

Opening Ceremonies

Welcoming Address

Li Shenglin

We are very glad that the Ninth Northeast Asia Economic Forum is being held today in Tianjin. I am here representing Mr. Zhang Lichang, General Secretary of the Tianjin Municipal People's Government, and the 9.6 million people of Tianjin. We welcome you to our city. Earlier in October, we just said good-bye to the athletes who attended the World Gymnastics Tournament. Now we are welcoming guests and friends from seven countries. The World Gymnastics Tournament was successfully held in Tianjin. I believe that the Ninth Northeast Asia Economic Forum will also be a success.

Since 1991, the Northeast Asia Economic Forum has held nine meetings, which enhanced economic cooperation in Northeast Asia and promoted the development of the region's countries. Tianjin, is very honored to be the host for the Forum on two occasions. Each Forum meeting has its own focus and achievements. We believe that this Tianjin meeting will be very fruitful. This meeting will be important for communication and cooperation among the Northeast Asian countries and areas.

Tianjin is one of the four cities in China with a municipality directly under the central government. It is the largest open coastal city in North China and the economic center of the Bohai Sea area of China. Also, it is one of the most important cities in Northeast Asia. Tianjin is a rapidly changing city in a large developing country. In the 50 years since the founding of the People's Republic of China, and in the past 20 years of reforms and opening up, Tianjin has undergone and is still undergoing deep changes encompassing many aspects of its economic and social life.

Tianjin has achieved rapid and continuous economic growth, thanks to the expansion of the policy to open up to other countries. Tianjin will make special efforts to pursue the policy of opening up and will improve communication and cooperation with the other countries and areas of Northeast Asia. We already have a good base for cooperation. However, there is still great potential and a splendid future for further cooperation. We will follow three principles for enhancing our relations: complementarity, mutual benefit, and joint development. We hope that we can enhance relations in the fields of market economics, finance, technology, trade, and resources, and that we can attain a new level in our economic cooperation.

This meeting is a valuable chance for Tianjin to hear more suggestions for enhancing economic cooperation in Northeast Asia from all the attending

business people, government officials, and policy analysts. Some of you are first-time visitors to Tianjin, and some of you have been here before. We hope our new and old friends will provide more suggestions and opinions about cooperation with the rest of Northeast Asia, and about reforms, opening up the economy, and economic and social development.

The acceleration of economic cooperation in Northeast Asia is essential to the global and regional economy. It is also important for the common advantage of the counties and areas in Northeast Asia itself. Let us work together to contribute to the economic cooperation in this area and to the prosperity of Northeast Area, by deepening our understanding of each other and sharing our ideas.

Opening Remarks

Lee-Jay Cho

Starting in the 1980s, the East-West Center and Tianjin developed a special relationship by conducting cooperative research and organizing conferences on coastal development around the Yellow Sea and the Bohai Sea, thereby promoting regional economic exchange and cooperation in Northeast Asia. Over the years, this relationship has grown into a strong friendship.

Tianjin is the largest city in Northeast China that was first opened to Northeast Asia and beyond. In one sense, Tianjin played a leading role in activating regional economic exchanges in trade and investment. When I first saw the development zone of Tianjin in the 1980s, it was simply unused land. Subsequently, Tianjin has converted itself into a dynamic economy.

Today is the ninth month of the lunar calendar, the month in which the chrysanthemums are in bloom. This is a great occasion for us to return to Tianjin and to see its blossoming economy. I want to extend my sincere congratulations for what the leaders and people of Tianjin have accomplished in terms of economic development during the past two decades.

The Ninth meeting of the Northeast Asia Economic Forum beginning today here in Tianjin has a special historic meaning. Nine years ago, the first meeting of the Forum was held in Tianjin and Changchun. Since then, subsequent meetings have been held in Russia, the Democratic People's Republic of Korea, the Republic of Korea, Mongolia, Japan, and the United States. Having completed one cycle of all the countries of the region, we are now back here in Tianjin. This is an extremely meaningful and propitious occasion.

Looking back at the previous conferences, we have discussed a number of important topics related to regional economic cooperation and development for this region including implications and policy responses to the globalization of the economic system and the regional potential for dynamic development. For example, the Forum's idea of establishing a development bank for Northeast Asia has gradually been attracting interest within this region and beyond. This means of mobilizing the necessary capital for regional infrastructure development would lead to viable economic cooperation and regional development. The proposal for this development bank seems all the more timely, now that East Asia has weathered the financial crisis of the last two years, is rapidly recovering, and is moving toward more stable economic growth in the twenty-first century.

The Northeast Asian region has great potential due to national and provincial differences in levels of development. Differences and diversity, when properly

harnessed, generate energy and opportunities, like a flowing river can be harnessed to generate electric power. And the trend of decentralization in the twenty-first century will enhance the role of local governments and institutions in the dynamics of regional economic cooperation.

