufacturing (PMI) continued to be higher than the threshold, manufacturing industry grew steadily.



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***Better understanding of the situation today,
better policy for the future***

➔ *comprehensive reforms: a supportive institutional arrangement is required + urgent*

**➔ *further opening-up: from “we should” to “we will”
to push forward the reform and development***

15

China's endeavors: continue to promote a new round of higher-level opening up to the outside world

◆ **Two-way opening-up:**

- rapid growth of ODI
- New FDI policies (2017)

◆ **Further opening up by experimental reforms and pilot zones**

Pilot FTZs in Shanghai, Guangdong, Tianjin & Fujian and 7 new areas

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**advocating new concepts for international cooperation:
open , inclusive and mutual beneficial**

- **trade & investment liberalization and facilitation**
- **regional cooperation**
FTA network + B&R initiative + functional cooperation
- **global economic governance**

**➔to build a fair, open, inclusive & sustainable
world economic order by providing more public goods**

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To Improve infrastructure connectivity

- ◆ **Poor connectivity in the region:**

lead to high cost and low efficiency affects trade & investment environment

- ◆ **Already start to see the effects:**

“2015 World Investment Report” by UNCTAD: “connectivity become an important factor for FDI inflow” due to regional cooperation initiatives (World total FDI reduced by 14% in 2014, but the FDI to South-east Asia went up 10% + M&A in infrastructure in the region increased by 3 times)

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Final words

- ◆ **China benefit greatly from adopting reform and opening-up strategies and policies**

- critical period of entering into stable stage, if challenges could be managed properly + policy tools to deal with uncertainties

- Maintain 6.5% by 2020, 5.5% by 2030 (conditions)

- ◆ **China’s economic development and opening up under the “new normal” not only avoid collapse as foreseen by some pessimists, the more China grows and opening up, the more development opportunities it will create for the world**

- ◆ **China would like to cooperate with other countries and regions to eventually reach “win-win” in future development**

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Thank you

DRC 国务院发展研究中心
Development Research Center of the State Council
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KAWAI Masahiro
Superior Research Fellow, JFIR / Project Professor, Tokyo University

Prospects for CJK Economic Cooperation

Masahiro KAWAI

**Japan Forum on International Relations
Graduate School of Public Policy, U. of Tokyo
Economic Research Institute for Northeast Asia**

Trilateral Economic Symposium

"Globalization at a Crossroads and Prospects for Trilateral
Economic Cooperation"

Co-sponsored by:

Japan Forum on International Relations (JFIR) and
Trilateral Cooperation Secretariat (TCS)

Tokyo 22 June 2017

Outline

- **Introduction**
- **Issues of common interests**
- **Cross-border tourism**
- **Trade and FDI: CJK FTA and RCEP**
- **Infrastructure connectivity**
- **Financial cooperation**
- **Conclusion**

2

1. Introduction

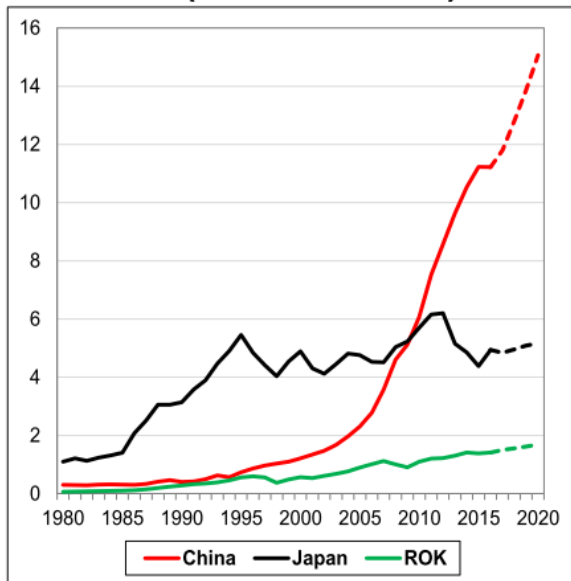
- China, Japan and Rep. of Korea have been deepening their economic interdependence
- Yet, their political relations do not seem to be at their best (history, territorial issues, South China Sea, THAAD* missile)
- Three questions:
 - ▢ What should be the strategy for Northeast Asia to revive sustained economic growth?
 - ▢ Can the CJK identify areas of common interests and cooperate to create positive sum results?
 - ▢ Can the CJK show some incentives for DPRK to return to the international community

*THAAD = Terminal High Altitude Area Defense

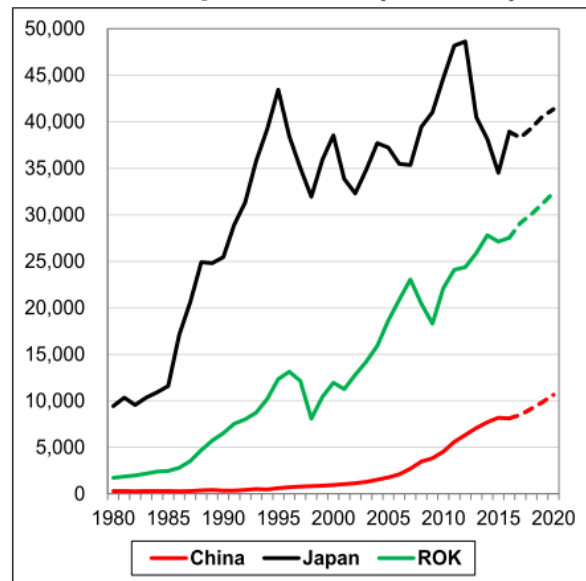
3

GDP and per capita GDP of CJK (at current prices in US dollars)

GDP (in US\$ trillion)



Per capita GDP (in US\$)



Note: Dotted lines are the projections made by the IMF

Source: IMF, World Economic Outlook database, April 2017

4

Maintaining peace and security

- Asia's economic success has been possible due to peace and stability in the region
- For this success to continue, Asia needs to manage international conflict through peaceful means, not through military action
- Possible military conflict Asian countries may face:
 - ▣ Korean peninsula, involving DPRK
 - ▣ Between China and Japan
 - ▣ Between China and India
 - ▣ Between China and the US

5

Regional economic cooperation and integration

- Deeper economic cooperation is expected to reduce the risk of military conflict with each other
- Addressing common domestic issues:
 - Declining potential growth
 - Aging and pressure on social sector protection
 - Environmental degradation
 - Maintaining financial stability
- Economic cooperation for integration through:
 - Cross-border tourism
 - Trade and investment
 - Infrastructure connectivity
 - Regional financial integration and stability
- Demonstrating economic incentives to DPRK to peacefully return to the international community

