

Prospects for Economic Cooperation in Northeast Asia

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The Rise of Nationalism in CJK

- China asserts its regional role as a super military and economic power
 - Nationalism has been a powerful force behind sustaining national unity and managing internal conflicts and dissention
 - It believes it has economic leverage over other countries in the region and will use it

The Rise of Nationalism(II)

- Japan is determined to become a normal country with military capacity commensurate with its economic power
 - Attempts to contain the rise of China in the region where its base of influence is waning
 - Nationalism is one way of unifying the people under the banner of a “stronger Japan”

The Rise of Nationalism (III)

- Korea could lose its political independence if it continues to depend on China economically
 - Japan is unwilling to recognize Korea's ascent to the rank of "other advanced economies"
 - It has become so globalized that it could lose national identity without infusing a sense of economic and political achievements

The Rise of Nationalism(IV)

- Growing economic interdependence has not prevented the danger of nationalism
 - China believes it can survive the termination of trade with Japan and Korea
 - Japan will suffer, but is prepared to endure the consequences for national pride
 - Korea cannot survive

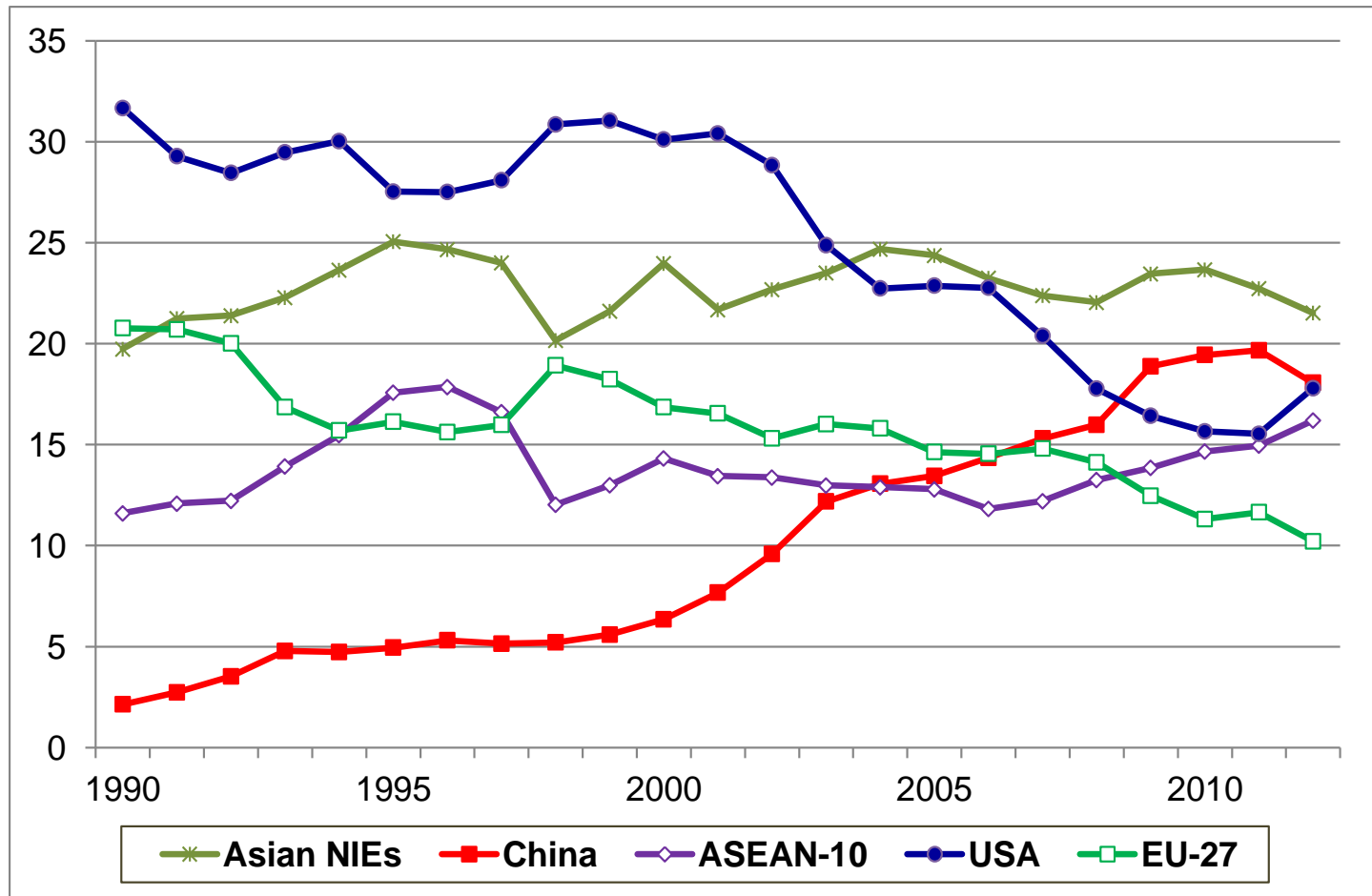
The Danger of Nationalism

- There is no regional security arrangement that can accommodate the rise of nationalism in all three countries
 - A minor incident could easily trigger a region-wide military conflict
 - The US military presence has been and will continue to be the only deterrent to warfare in Northeast Asia

Japan-Korea Relations

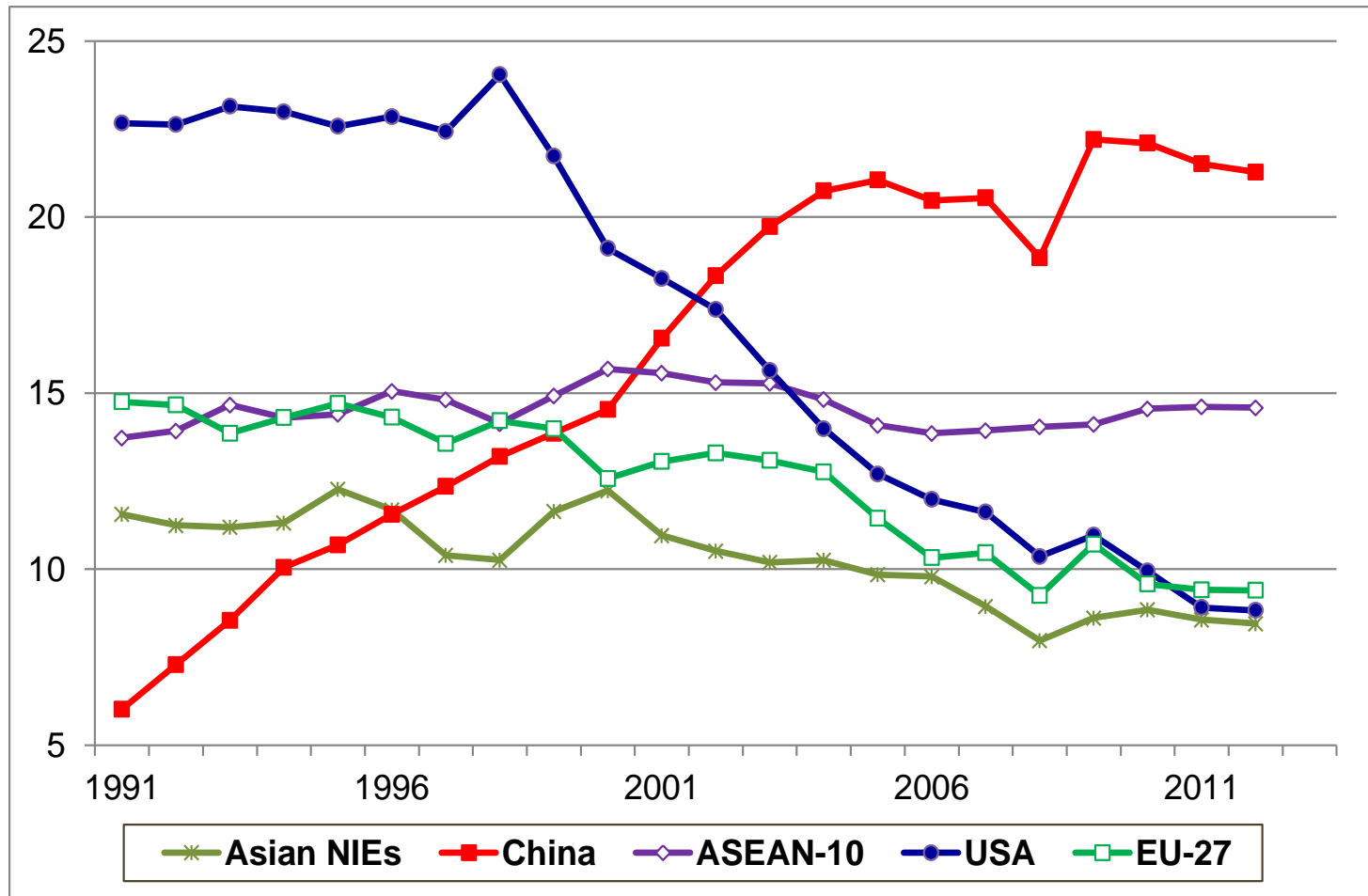
- There are no fundamental issues that pose risk of breaking up the bilateral relations
 - Should try to persuade the public futility of the bilateral disputes from the regional perspectives of security
 - Work together for accommodation of the rise of China
 - Most of all prevent nuclear buildup of North Korea