The Northeast Asian region has both aging and young economies. Through cooperation and the strengthening of the linkages between them, a new regional economic entity will emerge. Harmony among diversity—namely the experience and wisdom of the older economies and the vitality and energy of the younger ones—can be combined into a dynamic force for economic development. Indeed, aging economies can be rejuvenated, and younger economies can grow.

China, through its open-door economic policy, has achieved tremendous growth. In particular, the development of Tianjin has been truly remarkable. Tianjin, as everyone knows, is historically a large international city in northern China. Combined with nearby Beijing, the capital, it will eventually constitute the largest metropolis in Northeast Asia. Tianjin's economy is so inseparably linked to the capital city that it has the potential to become an important node extending its economic influence throughout Northeast Asia. Thanks to the great leadership in past years, Tianjin has laid a strong foundation for today's dynamic development, which will contribute to future regional development. Thus, the holding of this Ninth Forum meeting in Tianjin may be an important turning point in the history of Tianjin and Northeast Asia. This meeting and agenda certainly signify a propitious entrance into the twenty-first century.

The agenda for this Ninth Forum covers the following topics:

1. regional economic cooperation through trade, investment, and technology transfer
2. marine, land, and air transportation networks
3. the Tumen region as a model for Northeast Asian economic cooperation (a special session organized by UNDP in collaboration with the Forum)
4. supply and use of energy resources in this region, organized by Japan's Committee for the Promotion of the Asian Energy Community, in collaboration with the Forum
5. environmental issues in the energy sector
6. financial issues and mobilization of capital for infrastructure development, and the proposal for a Northeast Asian Development Bank
7. a consultative working group meeting on cooperation in the telecommunications sector
8. a consultative working group meeting on cooperation in the electric power sector.

I would like to extend my sincere appreciation to the Tianjin Municipal Government for supporting and cooperating with the Forum for its Ninth Annual Meeting.

Cosponsor's Remarks

Charles Morrison

I am very honored to join this Ninth Northeast Asia Economic Forum and to make a brief statement on behalf of the East-West Center as one of the cosponsoring organizations. First let me express our appreciation to General Secretary General Zhang Lichang, to Mayor Li Shenglin, and to all the staff of the Tianjin Municipal Government for their diligent preparations for this meeting and their warm hospitality.

Tianjin is a dynamic transportation, communications, and industrial hub city of Northeast Asia, and it is very fitting that our meeting is being held here. I am a first-time visitor and am very impressed with what I have heard and seen.

Second, I would like to say a few words about the East-West Center. We were established by the U.S. Congress almost 40 years ago. We are dedicated to enhancing the understanding and relations among the peoples of Asia and the Pacific, including the United States as a Pacific nation. Today, our goal is to help shape an Asia-Pacific community of peace, friendship, justice, and prosperity. We seek to achieve this goal through cooperative programs of research, study, and dialogue. At the East-West Center, specialists and students from all over the Asia-Pacific region study and work together as colleagues and partners in addressing issues of common concern.

Over the years the East-West Center has established many continuing dialogues, but none is more important than the Northeast Asia Economic Forum, founded and chaired by our former Vice President, Dr. Lee-Jay Cho. Also present today are a member of the East-West Center's Board of Governors, Ms. Lily Li Chen, as well as several members of our professional staff. This presence demonstrates our strong and continuing commitment to the progress of the Northeast Asia Economic Forum.

But why is the Forum so important? It is simply because no broader Asia-Pacific community is possible or viable without a solid Northeast Asian component. At this meeting, we have delegates from the People's Republic of China, Japan, the Democratic People's Republic of Korea, the Republic of Korea, Mongolia, the Russian Federation, and the United States. Just to list these nations demonstrates the tremendous combination of capital, technology, natural resources, and human resources available to us. With cooperation among these nations, there is nothing we cannot do.

On behalf of the East-West Center, thank you for inviting us to Tianjin and for allowing us to continue to work with you in this historic cooperation.

Statement by the Director of the Planning Research Center, National Council of China

Ma Hong

During its nine years, the Northeast Asia Economic Forum has persistently promoted economic cooperation in the Northeast Asian region. With the joint efforts of relevant areas and people from all the Northeast Asian countries, the Forum has made great progress in expanding technological and economic exchange and cooperation among these countries.

At present, a new momentum has emerged in the global economy. Northeast Asian countries are moving away from the financial crisis and are gradually recovering. Economic cooperation in this region appears to have a bright future. I believe that, through our common efforts, there will be much greater progress in the twenty-first century.