6

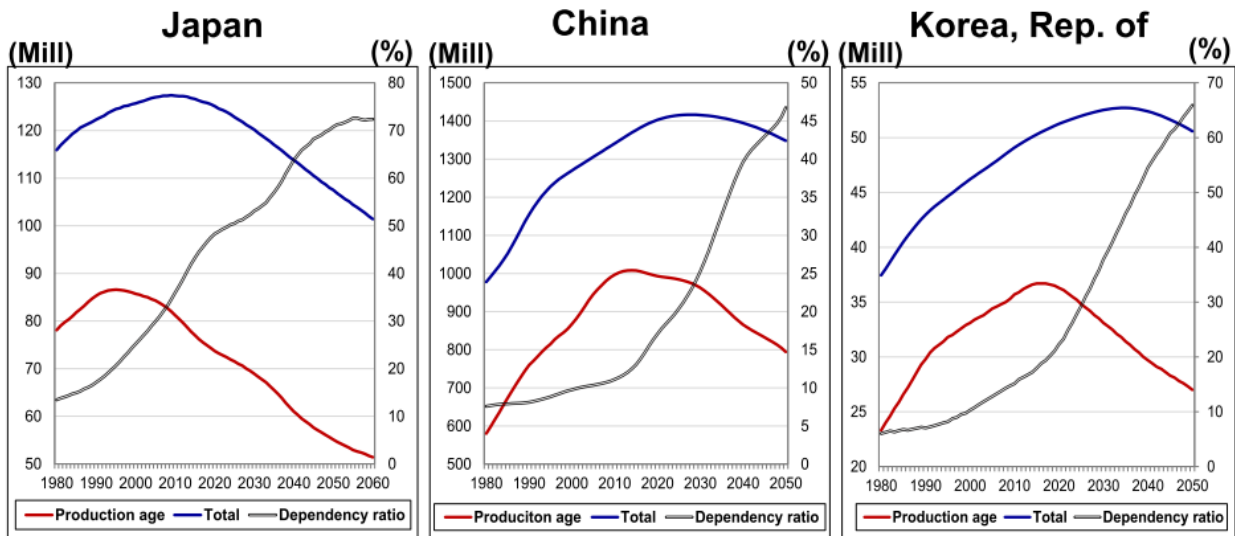
2. Issues of common interests

Overcoming structural impediments to sustained economic growth

- Raising potential growth
 - Tackling population aging and declines in production-age population, and low fertility rate
 - Improving labor productivity through greater investment, innovation, SME development, services sector growth
- Strengthening the social security system
 - Coping with population aging (pension, health)
 - Reducing income inequality
- Improving the environment, energy efficiency
- Avoiding long-term stagnation following a possible bursting of asset price bubbles

7

Total population, production-age population, old-age dependency ratio (Million, %)



Source: Constructed by author from data released by United Nations, World Population Prospects: The 2015 Revision.

8

3. Promoting cross-border tourism

- Inbound tourism provides economic benefits for tourist-receiving countries
- Outbound tourism also benefits tourists in terms of personal satisfaction and, at the same time, contributes to people-to-people exchanges and mutual understanding

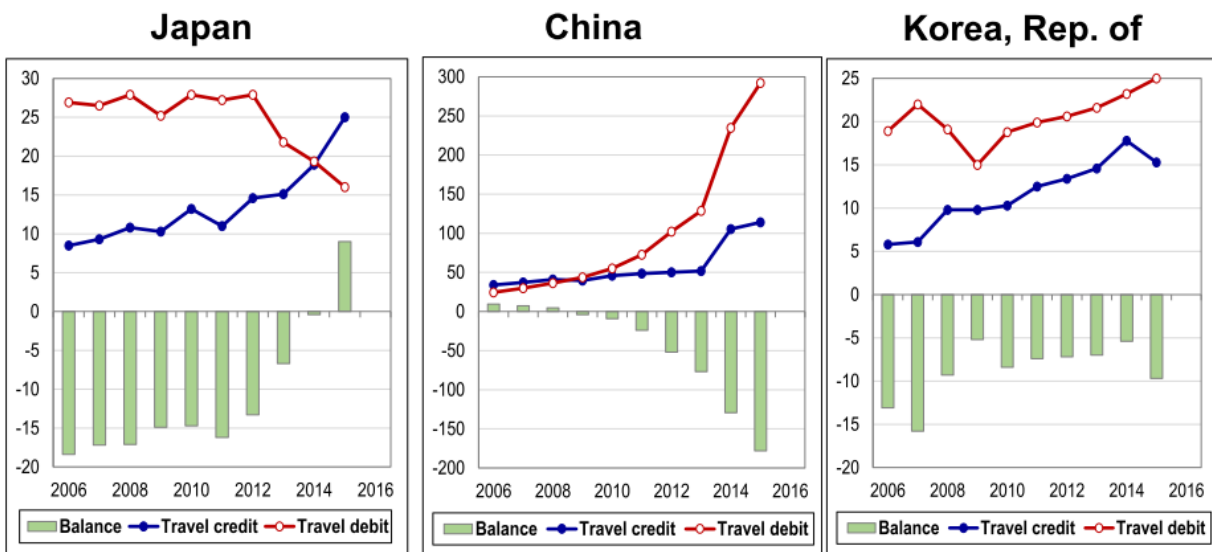
Cross-border travel receipts and spending (Billion \$US, % of GDP, 2015)

	China	Japan	ROK
Travel receipts	114.1 (1.0%)	25.0 (0.6%)	15.3 (1.1%)
Travel spending	292.2 (2.7%)	16.0 (0.4%)	25.0 (1.8%)

Source: Constructed by author from data of Japan National Tourism Organization (JNTO), which are based on UN World Tourism Organization (WTO).

9

Cross-border travel receipts and spending (Billion \$US)



Source: Constructed by author from data released by the World Tourism Organization, based on national balance of payments data.

