

**Discussion on a New Framework for Regional Economic Cooperation in East Asia
-Mutual Cooperation of Regional Economic Zones in China and Japan-**

by

Jiro Naito

Faculty of Economics, Daito Bunka University

Discussion Paper No. 04-2, October 2004

1. Introduction

The mutual economic relations among Asian countries including Japan, China, and Korea are continuously ever intensifying. The reciprocal intercommunication of people, materials, money, and information such as trade and direct investment, an increase of tourists, a boom of pop-culture and sports exchange has been more active than ever. On the other hand, in Europe, the trend of an expanded European Union (EU) comes to the front. In Asia, China entered the World Trade Organization (WTO) in December 2001. The trend of the international economy and changes in the cooperative system will draw keen attention in the future.

In this circumstance, a framework of an economic cooperative system in Asian regions has been a major subject of future discussion, and the role of regional economic cooperation is questioned. In this paper, I would like to present a new framework of “economic cooperation between regions” on the aspect of economic cooperative policy, which should support economic relations of expanding private sectors and play a more substantial role, with a central focus on economic relations between Japan and China.

2. Present state and concerns on the Free Trade Agreement (FTA) vision

(1) Overview of the FTA surrounding Japan

At the moment, Japan is activated to build FTA relations with other countries. On reflection, Japan can be said to have missed the international moves toward the FTA. Japan's relatively reluctant attitude toward the FTA is based on the idea that the multilateral free trade system with a central focus on the WTO yields the biggest benefit for Japan. The Japanese Government (Ministry of Economy, Trade and Industry) has actually mentioned that "The multilateral trade system by the WTO remains effective for the prevention of dividing the world economy into blocs, and the FTA just complements the WTO system". However, the diversity and complexity of international trade brings a number of problems to the surface that cannot be solved only by the WTO. Because of this, Japan has started considering serious approaches toward the FTA.

Specifically, Japan concluded the first FTA with Singapore in January 2001, followed by an agreement on FTA talks with Mexico in March 2004. In addition, Japan has already started talks with Korea, Taiwan, Malaysia, The Philippines and Indonesia, and may succeed to conclude with these countries in a few years. The discussion to structure comprehensive economic cooperation is now being undertaken with ASEAN countries.

(2) Effects of the FTA on Japan

What benefits do the FTA have for Japan? First, the effect of tariff abolition will bring an expansion of trade. As table 1 shows, since tariffs in Japan are relatively low, Japan has a big advantage. Second, the effect of going a step ahead of the WTO system will be produced, as seen between the relations with Singapore. The areas and articles, which have not been solved by the WTO framework, will cover a broader range by incorporating them into the FTA before the WTO. Third, the FTA will be the driving force for reforms in Japan. As internationalization progresses, a number of hurdles which must be overcome in the process of restructuring economic and industrial structures exist. In the process of restructuring, various vested rights and interests are complicated, accompanying many difficulties in promoting restructuring. The premise of the FTA promotion is that the Japanese market should

be attractive to the international community. Since this purpose requires vigorous promotion of liberalization and internationalization, the effects to promote domestic reforms using external pressure are expected. This is said to be one of the factors for China to enter the WTO. Besides these three benefits, Japan can restore the competitiveness with countries that have relatively favorable terms.

Table 1 Average tariff

	Agriculture	Total Item
Japan	12	5
U.S.	6	4
EU	20	7
Canada	5	5
Australia	3	10
Switzerland	51	9
Norway	124	26
Korea	62	18
Thailand	35	29
India	124	67
Mexico	43	36
Philippines	35	27
Malaysia	14	16
Indonesia	47	40

(source) Agriculture, Forestry and Fisheries Ministry (2003) , and Kuroiwa (2004)

Table 2 specifies the possible effects Japan can enjoy if the agreement on the FTA is reached with Asian countries/regions¹. Singapore and Mexico, with which Japan has already concluded and agreed on the FTA, bring only a limited effect on the GDP. If the agreement on the FTA with Korea is realized, for example, the effect will increase by 0.45%. Moreover, if the FTA is realized with ASEAN+3, the GDP of Japan will increase approximately by 2.6% and enormous effects will be expected even for neighboring countries. In terms of industrial sectors, the effects differ depending on the sectors. As a whole, however, export expansion works by eliminating tariff and nontariff barriers as well as a benefit of structure reform progress in domestic economy of each country are considered significant. Specifically, the expansion of

