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# Northeast Asia's Emerging Economic Role and the Soviet Union's Response

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The global role of the Pacific Ocean was noted as far back as 1850. One scholar wrote at that time: "The Pacific Ocean will play the same role as the Atlantic Ocean plays nowadays and as the Mediterranean Sea played in ancient times and the Middle Ages, that is, the role of the great marine way for international relations." The scholar's name was Karl Marx. Half a century later, at the turn of the twentieth century, the same idea was expressed in almost the same words by Theodore Roosevelt, the American president: "Western history began with a Mediterranean era, passed through an Atlantic era, and now is moving into a Pacific era."

After World War II, Japanese and Australian scholars were the first to revert to the idea of a Pacific era time and again until M. Ohira, M. Fraser, and P. Trudeau, the prime ministers of Japan, Australia, and Canada, set about the practical realization of forming the Pacific community. Political leaders and leading economists in many countries in the Asia-Pacific Region (APR) were acting in the same vein during the 1980s. Numerous international organizations like PECC and APEC were established to push the idea of community forward. Nevertheless, in spite of all the efforts made in this direction, it should be admitted that no such community exists. What are the reasons for the reverse?

### THE APR: VIOLENCE AND POWERLESSNESS

Even at the time of Ohira's prime-ministership there were arguments about participants in the future Pacific community. The main argument was whether the USSR and China should join the community. Then another problem was brought up: What countries should form the APR in general? The problem seems insoluble, as there still exist different opinions on the point. Some experts say that the countries of Northeast Asia, Southeast Asia, and Oceania are to be included in the APR. Other experts consider the littoral and island countries on both sides of the Pacific Ocean, Australia, New Zealand, and Oceania to be the members of the future Pacific community. Still other experts would include Northeast Asia, Southeast Asia, the Oceanic countries, and South Asia.

There are also quite unexpected variants—according to Gorbachev's speech delivered in Krasnoyarsk (1988), the APR should consist of all the countries from the West Pacific to the Persian Gulf (50 countries). Such a discord in opinions leaves no possibility either to establish the community or to formulate a concept meeting the requirements of all the future participants to the community.

To solve the problem, reliable criteria should be found to define a group of objectively interrelated countries representing a certain integrity based on specific principles. It is obvious that neither oceanic nor geographic principles are valid. To my mind, economic integration or common problems are reliable criteria. Speaking of the APR as a specific area of world policy and economy, many scholars just refer to the economic integration of relations between the countries of this peculiar region having no definite boundaries. In this connection the scholars point out that within the APR the expansion of trade relations takes place and emphasize that the volume of the USA-to-APR trade exceeds the Europe-to-APR volume of trade. Although these are indisputable facts, trade is not a reliable criterion of integration but a phenomenon generating internationalization of world relations. Although internationalization and integration are interconnected, there exists a considerable difference between them. Economic integration, the highest form of economic internationalization, is achieved in the process of uniting the various but usually similar national economies into one economic complex characterized by its institutional structure and functioning on the basis of coordinated economic policy both on interstate and supranational foundations.

Integration has different phases of development: the growing economic interdependence of states results in interpenetration of their economies which in its turn leads to intertwining and further to merging of national production processes. Besides, not only the first and third phases are being integrated. Even the second, the most significant one—that is, the production itself, the technological process of product manufacturing—is being integrated.

One more point should be taken into consideration. Integration resulting from internationalization does not adhere to the principle of coexistence with its source, but it cannot help struggling with it. If internationalization, being the objective process, expands the geographical limits of its realm, the integration, on the contrary, narrows the geographical framework of a process while it is building up its intensity and depth. Thus, integration is antagonistic not only to preintegration forms of economic management but also to internationalization proper. Dialectically the former cannot exist without the latter but they coexist under the aegis of objectively contradictory interaction.

It is important to emphasize that while internationalization reflects the objective progress of the world economy, the integration is the objective/subjective process, the subjective aspects of which very often prevail over the objective aspects. Under no circumstances is the policy of internationalization ever mentioned without the integrational policy being widely spoken about. Policy

means management as well as partners choosing when parametric characteristics of objects, that is, ideological predisposition, basic interests, power, and strength, are taken into account.