10

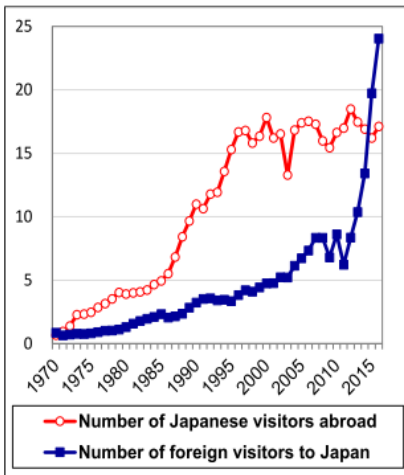
Japan's outbound tourism a challenge

- Japan's cross-border travel receipts and spending are low, as a % of GDP, compared with China's and ROK's
- Although Japan's inbound tourism has risen significantly partly due to an increase in the number of tourists from China, its outbound tourism has been stagnant since the mid-1990s
- The numbers of Japanese tourists visiting China and ROK have declined, reflecting greater sensitivity of Japanese to unfavorable bilateral political relations
- Promoting Japanese outbound tourism is key

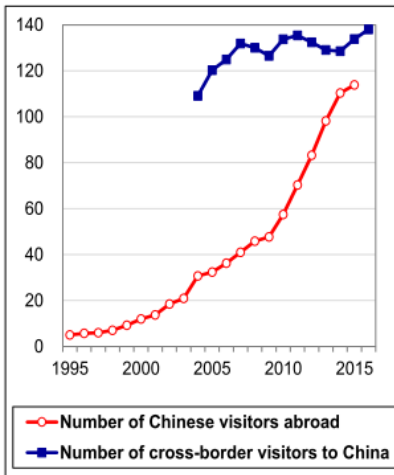
11

Number of outbound and inbound visitors for Japan, China and ROK (Million)

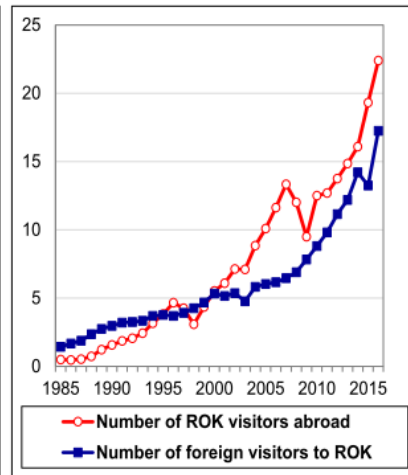
Japan



China



Korea, Rep. of



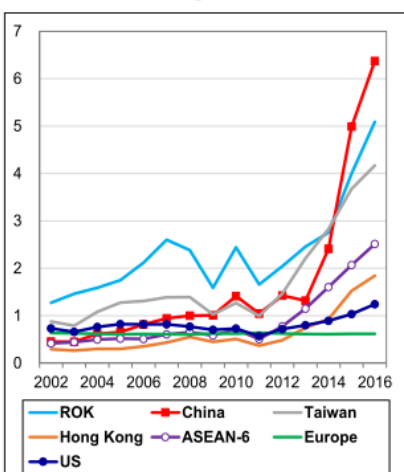
Note: China's data include the number of outbound Chinese visitors to, and the number of inbound visitors from, Hong Kong, Macau and Taiwan.

Source: Constructed by author from outbound data released by the World Tourism Organization from inbound data released by the national authorities, i.e., Japan National Tourism Organization (JNTO), China National Tourism Administration (CNTA), and Korea Tourism Organization (KTO)

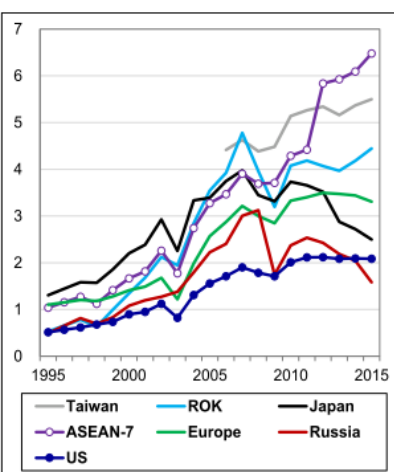
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Number of inbound visitors for Japan, China and ROK (Million)

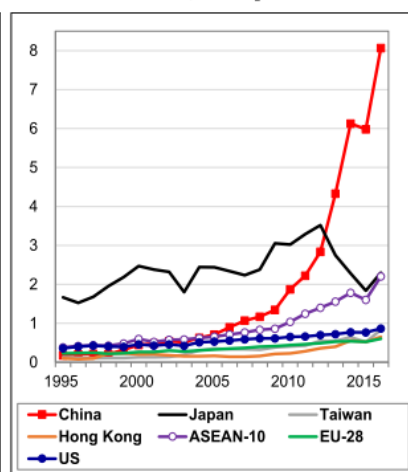
Japan



China



Korea, Rep. of



Source: Constructed by author from inbound data released by national authorities, i.e., Japan National Tourism Organization (JNTO), China National Tourism Administration (CNTA), and Korea Tourism Organization (KTO)