¹ Referred to Kuroiwa (2004)

production and export is expected in the sectors in which Japan has the technological edge, including automobiles, electronics, finance, and communications. Since these kinds of sectors are also growing significantly in Korea and Taiwan, the improvement of technological skills in East Asia as a whole and the development of IT and high-tech industries through a competition and a division of labor are greatly expected. In addition, because of the progress of liberalization and internationalization in finance (such as banks, securities, insurance), the opportunities of market participation by corporations in each country are expected to expand significantly.

Table 2 Possible effects produced by the conclusion on the FTA

	Japan-Singapore		Japan-Korea		Japan-Mexico		ASEAN+3 (Japan·China·Korea)	
	%	Million dollar	%	Million dollar	%	Million dollar	%	Million dollar
Advanced Countries								
Japan	0.19	12,029	0.45	29,503	0.10	6,640	2.62	170,390
U.S.	0.03	2,356	0.00	-292	-0.01	-832	0.14	12,980
Canada	0.02	163	0.01	46	0.00	-36	0.12	870
Australia	0.05	216	0.02	83	0.00	10	0.40	1,770
New Zealand	0.05	35	0.02	12	0.00	3	0.42	310
EU·EFTA	0.02	2,343	0.00	-264	0.00	-148	0.04	4,290
Asia								
China	0.00	-5	0.00	-2	0.02	-1	1.95	17,660
Hong Kong	0.02	31	0.01	9	-0.01	-7	0.16	210
Korea	0.04	216	0.94	5,342	0.00	-17	4.21	23,940
Taiwan	0.06	202	-0.04	-157	-0.01	-32	3.08	10,800
Singapore	3.17	2,360	-0.02	-19	0.00	-3	10.66	7,930
Indonesia	0.01	13	0.03	65	0.00	6	2.29	5,800
Malaysia	-0.30	-363	-0.03	-32	-0.01	-12	6.44	7,700
Philippines	0.00	4	0.00	4	0.00	-2	7.28	6,420
Thailand	0.02	50	0.00	1	0.00	0	2.60	5,360
Other Asian Countries	0.01	66	0.00	16	0.00	-4	-0.04	-220
Other regions	0.06	429	0.06	313	0.58	2,023	1.17	6,410

(source) Kuroiwa (2004)

(3) Issues for the future

As we have seen, by pushing the FTA properly forward, various benefits for the economies in Asian countries are expected. At the same time, however, it is true that several issues remain in order to promote the FTA. In years to come, in considering how the FTA in Asia is promoted, it is essential to clarify the issues to overcome and

that end, promotions of market-opening and strategic structure of policies are important.

① Issues on market-opening

Regarding the issues on market-opening, Asian countries/regions as a whole call Japan to open its markets. Japan has not opened its market enough, especially on liberalization of agricultural market and market-opening for labor, which is the biggest obstacle in negotiating on FTA.

Regarding agriculture, the Japanese government takes an extremely cautious attitude stating that "Since agriculture, forestry, and fishing are extremely sensitive areas for Japan, the progress of structural reform in these areas should be considered in FTA negotiations, while giving consideration not to harm food security in our country". It is needless to say that the agricultural problem is an important issue for the Japanese public, and quick liberalization should be avoided. However, if nothing is done, it is inevitable that Japanese agriculture will be weakened in the future because of problems including securing food safety, intensifying international competition and labor shortage. In order to solve these problems comprehensively, Japan has no other choice but to promote structural reforms in agriculture actively. Specifically, the reforms include the promotion of agricultural efficiency by an increase of food self-sufficiency, development of high value-added products, and the introduction of the principle of competition such as the participation of joint-stock companies. In addition, since high production costs, when compared with other countries, have much effect on competitiveness, it becomes important to strengthen the competitiveness in the entire industry by comprehensive structural reforms as well as agricultural reforms.

The labor market is increasingly opening up mainly in the manufacturing industry, but the hurdles to acquire resident status remain difficult. On the other hand, the number of illegal immigrants is rapidly increasing.