These proceedings make it obvious that the so-called plan-based economies represented by the former USSR, PRC, and KPDR as well as the Indochina countries have not been able to be integrated into the market system. And, moreover, these countries, by their nature, could not be integrated even within their planned system of the economy, which is being confirmed by the fact of COMECON's establishment, performance, and final disintegration.

Consequently, insofar as economic relations within the APR are not integrated, there exists no integrated APR. Nevertheless, this geographic realm gives place to several groups of countries arranged into subsystems on the basis of specific principles. To my mind there can be traced the tendency (and only the tendency) toward the actual integration within the USA-to-ROK-to-Japan subsystem. It is this very subsystem that might become the core of the economic center in Northeast Asia. This thesis should be thoroughly examined.

### PREREQUISITES FOR FORMING A CENTER OF ECONOMY AND POLICY

Voluminous scientific publications discussing the U.S.-to-Japan integrational relations submit different types of conclusions. One of them sounds as follows: "Japan and the United States will come nearer to establishment of a joint economy in 2000." In my opinion this estimate, made by Kent Keldor, an American Japanist at Princeton University, is somewhat exaggerated. Nevertheless, while noting that the American-Japanese integrational complex is being developed, one should take into consideration not only the large-scale trade and enormous shares in the mutual trade and not even the increased volumes of Japanese direct investment in the United States resulting in establishment of about 450 enterprises, some of them mixed and some Japanese-owned. The most important thing that counts is the merging of economic relations with financial operations. Thus in 1986 Japanese investors acquired 35 percent of the long-term Treasury bonds to offset most of the U.S. government deficit. There is an obvious merging of trade, production, and financial operations—the attributes characteristic of an integrational process.

An analogous impetuous process is now observed in the relations being established between Seoul and Washington and Seoul and Tokyo. And though the process is not on a large scale yet, the tendency is clear. We should not be bothered by contradictions and conflicts within the emerging triangle, as those conflicts give evidence that the process of economic integration is being developed. But even if the USA-to-ROK-to-Japan subsystem with the integrational tendencies has already been established, this fact would not mean that the economic pole is being formed in Northeast Asia. To confirm this thesis it is necessary to prove that there exist vital objective and subjective grounds

for interaction of this subsystem with three other actors of Northeast Asia, namely, the USSR, PRC, and DPRK. But the objective and subjective grounds are difficult to find due to many reasons. First, economic relations within the USSR-to-PRC-to-DPRK triangle are not of an integrational character, but those of bilateral trade and economic on an insignificant scale. Second, in contrast to the PRC, the USSR's trade and economic cooperation with each country of the first triangle are incommensurable as to the volume and scale of cooperation within the first triangle. As far as the DPRK is concerned, its volume of trade and economic cooperation with market economies of the region is not worth even speaking about. In other words, at present there are no economic bases—or, to be exact, integrational hub—for establishment of the Northeast Asian economic center composed of the six countries.

Nevertheless, I must refute this nonconstructive conclusion, having pointed out that not only the economic integration but also the common political problems to be solved might be the system-forming factor. In Northeast Asia the urgent problem to be solved is the security problem of the Korean peninsula—in other words, the problem of uniting the North and the South Korean states. All the six countries mentioned above take a keen interest in solution of the unification problem. And all this means that in Northeast Asia the six-element subsystem already exists and interrelations within the subsystem result in establishment of the integrational international political network that I can define as the International-Political Region of Northeast Asia. In my opinion, while solving the Korean peninsula security problem the grounds for establishment of integrational ties as well as economic cooperation have already been arising, which is confirmed by a number of objective and subjective factors.

Apart from sharing one and the same geographical region, the countries of both triangles, being the main actors of the subsystem, mutually complement each other: The USSR possesses enormous natural resources; the PRC and DPRK are well known for their manpower; Japan and the ROK are ready to transfer and apply their technologies and finances, which factors are key objective prerequisites for economic cooperation. Such statements are well grounded in the work of many scientists throughout the world, among them Mark Valencia of the East-West Center (Hawaii) and Wang Shengjing of the Northeast Asia Research Center (Jilin University). Thus I need not dwell on this issue any longer.

As for subjective factors, the main actors of the region are, first of all, longing to resolve the Korean peninsula security problem and then to combine efforts of all countries of the subregion for fruitful economic cooperation. At least those ideas were predominant at the international conference on the problems of the Seas of Okhotsk and Japan held in Nakhodka (September 1989), as well as at the conferences on Economic Development in Northeast Asia, held in Changchun (July 1990), and on the Strategy of the Sea of Japan Development in the XXI Century, held in Niigata (February 1991).