13

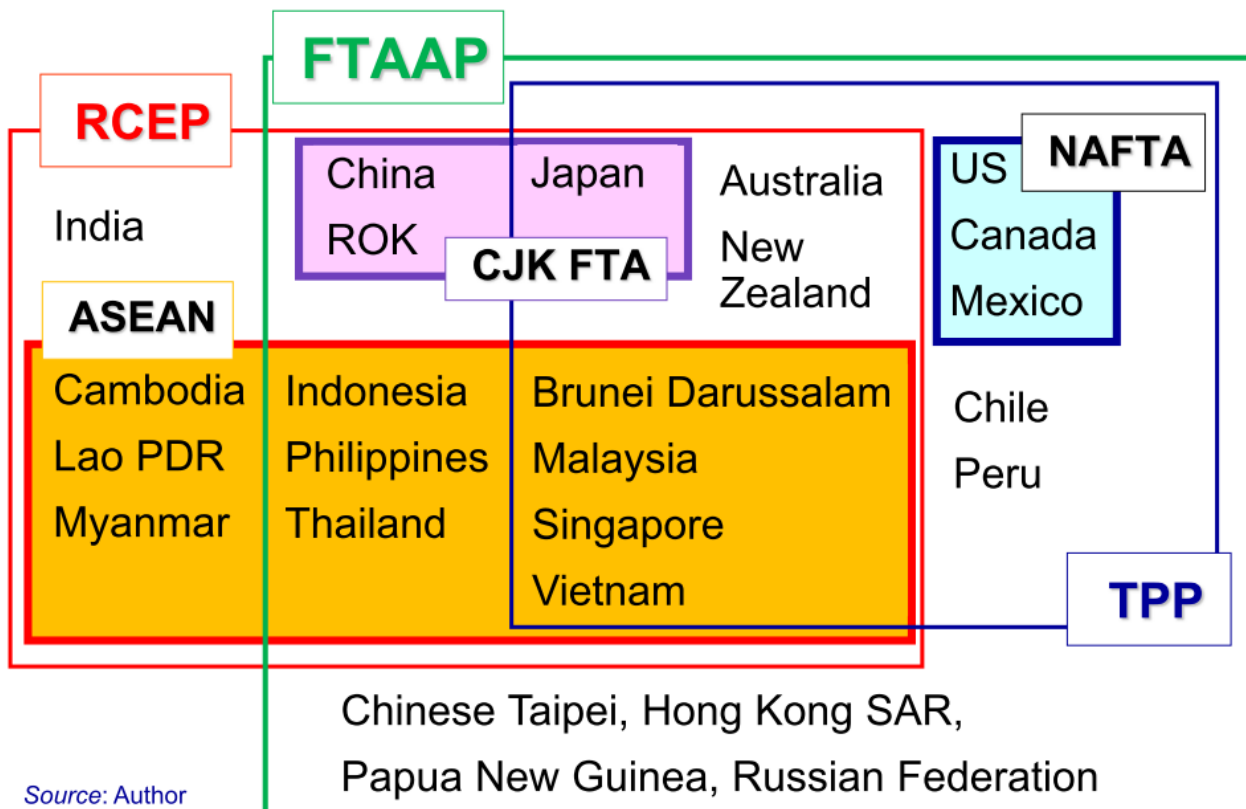
4. Trade and investment

CJK FTA, RCEP, TPP, FTAAP

- Japan-ROK FTA negotiations began in Dec. 2003 but suspended in Nov. 2004
- CJK trilateral investment agreement signed in May 2012
 - Building on 3 bilateral investment agreements (China-Japan 1989, Japan-ROK 2003, China-ROK 2007)
 - National treatment after entry, MFN, IPR
- Start of CJK FTA negotiations agreed in Nov. 2012
 - 12 rounds of negotiations held during Feb. 2013 - Apr. 2017
- Start of Regional Comprehensive Economic Partnership (RCEP) negotiations declared in Dec. 2012
 - 18 rounds of negotiations held during May 2013 – Apr. 2017
- Given US President Trump's withdrawal from Trans-Pacific Partnership (TPP), there is a stronger case for RCEP, for which a CJK FTA is needed
- Free Trade Area for Asia-Pacific (FTAAP) an Asia-Pacific-wide FTA, including all 21 APEC member economies

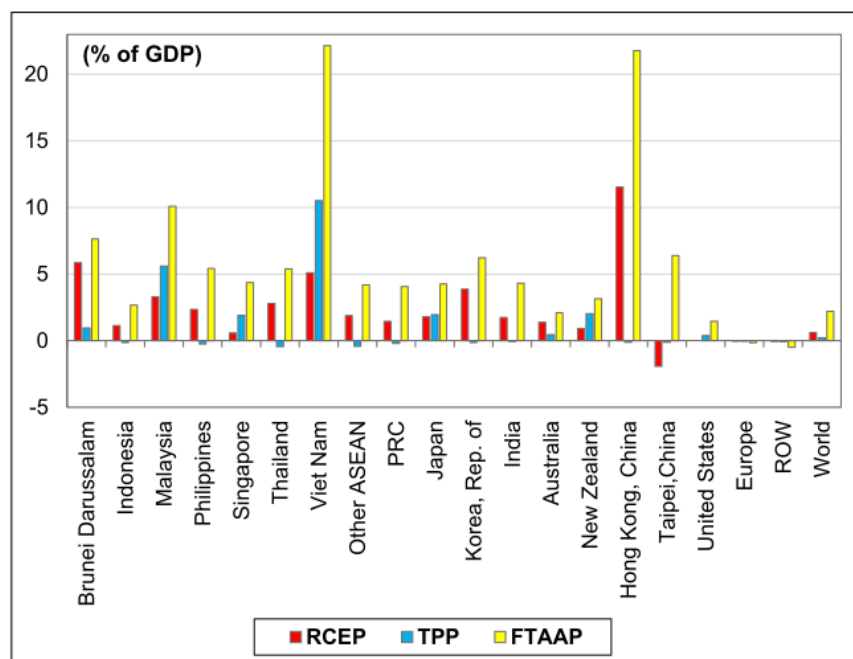
14

Negotiating countries for TPP, RCEP, FTAAP



Income effects of the RCEP, TPP, FTAAP

Income effects relative to the 2025 baseline (% of GDP)



- RCEP a major regional FTA in East Asia
- TPP originally US-centered Asia-Pacific FTA
- An eventual FTAAP offers much larger gains than RCEP & TPP
- Insiders gain while outsiders loose little

Source: Petri and Plummer (2014).

Obstacles to a CJK FTA

- The largest obstacles have been unfavorable political relationships for China-Japan and Japan-ROK
- Another obstacle is uncertain effects of a CJK FTA on industries in China and ROK
- Major issues of a CJK FTA for each country
 - ▢ Japan has concerns over agriculture and fisheries vis-à-vis China and ROK
 - ▢ China has concerns over manufacturing (chemical, automobiles, machinery) vis-à-vis ROK and Japan, particularly competitive pressure on local automakers who account for 25% of the market share
 - ▢ ROK has concerns over manufacturing (general machinery, electronics, automobiles) vis-à-vis Japan because of lower competitiveness and rising and larger trade deficits and over limited gains because of Japan's already low tariff rates; ROK also has concerns over agriculture and fisheries against China

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Schematic description of comparative advantage of CJK

	China	Japan	ROK
Agriculture	Strong	Weak	Moderate (stronger than Japan, weaker than China)
Manufacturing	Weak	Strong	Moderate (stronger than China, weaker than Japan)

Source: Author

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Obstacles to the RCEP

- RCEP: ASEAN-centered with ASEAN+6 countries
 - ▢ Not as ambitious as the TPP in liberalization and rule-setting, but includes both developed and less developed countries, allowing special and differential treatment for the latter
 - ▢ Focus on goods trade, services trade, investment, economic technical cooperation, intellectual property, competition policy and dispute settlement
- Different interests among major economies:
 - ▢ Japan wants to achieve a high degree of liberalization and include a wide range of trade and investment rules (e-commerce, IPR, competition, government procurement, etc); Japan may also wish to implement TPP earlier than RCEP
 - ▢ China wants to achieve a moderate degree of trade liberalization in a way that most ASEAN countries support it
 - ▢ India is reluctant to accept a high degree of trade liberalization due to fear of being exposed to highly competitive Chinese products