It is necessary to build a radical policy to accept foreigners in legitimate

manners². At present, care and medical fields draw attention mainly in Asian countries. The advanced medical technology of Japan is important for Asian countries/regions. Each country seeks the opportunity to acquire the technology and knowledge through skill-training programs. Calls for opening up the market for nurses or nursing staff have been growing recently, but acquisition of resident status for foreigners is extremely strict even for these professions. In an ageing society, it is certain that the problems of geriatric care and nursing will soon be serious. In a trend toward fewer children, there is a concern about a shortage of nurses or nursing staff. In this situation, opening up the labor market in these fields is important and essential problem even for Japan. From this point of view, it is inevitable to promote opening up the labor market mainly in medical and welfare fields in the future. The positive approach for coexistence and co-prosperity of Asian regions is desirable, not like a negative opening-up just for making up for the shortage of labor, only by considering Japan's own circumstances.

A survey on the degree of liberalization concerning the economy ranks East Asia in a low position: Hong Kong is in the first place, followed by Singapore and the United States, while Korea is ranked at the 31st position, Japan the 36th, and China the 90th. Exclusive trade systems, relatively bloated governments, and undeveloped legal systems, and the opacity of its procedures are mentioned as the main reasons for this result³. Improvement of these problems is required for Asian countries/regions in the future.

② Strategic approach

Considering the problems mentioned above, what strategy will be needed in structuring an economic cooperative system with Asian countries/regions while promoting the FTA?

² Metropolis of Tokyo spells out a security crackdown and announces, "Despite the intent struggle of forced displacement to 500 thousands people over past 10 years, the number of illegally overstaying foreigners remain approximately 250 thousands (estimated), and half of the number is presumed to stay in Tokyo". (Joint statement on strengthening illegal overstaying foreigner measures in Metropolis of Tokyo, October 2003)

³ The Asahi (Asashi Shimbun), July 15th 2004

For example, the criterion of judgment in considering which countries or regions should the FTA conclude depends on the correlations of industrial structure with the countries. The smaller the correlation with the industry of the country, the easier the FTA conclusion will be. From Japan's point of view, the correlation function with Malaysia (maximum value=1) is extremely small: approximately 0.2 in agriculture and 0.6 in mining and manufacturing. With Singapore, Japan also has a relative advantage: 0.8 in mining and manufacturing and 0.2 in agriculture⁴. If trade creation effects, market expansion effects, promotion of competition or technical diffusion, and capital accumulation are evaluated in a total, important regions for FTA strategies for Japan are America, China, and Korea⁵.

However, if we consider the benefits, which are obtained by promoting the FTA, such as the enhancement of trade and investment environment, including legal and system improvement, it is realistic to promote the FTA by mainly focusing on ASEAN+3. Recently, the discussion over "ASEAN+3" has been increasingly growing toward the structure of the social economy cooperative system in East Asia. This is a big reform that brings East Asia Community into view, as a part of an approach toward prosperity and stability in the future Asia. In order to respond to the movement, it is most important and urgent to build and coordinate a cooperative system by Japan, China, and Korea. In other words, the economic cooperative system by "ASEAN+3" for the future East Asia community will not be realized without coordination of Japan, China, and Korea as the plus three. Each country seems to have its own ax to grind on the symbolic East Asia Summit of the East Asia Community. For instance, Japan insists that ① the definition and scope of East Asia Community, ② the functional cooperation such as the FTA and anti-terrorism and anti-crime measures, ③ the significance of the summit including the difference between the ASEAN+3 chairperson's committee and the East Asia Summit should be discussed. China insists that the East Asia Summit should be held at an early date and

⁴ "Asia international industry related lists" by Institute of Developing Economies

⁵ Referred to Shinkin Central Bank Research Institute (2004) and by Kuroiwa (2004)

positively progressed. The plus three is not responding monolithically⁶. In order to make the cooperative system in East Asia regions more solid and realistic, communication among Japan, China, and Korea should be closer, starting with strengthening the coordination system. Advancing discussion on the relationship building with AEAN and surrounding regions by three countries in one will be an important strategic issue.