At this ninth meeting of the Northeast Asia Economic Forum, we will discuss regional cooperation, finance, transportation, energy, environmental protection, telecommunications, and the development of the Tumen River area. In my opinion, these issues have attracted much attention to the region and are important issues to be solved through cooperation among the Northeast Asian countries.

For instance, further expansion of regional cooperation must be financially supported and guaranteed. Several years ago, some specialists put forth a proposal to establish a Northeast Asian Development Bank—a proposal supported by most of the specialists. Tianjin, together with some other cities, also conceived more specifically the idea of establishing a Northeast Asian Development Bank. Another example is the increasing expansion of economic and technology exchanges and cooperation within the Northeast Asian region and the practical necessity to create a more rational, more convenient, and more efficient transportation network that will support and encourage these exchanges and cooperation. In constructing domestic ports, airports, and railways, every Northeast Asian country should give consideration to the linkages and coordination of transportation within the region.

To cite one more example, the potential for developing the Tumen River area was originally pointed out by the Northeast Asia Economic Forum. The idea was presented to the United Nations Development Programme and eventually received its support. Because of this Forum initiative, the area has gradually developed. Now, there remains the issue of how to accelerate the development of the Tumen River area and how to bring a new look to the area within a short

time. The countries around the Tumen River area are greatly concerned about this issue and hope to find a solution soon.

It is necessary to discuss issues such as these at this meeting. I hope, the meeting will allow a deep study of these issues and will explore ways to further resolve some of them, so that we can take new strides in promoting economic cooperation in the Northeast Asian region.

Tianjin is the largest open coastal city in North China and an economic center of the Bohai Sea area. Tianjin is making efforts to transform itself into a large, modern, international port-city as well as an important economic center in North China. The Northeast Asia Economic Forum is far-sighted in holding its meeting in Tianjin. One reason for holding the meeting in Tianjin is that Tianjin occupies an important position in China's overall economic structure. To the east it faces the Pacific. To the south it is well connected through the Jingjiu Railway, which runs north to south, through the center of China. To the west, it has access, by way of three separate rail routes, to the line that runs to the farthest part of Xingjiang, thereby providing access to the Eurasian continent. The development of Tianjin will directly contribute to the development of the northern parts of China.

A second reason is that, in promoting economic cooperation in Northeast Asia, Tianjin is a central place that connects North Korea, South Korea, and Japan, as well as Russia, Mongolia, and the interior areas of China. Geographically, Tianjin is therefore very important as a center and as a gateway connecting the continent and the sea. The third reason is that Tianjin is a city of great potential for development. In China's economic development, sweeping from south to north, Tianjin is bringing out its best, and together with Beijing it will boost China's economic development in the coming century. Therefore, Tianjin occupies an important place in economic cooperation within the Northeast Asian region. It should and will play a greater role.

Statement by the Representative of Japan

Hisao Kanamori

I congratulate the Ninth Northeast Asia Economic Forum for being held here with great success. I am honored to attend this conference.

The first forum was held in Changchun, China. At that time, the central topic was the development of the Tumen River basin. As I remember it, the meeting was rather simple, but all the participants were enthusiastic and optimistic. As the Forum has grown, many topics such as transportation, energy, environment, regional development, and finance, have been discussed in detail. I am certain that in this meeting, too, we will have important and satisfying discussions.

My final words are dedicated to our hosts. I extend my sincere appreciation for their energetic efforts in making this meeting a success. Thank you very much.

Statement by the Representative of Mongolia

Tsegmid Sukhbaatar

First of all, I would like to express my deep gratitude to our hosts and the organizers of the Northeast Asia Economic Forum.

This is my first visit to Tianjin, a city that plays an important role in the Mongolian economy. The port of Tianjin provides Mongolia with important access to the sea. Again I thank our hosts, the Tianjin Municipal Government, and China, a country that recently celebrated its fiftieth anniversary. I can see the great achievements of this nation.

The Ninth Northeast Asia Economic Forum provides an important opportunity to strengthen economic cooperation and to exchange our views on how to do this. I am from the Mongolian Ministry of Infrastructure Development, which is responsible for transport, energy, telecommunications, and other important areas of infrastructure.

I would like to express my wishes for the success of this meeting and for fruitful results from this Forum. Thank you for the opportunity to be here and to convey my greetings to friends gathered here.

Statement by the Representative of the United States

Steve Cowper

On behalf of the American participants, I would like to extend our appreciation to the Tianjin Municipal Government for hosting the Ninth Northeast Asia Economic Forum.

In recent years, the West Coast of North America has taken an increasingly greater interest in strengthening its economic ties to Northeast Asia, in terms of transportation, telecommunications, investment and trade. In this regard, the Northeast Asia Economic Forum has played an increasingly important role in bringing together institutions and individuals interested in and committed to regional economic cooperation and development. I feel that the Forum has been the only institution that has made consistent and regular efforts during the past decade to provide an ongoing forum for regional interactions among the business sector, government, research organizations, international organizations, and individuals, for the purpose of promoting regional cooperation in Northeast Asia.