It goes without saying that the process of establishing the community in question in Northeast Asia might encounter a great number of problems. There is also a complicated problem concerning the former USSR's position and its chances to participate in the process of regional cooperation.

### USSR, RSFSR, OR PRIMORSKI TERRITORY?

Gorbachev's speech delivered in Vladivostok in 1986 became a starting point for Soviet leaders to repeat that the role of the APR in international economics and politics had been enhanced and that the USSR intended to strengthen its influence within the region. The succession of visits by the USSR's foreign minister to certain APR countries as well as the visit by Gorbachev to the PRC (1989) should have demonstrated the seriousness of the USSR's intentions to become a determining factor in international relations within the APR. But the only positive result of these actions was the establishment of diplomatic relations with the Republic of Korea in 1990, accompanied by intensive growth in trade and economic cooperation between the former Soviet Union and South Korea. A certain progress in trade and economic relations between the USSR and the PRC might also be considered a satisfactory result in the realm. And that is all there is to it.

On the whole, in spite of revealing talks emphasizing the global importance of the APR, during the recent 10-year period the APR countries' share accounts for only 10 to 11 percent of the entire USSR trade volume. And the planned-economy countries of the region, namely the PRC, Mongolia, the DPRK, Vietnam, Laos, and Cambodia, further account for 70 percent of the volume. Shares of individual APR countries in the USSR foreign trade volume vary from 0.1 percent (the ASEAN countries) to 2.5 percent. It might be assumed that the USSR share accounts for minor figures compared with those cited earlier for the APR countries' trade volumes, which are known to be enormous (Tables 8.1 and 8.2). As for the Soviet Far East economy, it is even less involved in economic cooperation within the APR. Different experts estimate that it accounts for only one-fourth to one-seventh of the entire USSR exports to the APR countries, the only exception being the USSR-to-Japan export as the Far East share amounts to 50 to 55 percent. Although the volume of the USSR trade with the ROK and PRC has proved to be enlarging lately, the entire ratio seems unchanging and reflects the scanty volume of USSR economic cooperation within the APR.

In my opinion, the former Soviet Union cannot become an essential component of the integrational community being formed within the APR presently. This is not due to the crisis mounting over the nation's economy, as any economic crisis may be overcome sooner or later, but due to the following reasons. The European part of the country, being the most industrialized due to its historical development and geographical position, is highly involved in the European economy, which results in the fact that Soviet trade with Europe ac-

Table 8.1 Trade matrix (US\$ million): 1989

Exports from:	Exports to						Total
	Japan	USA	ROK	PRC	USSR	DPRK	
Japan		93.188	16.561	8.516	3.082	0.197	275.175
USA	48.246		13.478	5.807	4.271		364.350
ROK	12.994	19.741		1.705	0.208		62.377
PRC	11.146	11.989	1.438				52.500
USSR <sup>a</sup>	3.005	0.703	0.391				124.143
DPRK	0.299	0.001					
Total	210.847	472.926	61.465	59.100	130.097		

a. Converted at the official exchange rate: US\$1 = 0.5542 ruble.

Table 8.2 Export and import trade turnovers (%) of six countries: 1989

	Japan	USA	ROK	PRC	USSR	DPRK
<i>Japan</i>						
export		33.9	6.0	3.1	1.1	0.0
import		22.9	6.2	5.3	1.4	0.1
<i>USA</i>						
export	12.2		3.7	1.6	1.2	0.0
import	19.8		4.2	2.5	0.1	0.0
<i>ROK</i>						
export	21.6	33.7		2.7	0.3	
import	28.7	25.8		2.3	0.6	
<i>PRC</i>						
export	21.2	22.8	2.7		3.9	
import	14.4	9.8	2.9		5.3	
<i>USSR<sup>a</sup></i>						
export	2.4	0.7	0.3	1.8		1.6
import	2.4	3.3	0.2	1.5		0.8
<i>DPRK</i>						
export						
import						

a. Converted at the official exchange rate: US\$1 = 0.5542 ruble.

counts for nearly 75 percent of its total. If the Soviet Union should disintegrate and Russia secede from the union and act as an independent state, its western areas would develop as if they were chained by the European economy, which is characteristic of the present Europe-oriented Soviet economy.