Japan's exports to various parts of the world (% of total exports)



Source: IMF, Direction of Trade

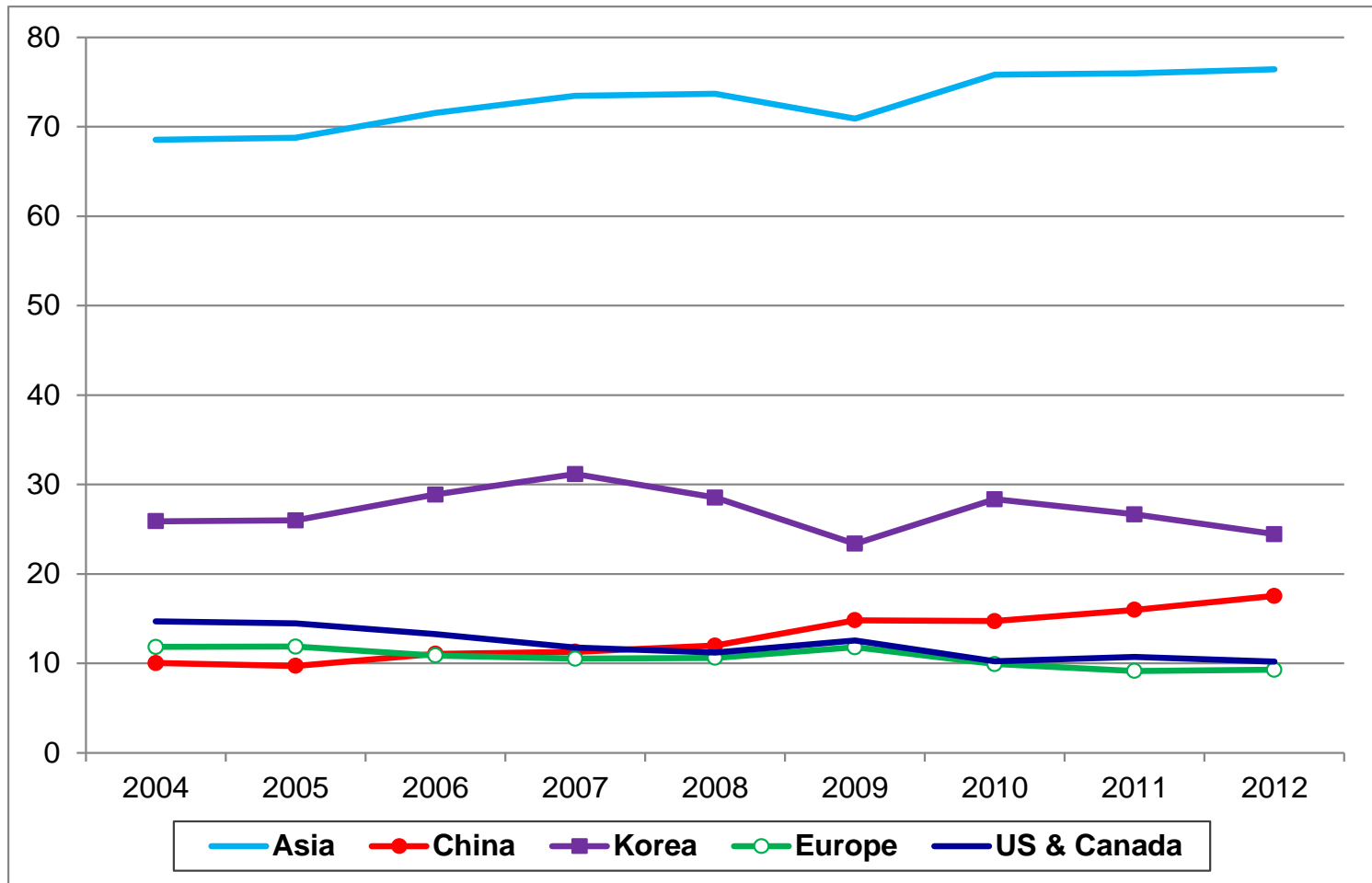
Japan's imports from various parts of the world (% of total imports)