3. New framework for mutual relations—mainly on economic relations between Japan and China

(1) The interdependence in the past

① Accelerating interdependence in trade

The WTO-centered international trade framework has been changing significantly to the rapidly expanding FTA and EPA, and the trade relation has been increasingly free. In Asian regions, trade powers such as the three East Asian countries including Japan, Korea, and China, as well as Hong Kong and Singapore have emerged. In the early 1990's, the trade between Japan and China expanded drastically. The import expansion of labor-intensive industries including the textile industry affected the industrial structure of Japan, and it was claimed as 'the export of deflation by China'. In the Late 1990's, the impact of the Asian financial currency crisis caused slowdown in trade. Since the year 2000, however, trade has been expanding, especially in export. The Japanese economy is supported by the increase of export called "special demand from China".

On the other hand, in trade relations with Korea, imports from Korea remain unchanged because of the increase of import from China. Exports from Japan to Korea tend to increase and have been increasing recently. Table 3 shows the trade statistics of Japan with China and Korea.

⁶ The Asahi (Asahi Shimbun), July 4th 2004 etc.

Table 3 Changes in total trade of Japan with China and Korea

		Changes in trade volume of Japan						
		Trade Volume (Billion Yen)				Growth Rate (Annual Basis)		
		1990	1995	1999	2003	90-'95	95-'99	99-'03
To China (Including Hong Kong)	Import	2,044	3,638	5,079	8,886	12.2	8.7	15
	Export	2,771	4,662	5,165	10,094	11	2.6	18.2
To Korea	Import	1,690	1,622	1,824	2,072	-0.8	3	3.2
	Export	2,518	2,928	2,606	4,023	3.1	-2.9	14.3

(source) Ministry of Finance "Trade Statistics"

The change of total trade between Japan and China (including Hong Kong) shows the rapid expansion in both export and import again since the year 2000. In particular, exports from Japan to China show a sharp increase in 2002 and 2003, exceeding import overwhelmingly. This situation was induced by an increase of direct export to China, which was caused by a demand increase of a markedly developing Chinese economy, playing a part in the Japanese Economy.

However, a big change cannot be seen in the imports from Korea to Japan, because of the slow recovery of the Korean economy and the influence of a long-stagnant Japanese economy. Moreover, China substitutes the imports from Korea, which can count as another reason. After the year 2000, exports to Korea started to show significant growth in principal items.

Although there were temporary negative effects in trade relations among Japan, China, and Korea because of the Asian financial currency crisis, the trade among the three countries tends to expand as a whole. Especially, trade with Japan shows significant growth, playing a major role for a mutual economy. In the trade relations among the three countries, the intensifying movement toward an FTA conclusion is expected.

② Promoting friendship

While private economic relations have been activated as mentioned above, how the will government relations be developed? First of all, the expansion of friendship cities can be considered as one of the steps.

At present, 386 of "Japan-China Friendship cities" relations are concluded (84 between Japan and Korea). Since Tianjin city and Kobe city first established a friendship in 1973, building a friendship has been expanded remarkably, especially among Japan, China, and Korea. In the North East Asian regions, where economies achieved enormous growth, the exchange of people, materials, and money has increased, and a commitment in North East Asian economic blocs has been strengthened. In this way, as an organization, which harmonizes friendship among Japan, China, and Korea, local government exchange meetings have been held. Since 1999, the Japan-China-Korea local government exchange meetings have been held four times among the Chinese People's Association for Friendship with Foreign Countries, the International Friendship City Federation, the Japan Municipal Internationalization Association, and the Korea Municipal Internationalization Foundation. The friendship, and other economic and cultural exchanges and cooperation among the three countries tend to expand.

It is certain that the movement of friendship and cooperation by local government (municipal) plays some role in structuring and developing mutual economic relations. However, the actual exchange situation is no more than superficial friendship, such as memorial events or ceremonial exchanges. Building actual economic cooperative relations has far emerged. Entering the new century, it is time to consider a new framework for building East Asia economic cooperative and symbiotic relations with sustainable and actual significance for the future. In other words, building interdependent relations is essential. In order to build these kinds of relations, seeking a collaborative system in regional economic blocs is important, where mutual relations can be deepened, not like the country-to-country relations as seen in the past.

(2) Features of mega regions in China

Toward building relations that advance one step further than mere friendship and overcoming problems caused by relations between central and local government, the important key can be perceived in the actual structural change of the Chinese

economy (especially the local economy). In China, mega regions have been established mainly in coastal areas. Specifically, the regions and their features are summarized as follows.