Thus only the eastern part of Russia called the Soviet Far East has a fair chance to become an integral component of the APR. This chance is redoubled for the Primorski Territory with its unique geographical and international position at the junction of the most dynamically developing countries of the region, namely Japan, the ROK, and the PRC.

The Primorski Territory possesses sufficient potential to become an independent actor in the economic cooperation within the APR. The territory covers 166,000 square kilometers (under 1 percent of the RSFSR territory) and 2.3 million people reside there (1.5 percent of the RSFSR population). More than 1 million of them are engaged in the economics.

Economically speaking, the Primorski Territory is the most developed part of the Far Eastern Economic Region (FEER). It accounts for almost one-third of industrial and agricultural production, fixed assets, and population of the Soviet Far East and 40 percent of the fish and marine products procured in the region. Some 80 percent of the overseas transportation services provided in the region are performed by the Far Eastern companies. Planned investments, exceeding 25 percent of the total, are being utilized in the territory. Multi-branched economics with an annual gross output equal to 11 billion rubles and fixed assets of about 30 billion rubles are characteristic of the Primorski Territory. Gross output consists of industry (65 percent), transport (15 percent), construction (9 percent), and agriculture (over 6 percent).

The Primorski Territory also contributes 90 percent of boron products, over 80 percent of fluorite, 12 percent plus of tungsten concentrates, 17 percent of food fish products, and 2.5 percent of cement. The territory is placed third in tin production, second in soybean production, and third in rice production on a nationwide scale. It is also famous for mineral resources such as tin, lead, tungsten, zinc, bismuth, rare-earth metals, fluorite, boron and cement raw materials, and porcelain stock. (All in all about 50 kinds have been discovered in 250 large deposits.) Moreover, more than 2,000 ore manifestations of various commercial minerals have been discovered. The Primorski Territory is also rich in timber resources totaling 1.8 billion cubic meters. The most developed industries are fishery and fish processing, mining, coal mining, ship repairing, machine building, instrument engineering, forestry, mining chemistry, woodworking, tailoring, leather, footwear, and microbiology. Some 30 percent of Russian honey and almost 20 percent of furskins are procured in the Primorski Territory.

Marine transport is of vital importance for the Primorski Territory. Every year, nearly 1,000 ships call at ports in different countries throughout the world. At the same time the ports of Nakhodka and Vostochny, the marine gates to the Pacific Ocean, give warm welcome to almost 700 vessels flying the flags of 30 states. The trans-Siberian container line connecting Japan to Europe and starting in the Primorski Territory is used to good advantage.

Despite all this, the Primorski Territory has established only a few international relations. For example, in 1989 the volume of foreign trade turnover

came to 267 million rubles, including the export turnover totaling 73 million rubles and import turnover amounting to 194 million rubles, 61 percent of which was shared among the PRC, the DPRK (20 percent), the ROK (5 percent), and Japan (2 percent). By the end of 1990, some 24 joint-stock companies with local participation were established and are in operation in Nakhodka, for the most part.

All the figures stated here do not cover the entire potential of the Primorski Territory. The problem is that Moscow has the final say in allocating the local resources. It governs more than 82 percent of region-based industries, which are further subordinated to 25 national and federal ministries and departments. The bodies are plenipotentiary to distribute all kinds of resources to be used to fulfil government-formulated orders. This means that almost 100 percent of the output is commanded by the All-Union government bodies. This situation is characteristic, in the highest degree, of the entire Far Eastern Economic Region.

Furthermore, although the FEER accounts for half of the Soviet exports to the APR countries, it is in Moscow that all export operations are performed (with the exception of the coastal trade because of its almost negligible trade volume of \$100 million, a drop in the ocean).

Regulations prohibiting any foreign business undertakings within certain territories, including Vladivostok, impede foreign business activity in the region. Now that Vladivostok has become available for foreign business activities, many countries consider it a reliable guarantee that perestroika is irreversible and will have a profound effect on international cooperation in the APR. But one swallow does not make a summer. What, then, is the way out of the crisis?

The first and the most important step is to provide conditions for unreserved conversion to a market economy accompanied with its integral constituents: the right to own the means of production and land, the right to undertake business, free-market prices, and opening up the labor, resources, and commodity markets. This type of economics must be characteristic of the former Soviet Union as a whole.