Source: IMF, Direction of Trade

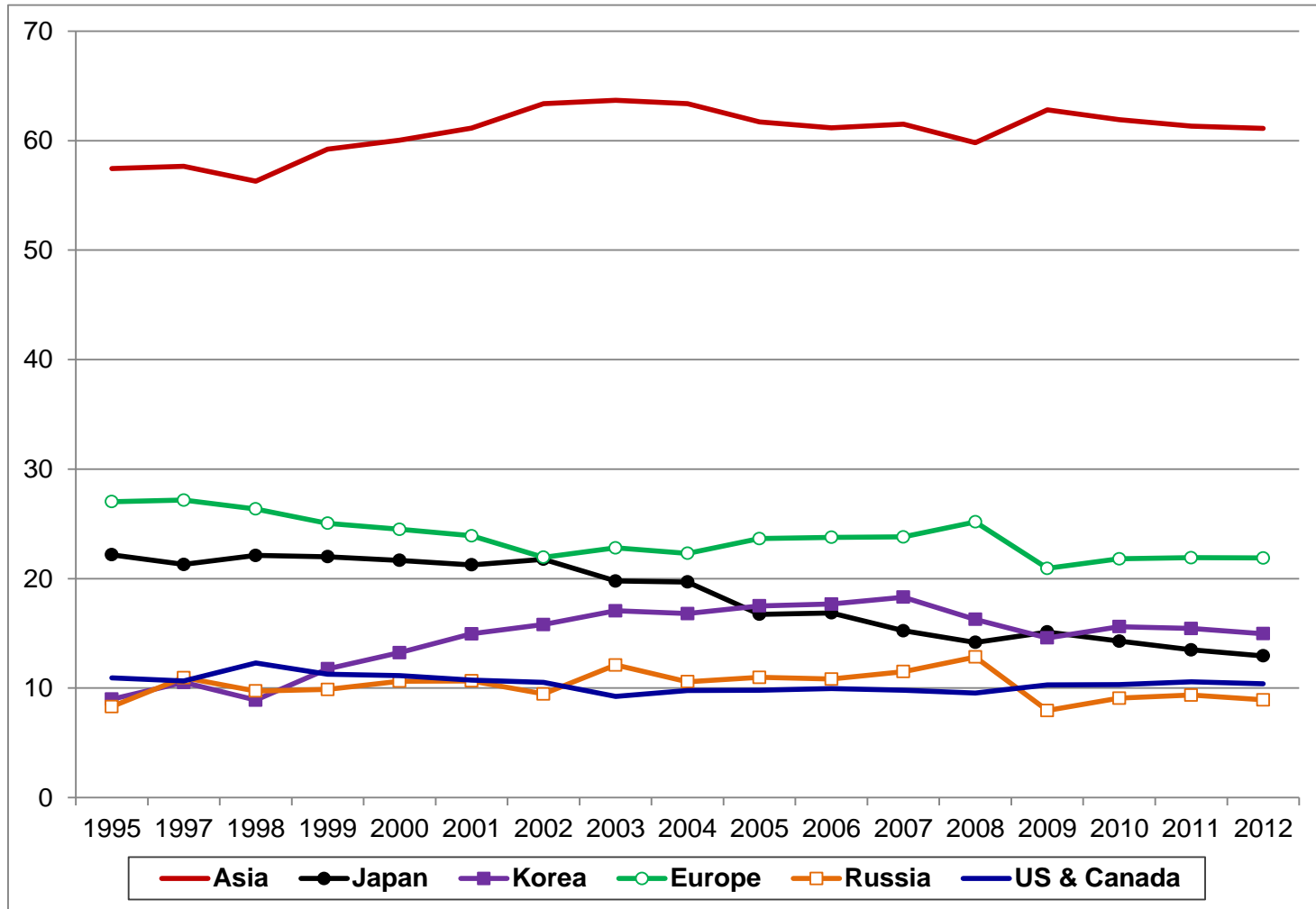
Tourist movements have been rising

Japan's inbound tourists: Source country/region breakdown (%)