① Beijing·Tianjin region

High-tech and IT related companies are centered in this region, and industry-university joint research development mainly by research institutes such as the Chinese Academy of Science, Tsinghua University, Beijing University, and foreign firms, is based in this region, especially in Zhongguan Village and Shangdi. R&B of the highly value-added sector is also based in this region. Tianjin, which has been flourishing as an international trading port, is connected to Beijing by express highway, and developing itself while supporting Beijing as a base of transportation.

② Changjiang Delta region

This region, which is mainly in Shanghai, is the biggest industrial district in China, stretching out into the the Changjiang basin surrounding Jiangsu and Zhejiang. In this region, wide variety of industry sectors from IT-related companies and biotechnology-based companies to textile and fashion-related companies are gathered, and products with relatively high-level technology are produced. Representing the Shanghai-Pudong district, this region plays a role as a base of finance and communication as well as a center of high-tech and electronics industries.

③ Zhujiang Delta region

This region, which is mainly in Guangdong, including Shenzhen, Dongguan, and Shunde, led the development of the Chinese economy as a special economic zone after the reform policies. The biggest feature of this region is that it forms a mega, concentrated, industrial area of electrical and electronics-related supply parts, by connecting among relatively small areas with express networks. Especially, the advancement of Japanese-affiliated firms and Taiwanese Firms is remarkable. This region has a strong tie with overseas Chinese, therefore expanding the business utilizing overseas Chinese capital and the human network.

Table 4 Concentration of Industry in Beijing · Changjiang Delta · Zhujiang Delta region (specialization coefficient)

	Total Employee				Shipment Value			Amount of Added Value			
	1997			1999	1997			1997			1999
	Manufacture of Electric Machinery and Apparatus	Manufacture of Electron and Communication Facility	Meters · Office Machinery	Scientific research · Total Technical Service	Manufacture of Electric Machinery and Apparatus	Manufacture of Electron and Communication Facility	Meters · Office Machinery	Manufacture of Electric Machinery and Apparatus	Manufacture of Electron and Communication Facility	Meters · Office Machinery	Scientific research · Total Technical Service
Beijin	1.28	2.38	2.08	3.10	0.58	2.28	1.92	0.75	2.98	1.80	7.54
Changjiang Delta	1.54	1.54	1.64	0.91	1.40	1.09	1.45	1.57	1.29	1.88	1.14
Zhujiang Delta	1.90	3.56	1.41	1.17	1.74	2.72	2.39	1.83	2.98	1.94	0.49

(source) Kuwahara · Tabata (2000)

As a feature of the development and growth of China, which is called the “world factory”, the emergence and formation of mega regions are mentioned. The regional coexistence of IT-related companies in the Beijing · Tianjin region, Changjiang Delta region, and Zhujiang Delta region has shown outstanding development patterns. Table 4 shows the concentration of IT-related companies in these three regions by specialization coefficient. This clarifies the consistent concentration of industry: the Beijing · Tianjin region is a High-tech and IT related research development base, Changjiang Delta region has both development and manufacturing; and the Zhujiang Delta region produces parts for assembly. Since Shanghai has a strong relationship with the central government, it plays the central role in decision-making. The area in South China has a strong tie with overseas Chinese capital, possessing an extroverted economic development structure. Besides these, each regional economic zone is competitive with one another in hunting human resources such as the support and utilization of students returning from overseas, positive recruitment of foreigners, and the acquisition of human resources by Shanghai version of the green cards.

Besides these regions, because of geographical and historical reasons, three provinces in the northeast area have strong ties with Japanese and Korean companies. In Dalian, a huge economic, technological development area and high-tech park has been constructed. Dalian puts its energy into the enhancement of marketing and consulting as well as Hi-tech manufacturing, while it is positively courting foreign

companies with its government. On the other hand, Fujian has a strong tie with Taiwan, including “Santong”, playing a significant role as a base for a cross-strait economic relationship. In Qingdao and Yantai, in Shangdong, which are famous for beer, a manufacturing base for food processing is formed utilizing the geographic advantage of the ocean. It also plays a role as an export base for agricultural products, expanding as a concentration area for the food industry. Not only in high-tech and IT-related industries, but also in various industry sectors, characteristic mega regions are expanding in some areas in China.