I am confident that the Ninth Forum meeting in Tianjin will take another historic step toward better regional economic cooperation for the mutual benefit of the whole Northeast Asian region.

Statement by the Representative of the Republic of Korea

Seung-Yun Lee

First of all I'd like to extend my appreciation to the Tianjin government and the Northeast Asia Economic Forum for inviting us to this very important conference.

For the past ten years, the Northeast Asia Economic Forum has consistently conducted a series of annual conferences on topics related to regional economic cooperation in Northeast Asia and has contributed greatly to the exchange of ideas and people, to the spirit of regional cooperation, and to promoting a better understanding of future regional economic cooperation and its importance. This Forum is evolving into a unique vehicle for promoting regional interaction and attracting wide attention to the region's importance and its development needs. We should continue to nourish the Forum by participating in its activities. I would like to congratulate the Forum for its achievements, and I look forward to a successful and fruitful meeting in Tianjin.

The topics that are included in the agenda are all important elements of desirable regional economic cooperation for the future of this region. Both the private sector and the public sector of the Republic of Korea have been supportive of efforts leading to closer economic relations between the region's countries. By participating in the Forum's activities, we are encouraged to make a greater effort toward regional economic development, thereby benefiting all the countries involved in this region.

The meeting has two functions: on the one hand, getting acquainted with what is happening in each other's countries and, on the other hand, discussing how initiatives and projects can be linked to each other, to generate a greater good for the region and at the same time to enable each country to benefit. There will be numerous opportunities for future cooperation in different sectors. In transportation, for example, new approaches to regional connections by air, land, and sea can contribute to economic development and peace. Capital mobilization is very important, and I feel that the forthcoming discussion about the proposed Northeast Asian Development Bank will mark an important beginning toward much-needed capital mobilization for the region's infrastructure.

Again, I want to thank the Tianjin Municipal Government for hosting the Ninth Forum, and I would like to express my wishes for a successful meeting.

Statement by the Representative of the Russian Federation

Georgi Toloraya

It is a great honor and pleasure for me to address the Tianjin meeting, the Ninth Northeast Asia Economic Forum. First of all, I would like to express my appreciation and thanks to the Forum, to the East-West Center, to the Forum's chairman, Dr. Lee-Jay Cho, and to the Tianjin Municipal Government.

Russia is two-thirds an Asian power—two-thirds of its territory is situated in Asia, and one-third of its territory can be included in the Northeast Asian region. Thus, our interest in development in cooperation with Northeast Asia is permanent, and it does not depend on economic or political circumstances in our country. This year we have had a very challenging internal political life in our country, but I hope that after a series of elections political stability will prevail and it will be coupled with economic growth in Russia (which has already begun). This will make room for greater participation in Northeast Asian cooperation processes. Our far eastern territories, especially, are connected with Northeast Asian economies. We consider Northeast Asia a “natural economic territory” for Russia, as Professor Robert Scalapino puts it, and we see that in the next century the development of the Russian Far East in close cooperation with Northeast Asian economies can be an engine for economic growth for all of Russia.

We can note with satisfaction recent overall improvements in the political climate of Northeast Asia. Political confrontation and political problems are the main obstacles to Northeast Asian economic cooperation, but recently we have witnessed an increase in economic cooperation between North and South Korea as well as progress in relations between North Korea and the United States. Regarding Russia's relations with its neighbors, we now have the best relations with China that we've had for decades. I think all this contributes to the improvement of the political climate in Northeast Asia, which is vital for Northeast Asian cooperation. Under these circumstances, the role of the Northeast Asia Economic Forum—as a think tank and as a forum for the exchange of views and ideas for economic cooperation—is increasing. I hope that this meeting will greatly contribute to future prosperity and cooperation in this region.

Statement by the Representative of the Democratic People's Republic of Korea

Kim Si Jin

I would like to express many thanks to the Tianjin government, the Forum, the East-West Center, and the UNDP Tumen Secretariat for inviting the CPEEC delegation to this meeting and for providing all conveniences.

It is our external policy to develop economic and trade relations with the different countries of the world under the principles of independence, friendship, equality, and mutual benefit. As one of the region's countries, we pay particular attention to Northeast Asian regional cooperation. Under the initiative and concept of Comrade Kim Il-Sung, the Great Leader of the Korean people, we have established the Rajin-Sonbong economic and trade zone in an effort to contribute to regional cooperation through the Tumen River Area Development Programme—an important project for Northeast Asian regional cooperation. We have engaged in this development in close cooperation with the UNDP and the other countries concerned. It is our pleasure in this regard that, at this Forum, particular attention is being paid to the Tumen River Area Development Programme as a model for regional economic cooperation in Northeast Asia.