Liberalization rates of ASEAN+1 FTAs (%)

	AANZFTA	ACFTA	AIFTA	AJCEP	AKFTA	Average
Brunei Darussalam	99.2	98.3	85.3	97.7	99.2	95.9
Cambodia	89.1	89.9	88.4	85.7	97.1	90.0
Indonesia	93.7	92.3	48.7	91.2	91.2	83.4
Lao PDR	91.9	97.6	80.1	86.9	90.0	89.3
Malaysia	97.4	93.4	79.8	94.1	95.5	92.0
Myanmar	88.1	94.5	76.6	85.2	92.2	87.3
Philippines	95.1	93.0	80.9	97.4	99.0	93.1
Singapore	100.0	100.0	100.0	100.0	100.0	100.0
Thailand	98.9	93.5	78.1	96.8	95.6	92.6
Viet Nam	94.8	n.a.	79.5	94.4	89.4	89.5
ASEAN6	97.4	95.1	78.8	96.2	96.8	92.8
CLMV	91.0	94.0	81.2	88.1	92.2	89.0
ASEAN10	94.8	94.7	79.7	96.2	94.9	91.3
Australia–New Zealand	100.0	–	–	–	–	100.0
PRC	–	94.1	–	–	–	94.1
India	–	–	78.8	–	–	78.8
Japan	–	–	–	91.9	–	91.9
Korea, Rep. of	–	–	–	–	90.5	90.5
Total Average	95.7	94.7	79.6	92.8	94.5	91.3

Note: Harmonized System HS2007 version, HS6-digit base. Data for Viet Nam under ACFTA are not available. Data for Myanmar under ACFTA are incomplete as no data are available for HS01-HS08. Source: Authors' compilation from Fukunaga and Isono (2013).

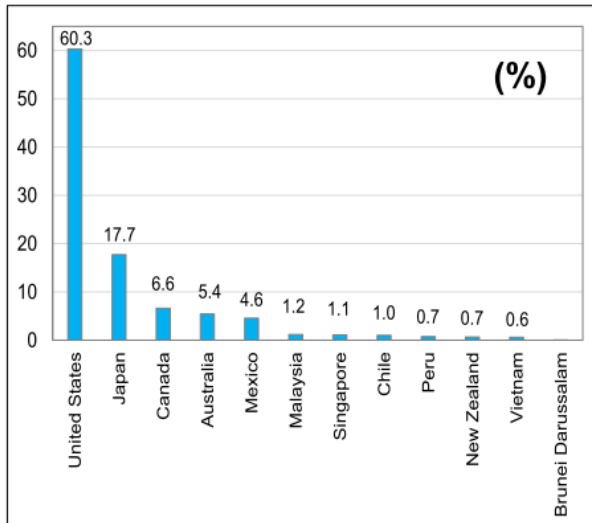
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What should be done with TPP?

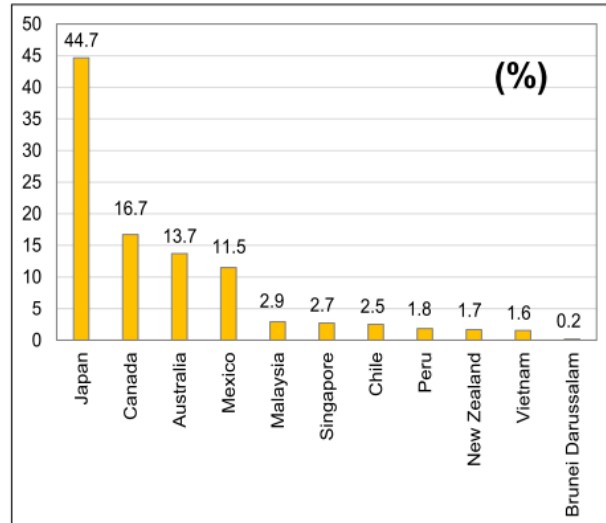
- The Japanese parliament (and then NZ) approved TPP
- US President Donald Trump signed the Presidential Executive Order to withdraw from TPP
- Reasonable options for TPP members:
 - The presence of the US is vital, but in the event of implementing TPP without the US there should be no change to TPP in framework or membership and no re-negotiation
 - Implement TPP among the 11 members without the US, by keeping the same text, annexes, and other documents, except a certain part of Chapter 30 (at least six of the original signatories, which together account for at least 85 per cent of the combined GDP, must approve)
 - If Canada and a few others cannot join soon, implement TPP among countries that are ready to do so
 - At the same time, continue negotiating RCEP
- Reasons for the launch of TPP without the US:
 - TPP can be a model for the 21st century trade and investment rules in the Asia-Pacific region
 - The US (& others) can always come back to the TPP without new negotiations
 - TPP member countries may acquire a certain degree of negotiating power against the US (if the US proposes bilateral FTAs)

Share of GDP in all members' GDPs

Including the US



Excluding the US



Note: Data are for 2013 GDP

Source: Computed from IMF, *World Economic Outlook* database, October 2016

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5. Infrastructure connectivity

- Infrastructure connectivity essential to promote cross-border tourism, business, trade & investment
 - ▣ It can reduce economic distance and increase density & scale of economic activity (agglomeration) within and between countries
- Opportunities in Northeast Asia:
 - ▣ Infrastructure connectivity in China's Northeast (Liaoning, Jilin, Heilongjiang) and the Russian Far East useful as they are less developed areas compared to respective national economic centers
 - ▣ Mongolia as a land-locked country needs to work with China and Russia to have access to seaports
 - ▣ Japan and ROK need air and maritime connectivity to expand economic exchanges with each other and ROW
- Development of connectivity will help these regions in expanding cross-border economic exchanges

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Proposed LT transport corridors in NEA



Source: ERINA, *Vision for Northeast Asian transport Corridors*, 2002.