In view of development patterns of the local and regional economies in China, Japan will be required to build a system which can correspond to the size of the population and the economic aspect, to order to build economic interdependent relations with these regions.

(3) Designated structural reform district in Japan⁷

As mentioned before, while the formation and expansion of mega regions are progressing in China, a reform to create and activate regional economic zones has finally started in Japan as a part of structural reforms by Prime Minister Koizumi. For economic activation, it is important to arrange and expand the environment by regulatory reforms in which private sectors easily operate. While in an economic depression for over ten years, Japan has progressed with structural reforms in each sector. It is true, however, that various regulations have remained; reforms have not necessarily gone smoothly in some sectors. In order to escape from this situation, it is urgent that local governments and private companies take initiatives for promoting industrial development by making use of regional characteristics and needs. In this way, specific areas that correspond to regional characteristics are designated as a “designated structural reform district”. And with the cooperation of local governments and companies, the new movement for the structural reform that uses regional characteristics through the constitution in special cases and deregulations will be

⁷ Referred to basic policy of special zones for structural reform (endorsed by the Cabinet on April 23rd 2004)

started.

This movement toward a designated structural reform district promotes the regional economic reform by creating new industries, and it realizes the regulatory reform in specific areas and spreads the outcomes in Japan, using it as engine for the activation of economy. Therefore, the effect of the movement is expected to a great extent and to attract attention. To that end, the environment that brings out the vigor of economy and society while each region and area compete with each other, will be necessary. It is essential to extricate from the concept a uniform regulation, and consider the regulations that correspond to the regional characteristics, and promote the reform with fresh idea. In order to prevent the problems that might happen in and out of the designated structural reform district by introducing preferential measures, it is important to correspond mainly by each region and area, not carry out conventional fiscal measures such as tax allowance and subsidy from the national government. It is essential to clarify the responsibilities of each region/area by a severe budget constraint, and define “independence and responsibility” of each region/area. This is nothing short of the reform toward the realization of decentralization. To date, about 400 plans for designated structural reform districts have been certified⁸.

(Reference) Some case examples of designated structural reform districts:

- * Fukuoka prefecture: Asian business designated district
- * Shimonoseki city (Yamaguchi prefecture): Shimonoseki and East Asia logistic designated district
- * Kobe city (Hyogo prefecture): International port economic designated district
- * Kobe city (Hyogo prefecture): State-of-the-art medical industry designated district
- * Osaka prefecture: International exchange designated district

⁸ Referred to “designated structural reform district support site” (<http://www.21ppi.org/mintoku/data/index.html>) by the 21st Century Public Policy Institute. Refer to this site or HP of municipalities for details of case example.

* Osaka prefecture: Biomedical and cluster creation designated district

* Chiba prefecture: International airport designated district

4. Conclusion- from “friendship” to “substantive cooperation”

After organizing economic cooperative relations so far, we can see some viewpoints. The FTA, on which discussion is rapidly developing, is an indispensable framework for the future of international trade policies and is expected to increasingly expand. However, the hurdles, which must be overcome for the realization of the FTA, are not a few. As we can see from the examples in Japan, in order to conclude the FTA, it is necessary to solve problems concerning the domestic economy, such as agricultural problems. At the same time, since this problem includes what is called political maneuvering, it takes substantial time even within East Asia regions.

On the other hand, the relationships of friendship cities among Japan, China, and Korea are continuously expanding. These relationships can be said to play a certain role in mutual exchange. However, since the relationships remain superficial, still staying within the realm of friendship exchanges, it is true that the relations do not lead to the building of economic interdependence. The cooperative relations between nations in economic and other areas are evaluated as certain roles, but in order to create actual and agile outcomes, it is essential to build a new framework, which is the establishment of mutual interdependency mainly by regions. Talking about China, on which I developed an argument in this paper, it is important that the collaboration of regional economic zones in China and designated structural reform districts in Japan between local governments and a program for building interdependent relations is made.