Regional cooperation in Northeast Asia is clearly distinguished from other parts of the world. It is happening among countries with many differences in many respects. Whether it is successful is largely dependent on an increase of opportunities with the rest of the region's countries, including mutual and reciprocal advantages that are fully accounted and provide region-wide benefits.

We will, in the future, continue regional economic cooperation, including cooperation in Tumen River area development in conformity with our own needs and on the principle of promoting the joint interests of the region's countries.

Under the wise leadership of the government of Kim Jong-Il, the Great Leader of our people, we will hold fast to a socialist principle of economy based on our own type of economic structure, and on this basis we will give full play to favorable geopolitical advantages and the economic potential of the Rajin-Sonbong zone. We will expand development cooperation with the Tumen River riparian countries, thereby contributing to the prosperity and the sustainable economic development of Northeast Asia.

This Forum is attended by many experts, scholars, and businessmen from different countries. I hope this Forum will be successful and make a substantial contribution to creating a favorable environment for regional cooperation in the

different sectors to be discussed here, including telecommunications, transportation, resource-mobilization, infrastructure, and the Tumen Programme.

Tianjin's Role in Northeast Asian Economic Development: Keynote Speech

Zhang Lichang

The Northeast Asia Economic Forum has made substantial contributions to the region's cooperation and development. This meeting will play an important role in further strengthening the region's communications, promoting consensus, expanding cooperation and exchange, and enhancing prosperity and development.

Tianjin is one of Northeast Asia's economic centers. It is not only concerned with the conditions of the region, but also has high hopes for development. I have the honor of having been invited by the Chairman to discuss the development of Northeast Asia and the strengthening of economic cooperation between Tianjin and the Northeast Asian region.

NORTHEAST ASIA SHOULD BE A FULL PARTICIPANT IN WORLD ECONOMIC DEVELOPMENT

Northeast Asia is an important economic region that has attracted a lot of attention. In the past 50 years, the economy of the region has grown at a higher rate than the average growth level of the world. The region is exerting an ever-greater impact on the global economy.

Northeast Asia has a variety of economic advantages and conditions: (1) its geographical location; (2) an abundance of natural resources, manpower, and technology; (3) a high level of economic "opening up"; and (4) complementary advantages that are strong in factors of production and industrial structure. The region possesses great potential for development. We can predict that the economy of Northeast Asia will continue to grow at a faster pace in the twenty-first century.

Northeast Asia is richly endowed with natural resources. For example, the combined land area of Japan, the ROK, the DPRK, Mongolia, and North and Northeast China totals 11 million square kilometers, which is almost double the size of Europe. In terms of energy, Northeast Asia has many resources, such as oil, natural gas, and coal deposits in large quantities, as well as an abundance of metal and non-metal ores. Water resources are plentiful, and forest resources are abundant. Many of the resources have not yet been exploited, making them rare assets by world standards.

There are over 300 million people in the region, including qualified scientific and managerial personnel. Workers are skilled, and labor costs are low. The labor

force can meet the demand for large numbers of well-trained laborers and highly qualified personnel required for economic development.

Northeast Asia is a region whose technology is advanced, creativity in science and technology is strong, and high-tech and new technologies in some respects are leading the world. The capabilities in some areas of basic research are strong, including a mastery of some highly sophisticated technologies. All these rich resources represent a comprehensive advantage.

Globalization and regionalization are the mega-trends in the economic development of today's world. All the nations and regions are adapting themselves to these trends and are taking an active part in economic cooperation for regionalization and globalization. The European Union, the Asia-Pacific Economic Cooperation (APEC) forum, and the North American Free Trade Agreement (NAFTA) have been rapidly developing. This has activated economic and trade links within these areas and promoted the development of each nation as well as the whole region.

Cooperation in trade and investment between all countries in Northeast Asia has been increasing. But in comparison with some other regions, the pace has not been fast enough, and the level still has to be raised. There are many advantages and potentials that have not been brought into play. The economic development trend of the world necessitates a quickening of the pace of economic cooperation in Northeast Asia, in which all the nations of the region will benefit. We must further strengthen the development of economic cooperation and bring the advantages and potentials of the Northeast Asian countries and areas into greater play. Then the region in the twenty-first century will develop faster and better, and it will assume a more important role and have a more significant impact on the world economy.

NORTHEAST ASIAN ECONOMIC COOPERATION IN NEED OF COMPLEMENTARY ADVANTAGES, MUTUAL BENEFITS, AND JOINT DEVELOPMENT

Facing the changes of the world economy, Northeast Asian countries must further enhance their desires and needs for economic cooperation. In order to better promote economic cooperation in the countries and areas in the region, I think it is important to have a correct recognition and balance in dealing with a host of issues and problems.