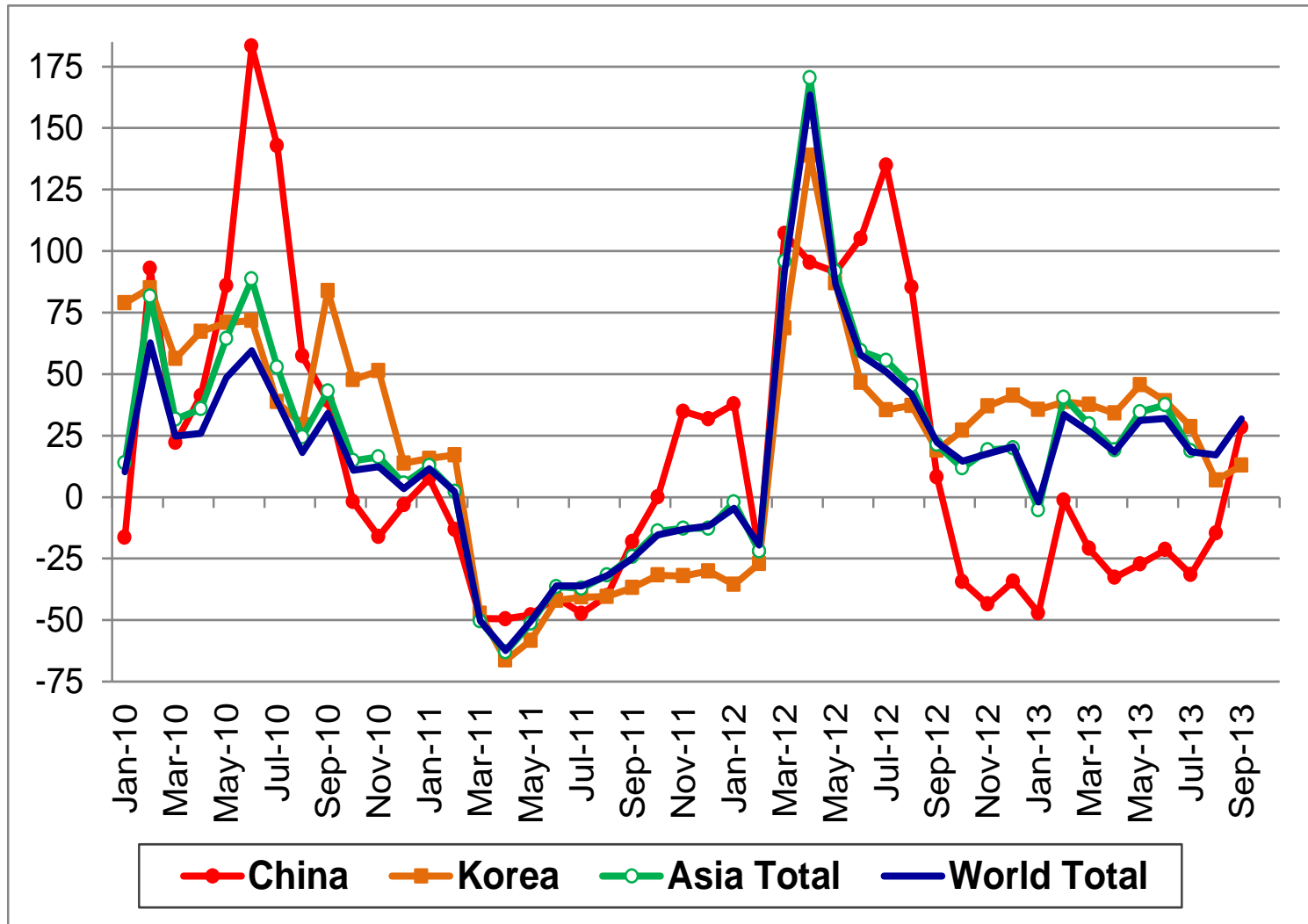


Tourist movements have been rising

China's inbound tourists: Source country/region breakdown (%)

