

Economics & Geopolitics in the Asia-Pacific Region



Cover lead 1

We are living today in a globalized world. This is a reality which nobody can deny.

Private businesses and individuals are moving freely all over the world and we are living in an age in which businesses and people can choose the country they find best for their work and life and a nation does not always choose the people and businesses it accommodates.

In our age, national borders are becoming increasingly meaningless and what we are and who we are much more important than mere nationality.

Some may argue against this observation by saying that since each nation has a national government chosen by its people, national borders are still very important. The cosmopolitanism considered common sense by many industries and businesses heavily engaged in international trade and investment will obviously not be shared by people who are not much exposed to the international community, who can still constitute the majority in any country. A national government is a reflection of this other reality.

Territorial disputes can occur anywhere in this regard, reflecting this other reality, even though we are living in a globalized world. The recent territorial claims made by China and South Korea against Japan are cases in point. I think a little calmness and an in-depth and objective study of them could lead to a solution. Needless to say, in studying such issues, we should keep in mind that a globalized world is also our home, just as much as our own nation.

Our March/April issue highlights a wide range of thinking about geopolitical issues, such as territorial disputes in the context of globalization, to help our readers deepen their understanding of such issues. I hope all of you will benefit from the knowledge and wisdom provided by our experts.

Dr. Gary Clyde Hufbauer, Reginald Jones Senior Fellow at the Peterson Institute for International Economics in Washington, DC, provides an analysis showing that we are all beneficiaries of globalization, and that trade and investment liberalization, either through regional FTAs or the WTO, would maximize these benefits and encourage economic growth. In particular he mentions that such efforts could

help improve political relationships.

Starting from this basic theory addressing the great advantage of economics over geopolitics, we invited three distinguished Asian political economists to introduce their views on various attempts at regional economic integration in the Asia-Pacific area.

Dr. Jianmin Jin, senior fellow at Fujitsu Research Institute, Dr. Chang Jae Lee, senior research fellow at the Korea Institute for International Economic Policy, and Dr. Hank Lim, senior research fellow at the Singapore Institute of International Affairs, talk about the key FTAs in the Asia-Pacific region aimed at achievement of Asian economic integration, such as the TPP (Trans-Pacific Partnership), RCEP (Regional Comprehensive Economic Partnership), and CJK (China-Japan-South Korea) FTA, and their impacts upon political economy in the region. Such proposed FTAs are expected to lead to competitive liberalization in this area.

We also invited non-Asian views on geopolitics and economics in Asia. Dr. Mike Mochizuki, associate dean for Academic Programs at George Washington University, introduces "the US factor in Japan's territorial disputes" and describes how territorial disputes involving Japan could work to strengthen the US-Japan alliance, a key policy for the United States to maintain its influence in East Asia. Dr. Marcos Troyjo, co-founder and director of the BRICLab at Columbia University and a former Brazilian diplomat, provides a comparative analysis of the BRIC policy agenda for achieving an evolution from the current global economic crisis. His keyword is "innovation" as an engine to promote prosperity. His comparative analysis between the Asian BRICs and non-Asian BRICs provides a Brazilian view of Asia.

Finally, Mr. Ken Ash, director of trade and agriculture at the OECD, and his colleague, Ms. Iza Lejarraga, a policy analyst in the Trade in Services Division, show how various Regional Trade Agreements could contribute to the revitalization of the WTO, the multilateral trading system, indicating how the better functioning of economics in Asia could eventually lead to better global economic performance through revitalization of multilateral trade policy governance.

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Entrepreneurship and innovation are today expected to play a pivotal role in encouraging economic growth, since fiscal policy is constrained by snowballing government debt and expansionary monetary policy is having a limited effect, as well as due to the fact that the interest rate in Japan has remained at almost zero for a long time.

A variety of technologies such as information technology, biotechnology, and others related to new energy and new materials have recently been considered as promising technologies which could enhance global growth as well as the growth potential of the Japanese economy.

The longest business cycle, known as the Kondratieff wave, is determined by the cycle of technological progress. A surge in potential innovations today could mean that we are now moving towards the top of the Kondratieff wave. We highlight three stories on current issues related to technological innovation.

Dr. Keiichiro Kobayashi, a professor at Hitotsubashi University and

one of our editorial committee members, tells an interesting story about the interrelations between technological progress and income inequality in our aging societies, which is drawing attention worldwide as an issue at the center of socioeconomic problems.

Dr. Akihiko Shinozaki, a professor at the Graduate School of Economics at Kyushu University and a distinguished economist on digital economy, introduces a paradoxical observation on the digital divide in the global community. IT can eliminate "the poverty trap" instead of producing the marginalization of less-developed economies.

Finally, journalist Richard P. Greenfield says that innovation and entrepreneurship must not be realized only by private initiative. We need government policies to foster innovation to encourage economic growth, and this observation reminds us to refrain from indulging too much in expectations about the role of private initiative in innovation.

Naoyuki Haraoka, executive managing director, editor-in-chief of *Japan SPOTLIGHT*

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