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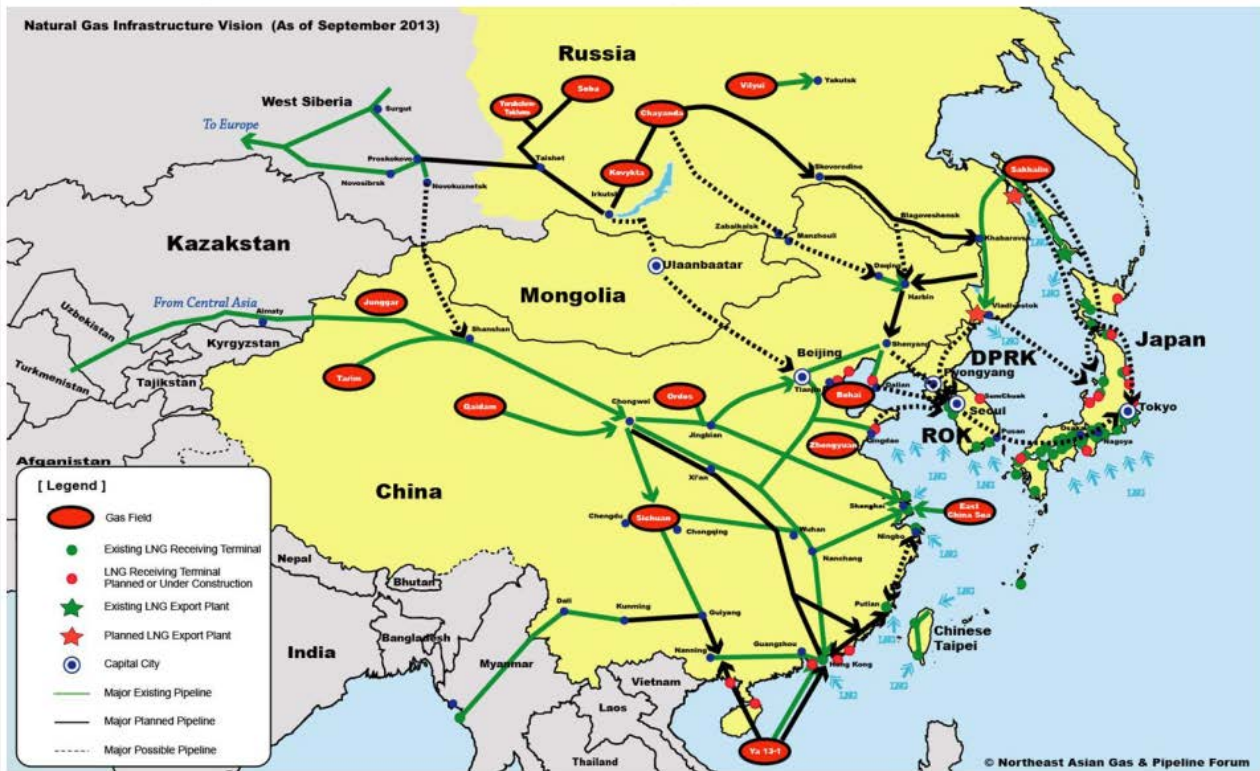
Need for air & maritime connectivity for ROK



Source: NASA (<https://www.nasa.gov/sites/default/files/iss038e038300.jpg>)

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Proposed LT natural gas infrastructure



Source: Northeast Asia Gas and Pipeline Forum

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Infrastructure investment needs

Annual indicative infrastructure investment needs in Northeast Asia (US\$ Bill)

Country /Area	Period covered	Northeast China	DPRK	Mongolia	Russian Far East	Cross-border	Total
		2010-20	2011-20	2010-15	2013-25		
Transport		12.6	4.3	0.7	4.0	0.8	22.4
Energy		31.0	1.0	0.8	0.9	1.2	34.9
ICT		4.0	0.0	0.1	0.0	0.1	4.2
Environment		1.2	0.0	0.1	0.0	0.1	1.4
Total		48.8	5.3	1.7	4.9	2.2	62.9

Notes: 1. The annual investment needs are obtained for each country or area by dividing the original data by the number of years of the period covered in the estimates.
2. The environment refers to water and sanitation.

Source: Kawai, Masahiro. "Financing Development Cooperation in Northeast Asia." *Northeast Asian Economic Review*, 1:10 (March 2013), pp. 1-40.

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Multilateral infrastructure financing cooperation in Northeast Asia

Membership of MDBs and GTI in NE Asia

	China	Japan	ROK	DPRK	Mongolia	Russia
World Bank	✓	✓	✓	--	✓	✓
ADB	✓	✓	✓	--	✓	--
EBRD	✓	✓	✓	--	✓	✓
AIIB	✓	--	✓	--	✓	✓
GTI	✓	✓	✓	--	✓	✓

ADB = Asian Development Bank; EBRD = European Bank for Reconstruction and Development; AIIB = Asian Infrastructure Investment Bank; GTI = Greater Tumen Initiative.

Note: GTI hosts the Northeast Asia EXIM Banks Association, including the EXIM Bank of China, Development Bank of Mongolia, EXIM Bank of Korea, and Bank for Development and Foreign Economic Affairs of Russia

AIIB's achievements and challenges

- AIIB established in Dec. 2015 and approved 16 projects by June 2017 with a total of \$2.5 billion
- AIIB's achievements so far
 - ▢ AIIB has been working with the existing MDBs, such as the ADB, EBRD and WB
 - ▢ So far, environmental and social standards seem to be sound, often based on the co-financiers' standards
 - ▢ So far, AIIB is trying to develop quality projects
- Key challenges for AIIB
 - ▢ Remaining concerns over governance & decision-making procedures, and over lending policies & standards
 - ▢ Coordination with stakeholders, including NGOs
 - ▢ Credit rating from global CRAs

Belt and Road Initiative: Achievements and challenges

- BRI's achievements so far
 - Too early to make judgements of its achievements
 - BRI a collection of various infrastructure projects (both cross-border and China's regional development) deemed to contribute to connectivity
- Key challenges for BRI
 - Concern that BRI is China's instrument to develop its own geopolitical influence of sphere (India)
 - Lack of indicators to assess BRI's progress
 - Absence of a multilateral coordinating body/process of various countries' cross-border connectivity initiatives (such as Russia's Eurasian Economic Partnership, Korea's Eurasian Initiative, and Mongolia's Steppe Road initiative)
- Prime Minister Shinzo Abe now considers BRI positively

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6. Financial cooperation

- Strengthening CJK policy dialogue on financial cooperation and identifying areas of cooperation
- Further developing, deepening and opening financial markets
- Transforming CJK financial hubs into global financial centers
- Promoting CJK currencies as international currencies
- Providing seamless financing for cross-border infrastructure connectivity
- Maintaining financial stability in CJK and beyond