First, we should rely on exploiting the advantage of the region as a whole to quicken the development of all the countries and areas. Each country and area in Northeast Asia has interests specific to itself and seeks all possible means for development. But under conditions in which the world is in the process of economic globalization and regionalization, the isolated development of one

country or area would be very weak. Even in the case of some relatively more-advanced countries, their strength would be limited, and they are in no position to compete with regions in which countries have joined together in their efforts. The only way to stand up against joint forces is to become united and organize an entity for superior advantage. Only then can each country and area become stronger and gain access to greater benefits.

All the nations and areas in Northeast Asia should have a correct understanding of the relationship between the overall interests of the region as a whole and the interests of the individual nation. They should handle this relationship well, and should actively contribute more for the whole region's development and prosperity. In this way, they can provide the region with more comprehensive strengths and competitive capabilities. Then the region would be better positioned in world economic competition, which in turn would create a better environment for the development of each country and area in the region.

Second, attention should be paid to immediate interests, but more attention should be directed to long-term interests. Economic cooperation is for the pursuit of benefits. But whether it is for a developed country or a developing nation, all should have a strategy for the future and should handle the relationship correctly between long-term interests and immediate benefits. Special attention should be paid to the fact that immediate interests should not be obtained at the cost of long-term interests, and the achievement of the long-term interests may, on some occasions, be obtained only by sacrificing some immediate benefits. In some cases sacrificing the interests of the near future is a means of ensuring greater achievements for the longer term to come.

In its cooperation with other countries, Tianjin stands on the side of the long-term view. We must draw up our accounts over a longer period of time, so we score successes in cooperation with many enterprises from other countries. A few years ago, to make better use of foreign investment for reforming our old enterprises, Tianjin made sacrifices in intangible assets for some enterprises and their shares in the market, so that foreign investments could have larger benefits and real earnings. From a short-term perspective, we lost some immediate benefits. But more foreign investment was introduced because of the better terms we provided. Since 1994, Tianjin has made use of foreign investments amounting to US\$4.5 billion for restructuring outdated industrial enterprises, which have now been revitalized. In the final account, Tianjin has earned greater benefits.

Third, attention must be paid not only to competition but also especially to complementary benefits. Economic development of the countries and areas in Northeast Asia gives rise to competition in numerous ways. In the meantime, there are conditions of great complementarity. An enterprise in an area or a country of Northeast Asia should not merely focus on competition, while complementary advantages are ignored. It should not be totally entangled in

competition while leaving complementary advantages untouched. An important topic confronting countries and areas in Northeast Asia is how to make the best use of complementary advantages in resources, technologies, and markets. In this way, they can avoid their weaknesses, while bringing their advantages into full play, and thus develop mutually.

I call on all the countries to provide more room for better conditions, so that we can play a better role. We must make use of superior advantages to make up for our weaknesses. In this way, resources, in Northeast Asia will be better used, and potential capabilities will be brought more fully into play. Consequently, development in Northeast Asia will speed up, once all of Northeast Asia achieves overall development, and each nation and area will be better developed.

To make use of complementary advantages to a greater extent and at a higher level, one has to insist on opening up the economy. If any country or area closes itself off, development becomes impossible, and the inevitable result from this policy is that it leads to stagnation. One of the important reasons why Tianjin has developed quickly in recent years is that we have a strong sense of “opening up.” We have taken large steps to go forward and have created an all-out situation for “opening up.” To do a good job for “opening up,” attention must be focused on the trends, dynamics, and information about developments in the world economy. Policies are formulated with reference to a clear-cut target, and practical measures are taken for the realization of the target.

Fourth, we make money by letting others make money. Both parties in economic cooperation aim at making money. But if one party is making money only for itself, without the slightest concern about whether the other party is losing money, such a situation could not last for long. In implementing the “opening up” policy, Tianjin has made it clear that while we make money, we must in the meantime let others make money. In assisting the other parties’ development, we enhance our development. In rendering services to others, we get our share of the returns. We have made efforts to help investors make money.

On the basis of these considerations, Tianjin has formulated a series of preferential policies and has adopted measures to continually improve the environment for investment. The majority of foreign investors have thus registered better economic returns. Motorola of the United States came to Tianjin in 1995 for investment. By 1998, in only four years, the company had accumulated profits totaling about US\$1.2 billion. A Japanese pharmaceuticals company invested RMB 30 million in a joint venture with a Chinese party. It began operation in 1984, and by 1990, it had recovered all of its investment. During this year, it earned RMB 14 million. The Japanese have proposed to invest another RMB 30 million. LG of South Korea has a joint venture in Tianjin. Since its operations began in 1996, additional investments have been made year by year, and production has doubled. It is expected that this year’s

profit will be twice as great as last year's. LG's production of air conditioners ranks seventh in China, and its production of microwave ovens ranks second. Recently, because of good returns on investment, more and more business people from abroad have been coming to invest in Tianjin. At the end of 1998, China had 12,000 enterprises in three different categories involved with foreign capital. Among the 500 largest international companies, 62 have established business operations in Tianjin.