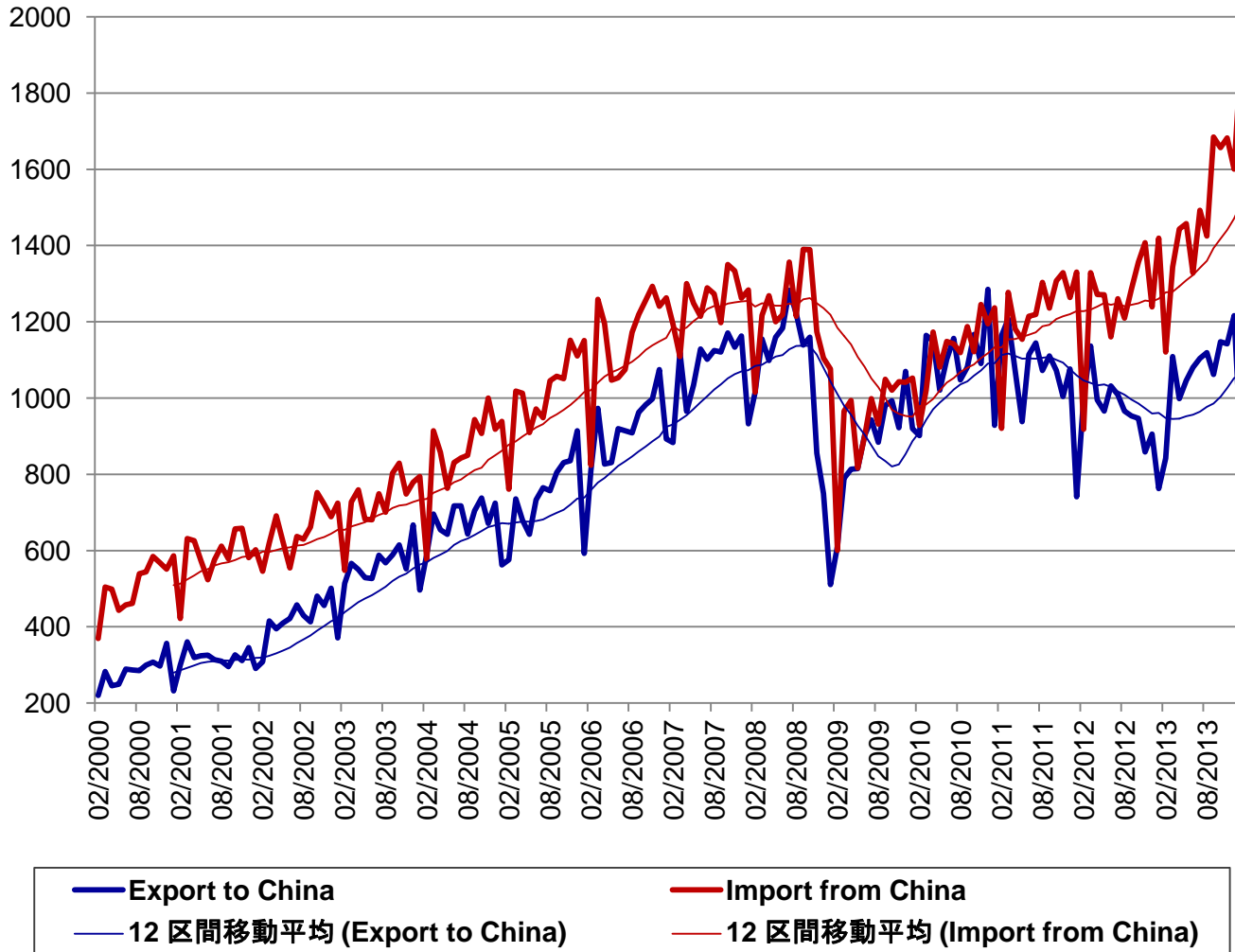


Rate of change in the number of foreign visitors to Japan (% , y-o-y)