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Strengthening CJK policy dialogue on financial cooperation

- CJK have bilateral, trilateral and multilateral processes for policy dialogue among FMs & CBGs on (macroeconomic &) financial cooperation
- It is useful to further strengthen CJK policy dialogue on financial cooperation and identify areas of cooperation
- The trilateral CJK FMs and CBGs process is encouraged to establish working groups on key cooperation issues (financial development & deepening, financial centers, currency internationalization, infrastructure investment financing, financial stability) and jointly implement cooperation measures

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Financial market development and deepening

China's challenge

- China's banking system dominated by state-owned commercial banks (SOCBs) — need to further develop private banks and reduce the presence of SOCBs
- Local-currency bond markets — need to nurture contractual savings institutions, particularly given the aging of its population
- Need to address shadow banking, high corporate leverage, zombie firms

Common challenges for CJK

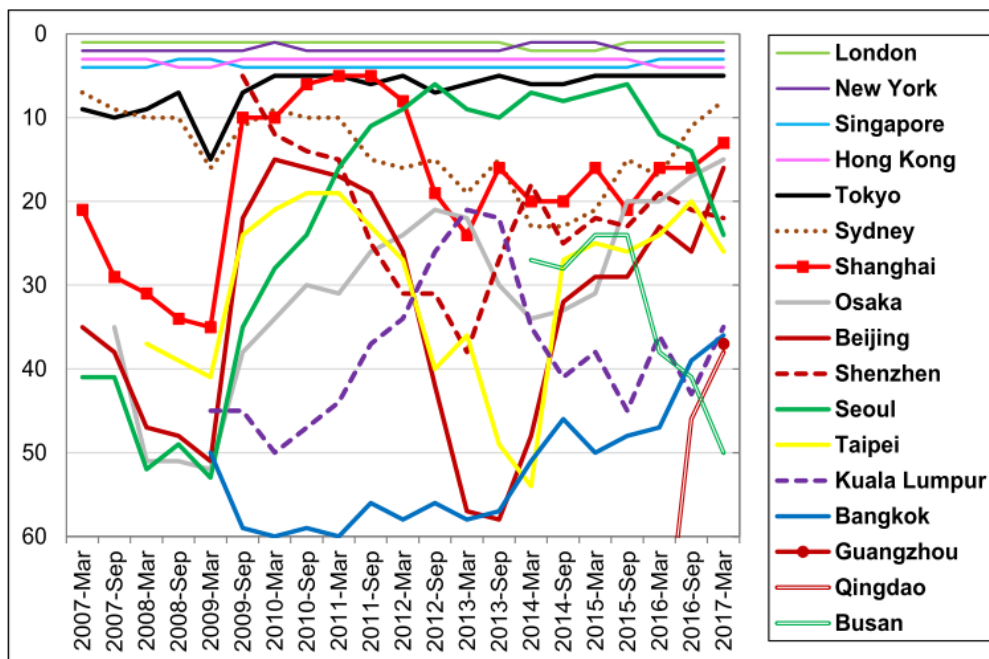
- Mobilizing long-term savings for LT investment
- Crisis prevention, response, resolution

Transforming CJK financial hubs into global financial centers

- The CJK authorities advised to make efforts to transform their financial hubs into global financial centers through:
 - ▣ Aggressively opening financial services to foreign firms
 - ▣ Reducing costs of doing financial businesses
 - ▣ Attracting financial professionals and English speaking supporting staff
 - ▣ Strengthening rule of law, legal certainty
 - ▣ Improving regulatory effectiveness and transparency
- Healthy competition among CJK financial centers can help improve their financial services, market-driven integration

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World's top international financial centers (Global ranking)



Source: ZYen Group, Global Financial Centre Index 21, March 2017

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Promoting CJK currencies as international currencies

- The perceived risks of internationalizing a currency often exaggerated
- CJK authorities can make efforts to further internationalize their respective currencies by promoting:
 - Use of their own currencies for trade invoicing
 - Mutual holdings of CJK currencies as foreign exchange reserves
 - Direct trading and settlement in the yen, yuan and won
 - Issuance of bonds denominated in CJK currencies in CJK markets
- China advised to follow appropriate steps to achieve convertibility of the RMB

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List of international currencies and RMB

Economy (Currency)	Foreign Exchange Market Turnover (%) Apr. 2016	Foreign Exchange Reserves Held (%) Dec. 2016	World Payment Currency Used (%) Aug. 2016
United States (\$)	87.6	64.0	42.5
Eurozone (€)	31.3	19.7	30.2
Japan (¥)	21.6	4.2	3.4
United Kingdom (£)	12.8	4.4	7.5
Australia (A\$)	6.9	1.8	1.7
Canada (Can\$)	5.1	2.0	1.7
Switzerland (SF)	4.8	0.2	1.4
China (CNY, RMB)	4.0	1.1	1.9
Sweden (SEK)	2.2	--	1.1

Note: For foreign exchange market turnover data, the sum of the percentage shares of individual currencies totals 200% as two currencies are involved in each transaction.
Source: BIS, IMF and SWIFT.

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Providing seamless financing for cross-border infrastructure connectivity

- Most of infrastructure projects in China, Japan and ROK should be financed by each country's domestic financial resources
- Many cross-border infrastructure projects (such as highways, railways, ports, IT facilities, gas & oil pipelines, electricity distribution) can be financed through PPP
- Some projects in Russia may also be supported by bilateral agencies (such as JBIC for Japan-Russia joint projects on energy development)
- Some cross-border projects in Mongolia may also be supported by MDBs (such as ADB, AIIB, EBRD, World Bank) and bilateral agencies

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Promoting financial stability

- The CJK should maintain their respective financial stability at home
- In addition they should be ready to support financial stability in other parts of Asia
 - Continued hikes in the US Fed's policy rate in 2017 could cause turmoil in Asia's emerging economies
 - Brexit and US President Donald Trump's protectionism are adding further global uncertainty
- Financial stability in Northeast Asia and in wider East Asia is of vital interest to the CJK
 - Working with the IMF (eg, IMF program in Mongolia)
 - Through CMIM/AMRO (ASEAN+3 framework)
 - Through bilateral support (currency swaps, etc)

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7. Implications for Northeast Asia