BROAD PROSPECTS FOR ECONOMIC COMPETITION BETWEEN COUNTRIES AND AREAS IN NORTHEAST ASIA

Tianjin is the largest city along the coastline of North China. It is also an important economic center in Northeast Asia. During recent years, Tianjin has sustained continuous and healthy development at a quickened pace. Its overall strength has increasingly been enhanced. Tianjin has had one of the nation's highest economic development rates. From 1992 to 1998, Tianjin's GDP increased by 110%, representing an average growth rate of 12.9% per year. Financial revenue almost doubled, resulting in an average rate of growth of 18.9% a year. At the end of August this year, the cumulative contracted investment was US\$25.46 billion, and actual investment reached US\$12.25 billion.

In the process of opening up its economy, Tianjin has always placed importance on economic cooperation with other countries and areas in Northeast Asia. The total volume of Tianjin's import and export trade with Northeast Asia in 1998 was US\$3.93 billion, which accounted for 37% of Tianjin's total foreign trade. Tianjin has 2,200 businesses with investment from Northeast Asian countries, representing about 18.5% of all foreign businesses in the city. The total investment from Northeast Asian countries was US\$2.42 billion, or 11% of the city's aggregate foreign capital.

From the perspective of development, there is great potential for Tianjin in economic cooperation with Northeast Asian countries. The scope for cooperation is extensive, and projects are plentiful. Tianjin must make more efforts in many ways to promote economic cooperation with Northeast Asian countries and areas.

First, we must strengthen economic cooperation with Northeast Asian countries and areas as a major component of our strategic target for the twenty-first century. In December 1997, the State Council announced the position of Tianjin City, saying: "Tianjin is the economic center of the Bohai Sea rim. Efforts must be made to build it into a port city as well as an important economic center in North China." This target will be fulfilled in the early part of the next century. By then, Tianjin will be in the forefront among the areas for earlier realization of modernization. To accomplish this, it would be impossible to

achieve development by closing Tianjin's doors. On the contrary, we must open up wider, and especially we must expand the connections and cooperation between Tianjin and Northeast Asian countries and areas.

The level of Tianjin's internationalization must be raised. Economic development in Tianjin in the twenty-first century would bring about great demand in markets, capital, and technologies. This would provide many new opportunities for economic cooperation between Tianjin and Northeast Asian countries and areas. New cooperation can be developed in sectors such as transportation, telecommunications, finance, insurance, port construction, foreign trade, environmental protection, high-tech applications, new technologies, the building up of urban infrastructure, and upgrading and optimization of industries. We welcome the countries of Northeast Asia to come to Tianjin for investment and development.

Second, Tianjin must be brought into full play as a pivotal city in Northeast Asia. Tianjin is the starting point in the east for the three land bridges connecting Asia with Europe. It is positioned at the pivotal point between two radiating sectors, both internally and externally, in North China. It is the window through which North China meets Northeast Asia and continues to the world beyond, and vice versa. Tianjin radiates internally to North, Northeast, and Northwest China, while its coverage includes all countries. It plays an important function as a pivot and a junction. We will observe the principles of giving full play to our advantages, while minimizing our disadvantages and complementing superior conditions, mutual benefits, and joint development to speed up cooperative relations among the Northeast Asian countries and areas. Thus Tianjin would become an important city for collection and distribution, where commerce, materials, capital, information, and a qualified work force all flow in and out of the city.

Tianjin is a port city, the mainstays of which are the harbor, the economic and technological development zone, and the tariff protection zone. They encompass 350 square kilometers in the new area along the coast. The investment environment is good, and investment and factory construction are convenient. For example, raw materials can be brought to Tianjin by marine transport, and products can be moved out by ship. The new area along the coast of Tianjin has become one of the hot spots for investment in China. I invite more business people from abroad to inspect Tianjin and invest here.