The second condition is to scrap a development program that is one and the same for the whole FEER. I mean that the FEER is administratively divided into such subregions as the Yakut Autonomous Soviet Socialist Republic, the Magadan, Sakhalin, Amur, and Kamchatka areas, the Khabarovsk and Primorski territories. These areas and territories might be united only on the basis of economic integration that might manifest itself only as a result of interdependency of all the stages of social reproduction, that is, the production proper and the exchange.

One has only to look at a map and try to imagine all kinds of goods manufactured in these territories in order to understand—even without statistics (there never were statistics in any case)—that it is impossible to establish even trade cooperation not to speak of any integrational relations either horizontal or vertical. Thus it is out of the question to create a common market that



is but one of the component parts of internationalization, which, for its part, is only a prerequisite of integration. The volume of interregional trade is considerably below the volume of trade between any of the Far East subregions and any of the former Soviet Union's central territories.

The FEER-to-Center relations are not likely to be defined as integrational. The FEER-manufactured low-priced raw materials supplied to the Center cannot function as an exact equivalent in trade exchange, which results in granting sizable subsidies to guarantee wages for the Soviet Far East residents. In other words, the FEER-to-Center relations are not based on economic laws but are the result of distortions of the plan-and-distribution system.

Huge natural resources associated with severe climate are the objective reason why the FEER is dependent on Moscow. The nature of this dependence is characteristic of empire-to-colony relations. But the most essential point is that since they are not economically connected with each other, the separated parts of the FEER cannot be considered a region as the concept lacks scientific content. Consequently the foregoing arguments make it impossible to elaborate a program of mutual development for this phantomlike regional formation. Each part of the FEER should have its specific conception of development with the following essentials to be taken into account: resources; geographic and climatic particulars; level of economic development and industrial structure; manpower availability; geostrategic position; military and political role in USSR foreign policy.

There exists one more argument in favor of individual concepts of development. Moscow-planned simultaneous development of the regional economies within the whole of the Soviet Far East proved to be bankrupt. The creation of infrastructure alone throughout this vast territory characterized by most unfavorable climatic conditions would absorb resources sufficient to make one or two cities prosperous. The attempt to make everybody wealthy, practiced since 1917, turned out to provide poverty almost to everybody. The image of a "socialist society of universal prosperity" should be destroyed and the society actually condemned to poverty should take the path of bourgeois economic egoism.

The first step to progress along this path is to establish market economic relations. The second step is to get economic autonomy and stop being Center-bound. It is absolutely clear that such a bulky and cumbersome entity as Russia cannot possibly be single-center-governed and controlled. Even countries like France, England, and Japan, to say nothing of the United States, which are not so large compared to our country scale, are not administered this way. Moscow administration should realize that only self-determined demarcation of republics, areas, and territories will keep them within one and the same state system. The total dependence feedback results in longing for self-dependence and even political disintegration. Negotiations carried on by Boris Yeltsin in Vladivostok in the summer of 1990 presented reason to hope that these ideas might be implemented.

There exists a third condition. It is a question of involving foreign capital and establishing favorable terms for foreign business undertakings. Now I would like to draw the attention of our future partners to a specific item. As the existing interregional economic structure is disintegrating, and the basic raw material production, especially timber, is being cut too, our future partners should not expect, at first, to get fabulous profits or excessive economic advantages. Future partners should be aware that nowadays the region will not in fact provide them with a lot of benefits. And to ensure future prosperity, the developed countries in the APR, namely Japan, South Korea, and the United States, might provide the gratuitous adjustment assistance of the kind they render to the ASEAN countries. To my mind, the gratuitous assistance provided nowadays will be rewarded a hundredfold in strategic perspective. The *United States and Japan granting assistance to developing countries* might prove the validity of this assumption. The fact is that the level of development in our country is lower than that of assisted developing countries. Having no internal investment, it is extremely difficult to stimulate regional economics.

The scale and forms of the assistance might be determined within the terms of an international organization to be established to promote regional cooperation in Northeast Asia. The issue of creating such an organization was discussed in the course of the International Conference on Economic Cooperation in Northeast Asia, held in Changchun, China, in July 1990. I hope the participants in Changchun II will regard my suggestions with due consideration.

**Part IV:**  
**Marine Resources Cooperation**  
**in Northeast Asia**