- Northeast China (Liaoning, Jilin, Heilongjiang Provinces) face several structural problems:
 - Dominance of centrally administered SOEs
 - Heavy manufacturing sectors
 - Lack of dynamic private sector activity
- Reform directions in Northeast China:
 - SOE reform by addressing zombies
 - Shift from heavy-chemical manufacturing to light-compact manufacturing and services
 - Private sector development
- Working with neighboring countries, such as Russia, Mongolia, ROK and Japan
 - Strengthening cross-border infrastructure connectivity
 - Inviting Japanese and ROK firms to invest more
 - Working with other dynamic parts of China

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Supporting DPRK in economic transition after its return to the international community

- Return to the international community:
 - Abandonment of nuclear bomb programs
 - Economic reform programs with marketization and economic opening
 - Resolving the abduction issue (with Japan)
- DPRK encouraged to become a member of the IMF, World Bank, ADB, AIIB and EBRD to receive multilateral financial support
- CJK can also provide bilateral support for DPRK's economic transition (transport, energy, water)
- DPRK to be embraced in East Asia's supply chains

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8. Conclusion

- The CJK have deepened economic interdependence through tourism, trade, investment
- There is a clear benefit to further strengthen economic cooperation, which is expected to contribute to trust building
- Such cooperation includes:
 - ▣ Experience sharing and learning common interests (productivity, population aging, environment)
 - ▣ International tourism
 - ▣ Trade and investment, particularly forging a CJK FTA
 - ▣ Strengthening infrastructure connectivity
 - ▣ Financial cooperation, including the Japan-Korea bilateral currency swap agreements and CMIM/AMRO

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Thank you
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4. Appendix: Introductions to Co-sponsoring Organizations

(1) The Japan Forum on International Relations (JFIR)

The Japan Forum on International Relations, Inc. (JFIR or The Forum) is a private, non-profit, independent, and non-partisan organization dedicated to improved understanding of Japanese foreign policy and international relations. The Forum takes no institutional position on issues of foreign policy, though its members are encouraged not only to analyze but also to propose alternatives on matters of foreign policy. Though the Forum helps its members to formulate policy recommendations on matters of public policy, the views expressed in such recommendations represent in no way those of the Forum as an institution and the responsibility for the contents of the recommendations is that of those members of the Forum who sign them alone.

The Forum was founded on March 12, 1987 in Tokyo on the private initiative of Dr. OKITA Saburo, Mr. HATTORI Ichiro, Prof. ITO Kenichi, and 60 other independent citizens from business, academic, political, and media circles of Japan, recognizing that a policy-oriented research institution in the field of international affairs independent from the government was most urgently needed in Japan. On April 1, 2011, JFIR was reincorporated as a “public interest foundation” with the authorization granted by the Prime Minister in recognition of its achievements.

JFIR is a membership organization with four categories of membership, namely, (1) corporate, (2) associate corporate, (3) individual and (4) associate individual. As for the organizational structure of JFIR, the “Board of Trustees” is the highest decision making body, which is in charge of electing the “Directors” and of supervising overall activities of JFIR, while the “Board of Directors” is an executive body, which is in charge of the management of day-to-day operations of JFIR.

■Board of Trustees		■Board of Directors	
ARIMA Tatsuo	OHYA Eiko	ITO Kenichi	<i>Chairman</i>
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KUROYANAGI Nobuo		WATANABE Kenichi	

The Forum’s activities are composed of such pillars as “Policy Recommendations,” “e-Forum” “Research Programs,” “International Dialogues & Exchanges,” “Participation in International Frameworks,” “Diplomatic Roundtable,” “Foreign Policy Luncheon,” and “PR and Enlightenment.” Of these pillars of activities, one important pillar is the “e-Forum: Hyakka-Seiho” which means “Hundred Flowers in Full Bloom” (<http://www.jfir.or.jp/cgi/m-bbs/>). The “e-Forum,” which started on April 12, 2006, is open to the public, functioning as an interactive forum for discussions on foreign policy and international affairs. All articles posted on the e-Forum are sent through the bimonthly e-mail magazine “Meru-maga Nihon Kokusai Foramu” in Japanese to about 10,000 readers in Japan. Furthermore, articles worth attention for foreigners are translated into English and posted on the English website of JFIR (<http://www.jfir.or.jp/e/index.htm>) as “JFIR Commentary.” They are also introduced in the e-mail magazine “JFIR E-Letter” in English. “JFIR E-Letter” is delivered bimonthly to about 10,000 readers worldwide.

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(2) The Trilateral Cooperation Secretariat (TCS)

1. Overview

The Trilateral Cooperation Secretariat (TCS) is an intergovernmental organization established to contribute to the further promotion of cooperative relations among China, Japan and the ROK. Upon the joint agreement signed and ratified by the three governments, the TCS was inaugurated in Seoul, September 2011. It aims to serve as a cooperation hub for trilateral cooperation that encompasses the broad spectrum of sectors and actors. In the 'Joint Declaration for Peace and Cooperation in Northeast Asia' adopted at the 6th Summit in 2015, the leaders expressed support for the capacity-building of the TCS by its participation in all ministerial-level governmental mechanisms within the framework of trilateral cooperation. With a view to solidifying the cooperative ties among the three countries, the TCS will strive to ensure that trilateral cooperation remains dynamic and future-oriented in the coming days.

2. Functions and Activities

- 1) Providing support for trilateral consultative mechanisms
 - Trilateral Summit / Trilateral Foreign Ministers Meeting
 - Trilateral Economy and Trade Ministers Meeting, etc.
- 2) Exploring and facilitating cooperative projects
 - Trilateral Table Top Exercise on Disaster Management / Trilateral Business Networking/ 808 Commonly Used Chinese Characters in China, Japan and ROK etc.
- 3) Promoting understanding of trilateral cooperation
 - International Forum for Trilateral Cooperation / CJK FTA Seminar / Trilateral Journalist Exchange Program / Young Ambassador Program etc.
- 4) Collaboration with other organizations
 - ASEAN / APEC / UN / EU etc.
- 5) Research & Database
 - Trilateral Statistics, Trilateral Economic Research Report, TCS Website etc.

3. Organization

The TCS consists of a Consultative Board and four Departments. The Board, the executive decision-making body of the organization, is comprised of a Secretary-General and two Deputy Secretary-Generals.

The Secretary-General is appointed on a two-year rotational basis in the order of the ROK, Japan, and China. Each country other than the one of the Secretary-General nominates a Deputy Secretary-General respectively. Under the Board, there are four Departments of Political Affairs, Economic Affairs, Socio-Cultural Affairs, and Management and Coordination.

memo



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