Third, Tianjin's industrial structure must be adjusted to meet the requirements of the economic setup in Northeast Asia. In the process of internationalization and regionalization, Tianjin's economy will participate more actively in a rational division of labor in Northeast Asia's regional economy. We will do whatever is possible for the full play of our advantages, to expand whatever is worthy of expansion, and to make a concentrated effort for

refinement, not for wholeness. This pursuit of adjusting the industrial structure and development would create many new spaces and demands. Tianjin has a lot of old enterprises. Although they still possess many advantages, their workshop buildings, equipment, and technical skills are outdated. Adjustment and transformation are needed. We invite businesses and enterprises of Northeast Asian countries to participate in the transformation of Tianjin's antiquated businesses by forming joint ventures, by transferring stocks, or by making purchases. Foreign businesses can make use of these factories for development. This is one way of making less investment to gain faster returns. And more economic benefit will result.

Tianjin is well developed for providing industries with a comprehensive range of the necessary manufacturing equipment, and services of this kind can be provided to foreign enterprises. A German company that manufactures mufflers was in urgent need of electrical machinery necessary to produce its line of products. Many factories outside Tianjin could not meet the required standards, but Tianjin Da Ming Electrical Machinery Company successfully turned out 17 types of electrical machinery. Our industries are making efforts to raise the level of Tianjin's capabilities further, so that entire ranges of machinery can be provided to meet the requirements of foreign investors.

Fourth, a more favorable environment must be created for investment. Since opening up and reformation, Tianjin has initially created a socio-economic environment favorable for cooperation between China and other countries. In order to further strengthen economic cooperation with Northeast Asia and other areas of the world, the Tianjin government at every level should enhance its sense of service, minimize procedures for inspections and approvals, and simplify the process. Efficiency should be raised, and investors should be provided with convenience, and the process should be expedited.

Tianjin has just successfully completed the Thirty-Fourth World Gymnastics Competition. President Jiang Zemin attended the opening ceremony, and Premier Zhu Rongji was present at the closing ceremony. They also inspected Tianjin and provided guidance. They appraised Tianjin's reforms highly, its "opening up" as well as its socio-economic development. Reflecting on the past, we are very excited, and I believe our honored guests here share our delight, because among our achievements, the fruits of our efforts in "opening up" are included. The twentieth century is quickly reaching its end, and the new century is approaching. Let us join our efforts, strengthen our cooperation, and push Northeast Asia forward toward more prosperous and better development in the twenty-first century.

Technology Transfer and Asia's Economic Revolution: Keynote Speech

Hisao Kanamori

Technology transfer has played a major role in the economic development of postwar Asia. Technology was transferred first from the United States to Japan. In the 1950s, technology in the nylon, transistor, shipbuilding, steel, and chemical industries was aggressively introduced from the United States and adopted in Japan. From the 1960s, technology was transferred from the United States and Japan to Taiwan, Hong Kong, Singapore, South Korea, and others, and in many cases, the technology was conveyed to these areas from the United States via Japan. As we entered the 1980s, technology was introduced from the Asian newly industrialized economies (NIEs)—Taiwan, South Korea, Hong Kong, and Singapore—to the Association of South-East Asian Nations (ASEAN) countries. Since technology transfer necessarily involves the transfer of know-how in financing and management as well, it greatly benefits the economic development of the countries receiving the technology.

There are many methods to transfer technology from one country to another. Although the most common method was through direct investment into the receiving country, there were also agreements permitting the use of the technology. Hong Kong and Singapore received much direct investment, but in Taiwan and South Korea, where foreign financing was not welcomed until the 1980s, the technology was introduced through licensing agreements or as part of contracts to supply equipment. This channel allowed the manufacturers of export goods in the two countries to produce and sell their products using American or Japanese brand names.

In the early stages, companies in East Asia sought subcontracting agreements and adopted technology in this manner. Most of the final goods for export were produced under the direction of foreign buyers. The first to come in pursuit of subcontractors in this area were the large Japanese trading companies. Soon, American trading companies followed. These foreign buyers were involved in the production process, giving directions frequently, and also giving advice. Thanks to these business activities, Asian companies were able to learn and absorb the new technologies.

For example, South Korea and Taiwan both started out by exporting mainly textiles, such as synthetic fibers, and then later started exporting electronic parts. Soon thereafter, they began exporting steel, petrochemicals, and then ships. Their textile industries have developed to the extent that they are now beginning to

expand outside their own economies and to build plants in the ASEAN countries. Their electronics and automobile industries are expanding into Europe and the United States. They succeeded in absorbing and then developing further the capital and technology that they received from the industrialized countries.

As a result, the Southeast Asian export picture has changed dramatically, and machinery and electronics have become the major exports from Singapore, Malaysia, and South Korea. Similar trends can be observed in the Philippines, Thailand, and China.

The effectiveness of policies concerning technology transfer is not easy to evaluate. There are cases such as Hong Kong, where the atmosphere is quite free, and cases such as Japan, South Korea, and Taiwan, where governments have intervened heavily—promoting technology transfer in specific industries, which has likewise been successful. It is possible that, in the early stages of industrial development, clear government policies may help to advance technology transfer.