This kind of movement is gradually emerging. Kobe City, for example, has promoted “Japan-China Kobe and Hanshin-Changjiang middle and lower stream region exchange promoting conference” as a part of reconstruction policies from the great earthquake in 1995. This project is considered to have a significant goal as a breakthrough for economic development in Kobe in the future as well as aiming reconstruction from the earthquake by promoting trade and exchange between the

mega district in Shanghai and Changjiang steam region, which has shown remarkable development, and the Kobe and Hanshin economic Bloc. In July 2003, twelve cities, including Tianjing, Zhengjiang, Wuhan, Chengdu, Shenyang, Yangzhou, Qingdao, committee from China side, Yantai, external trade economy collaboration section, Jiangxi have already advanced to the Kobe port region. In addition to this movement, another collaboration that should draw attention now is “Kobe medical industry city vision”. This vision is one of the designated structural reform district projects. The projects aim to promote medical related industry, conduct research and development on state-of-the-art medical care, and spread new medical services by the collaboration of university and research institutes with medical institutes. What attracts more attention is that this project aims to build medical bases in East Asia regions, including China and Korea in the future. Kobe medical industry city, by preparing the role as a base for state-of-the-art medical care, undertakes a role of ranging from research development to human resource development, as well as aims to build a system to accept patients from China and Korea. With this project, infrastructure building such as airports, roads, hospitals, and housing will be necessary. In that case, it is essential Keihannshinn as a whole cooperates for the parts that cannot be done only by Kobe city, which is expected to lead to the emergence and development of comprehensive regional economic zones. At the same time, this vision can be said to be a “horizontal labor division relationship” and a new framework for economic cooperation beyond the framework of mere technical and financing provision⁹.

This movement is gradually being considered in other areas such as in the “Northeast Asia economic conference” in Japan sea rim regions (including Niigata and Toyama prefecture)¹⁰. The scale of business and projects, which municipalities in Japan can operate by themselves, has a limit. Considering the scale of mega regions in China, Japan should seek the establishment of regional economic zones by mutual cooperation of municipalities. Building economic interdependence by these regional

⁹ Referred to materials provided by Kobe city and Kobe city related site (<http://www.city.kobe.jp/cityoffice/06/015/iryo/index.htm>)

¹⁰ Referred to Economic Research Institute for Northeast Asia (ERINA)

economic zones will be extremely important for new economic cooperation in East Asia regions.

This paper has organized the new framework for economic cooperation in East Asia from the viewpoint of economic interdependence, but it is still a suggestion of a highly abstract and superficial grand design. It is urgent that this design should be embodied. To that end, it is needless to say that independence of each municipality is important. As a base to provide the breakthrough for the movement and to suggest specifically for the realization, I expect that I will contribute for the realization, leaving this issue for future discussion.

References

- [1] Abe, Kazutomo and Urata Shujiro et al. "The progress of Direct Investment among Japan, China and Korea" Nihonkeizaihyouronsya, 2003
- [2] Abe, Kazutomo and Urata Shujiro "China's affiliation to WTO and the future of the trade among Japan, China and Korea" Nihonkeizaihyouronsya, 2002
- [3] Inoguti, Toshiaki "Japan's Asian Policy-Revival and Response-" NTT-Syuppan 2003
- [4] Ito, Motoshige et al. and Ministry of Finance, Policy Research Institute, "The Economic Analysis on Japan-China Relationship" Toyokeizaishinposha, 2003
- [5] Ohmae, Kenichi "The China Impact" Koudan-sha, 2002
- [6] Kaneko, Masaru, Fujiwara, Kiichi and Yamaguchi, Jiro et al. "Let's Live in East Asia!" Iwanami-shoten, 2002
- [7] Kuroiwa, Tatsuya, "The framework of FTA and Its Impact on the Japanese Economy" Shinkin Central Bank Monthly Review, June 2004
- [8] Institute of Developing Economies- Jetro, "Asia international inter-industry table 1995"
- [9] Ministry of Finance "Trade Statistics" 2000~2003
- [10] Basic Policy of Special zones for Structural Reform
(Endorsed by the Cabinet on April 23rd 2004)
- [11] Materials provided by Economic Research Institute for Northeast Asia
- [12] <http://www.city.kobe.jp/cityoffice/06/015/iryō/index.htm>
- [13] "designated structural reform district supportsite"
<http://www.21ppi.org/mintoku/data/index.html>) by the 21st Century Public Policy Institute