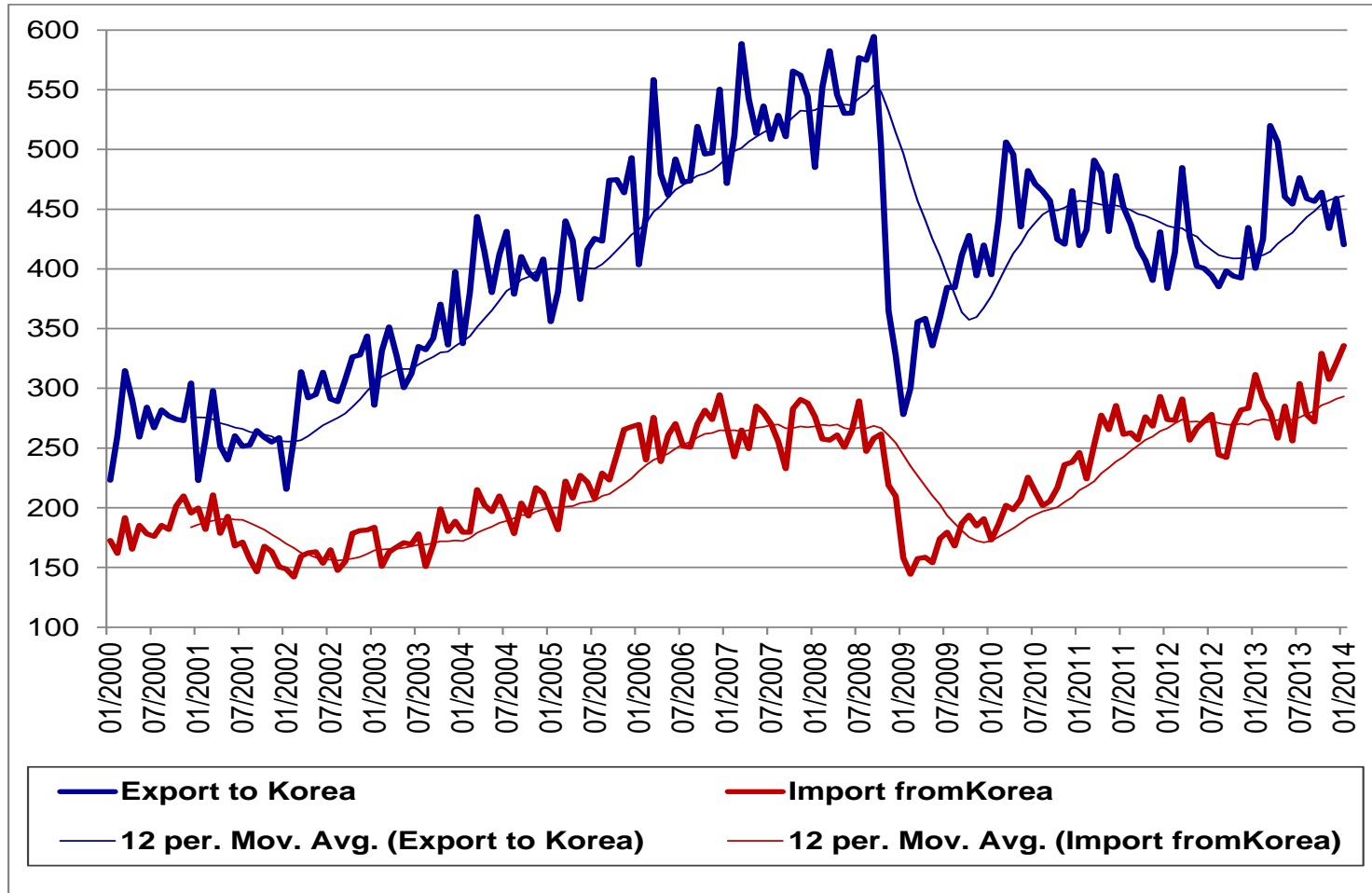


Source: Japanese National Tourists Organization

Japan's trade with China



Japan's trade with Korea



Tourist arrivals in Japan

