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Economic Cooperation in Northeast Asia

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DEVELOPMENT OF ECONOMIC COOPERATION IN NORTHEAST ASIA

The first conference on economic cooperation in Northeast Asia took place in Niigata in 1988. Similar conferences were later held in Nakhodka, Changchun, and Pyongyang. As one result, an initially quite vague idea of economic cooperation has come to be envisioned with increasing clarity. For one thing, the concept involves comprehensive cooperation within the entire region, covering Russia's Far Eastern region, China's three northeastern provinces, the Democratic People's Republic of Korea (North Korea), the Republic of Korea (South Korea), Japan, and Mongolia. For another, it will involve development of economic bases. At the Changchun conference, for example, China emphasized its wish to develop a base along the Tumen River; North Korea similarly emphasized economic—base development at the Pyongyang conference. Overall economic cooperation will not work without such bases, yet development of economic bases will have little effect without progress in economic cooperation throughout the overall region. Both sides of the equation are necessary.

Although it has been only four years since the first conference, awareness of the need for regional cooperation has greatly increased. There are three reasons for this. The first is that political relations in the region have improved. Relations between China and Russia, between South Korea and China, and between South Korea and Russia have all greatly improved. The second is the increased awareness in these countries of the importance of expanding market economies. The third reason is the enormity of long—term benefits of regional cooperation.

Far Eastern Russia is a treasure house of oil, natural gas, nonferrous metals, gold, diamonds, timber, and fish and developing these resources through the funds, technologies, and markets of Japan and South Korea, and the manpower of China and North Korea, would be of great benefit to all these countries.

JAPAN EYES DEVELOPMENT OF A SEA OF JAPAN ECONOMIC ZONE

In Japan, economic cooperation in Northeast Asia is referred to as development of an economic zone based around the Sea of Japan. A description of the development

of this idea follows. In the wake of the initial Sea of Japan Symposium in Niigata in 1988, interest in such an economic zone heightened enormously.

First of all, interest grew rapidly in coastal prefectures and cities along the Sea of Japan. Prefectural governors and mayors visited their counterparts all along the rim of the sea; sister—city relationships were formed; seminars were held in Niigata, Hyogo, and Ishikawa prefectures; an organization was established to promote the idea in the Hokuriku (Japan Sea) region, and a federation of concerned local assembly members was set up.

Second, substantial economic relations were developed. In addition to goodwill visits by mayors and debates by scholars, various transactions have been concluded. There are many examples, typified by this very interesting recent example: in early August this year, a boat carrying corn produced in China's province of Heilongjiang entered the port of Sakata, Yamagata Prefecture, after sailing down the Songhua River, crossing into the Russian Far East down the Amur River, emerging into the Tartar Strait, and sailing down the Sea of Japan. The corn was for use as stock feed at farms in the Sakata area.

Russia's Far East has long been an area of dispute, since Russia received it from China's Ch'ing dynasty under the terms of the Aihui Treaty of 1858. This was reportedly the first time in more than 130 years that a Chinese ship has sailed down the Amur River, and it signaled the great continuing changes in economic relations among China, Russia, and Japan.

Third, while this Sea of Japan economic zone was initially promoted by local governments, it has recently received increased the interest of the central government of Japan. The Economic Planning Agency, for example, published a survey on the Sea of Japan and the activities of regional economies in March and the Ministry of Transport's district port construction bureau set up a meeting to discuss the future of the Sea of Japan and began studies on the development of a Sea of Japan economic zone.

As shown, the idea of a Sea of Japan economic zone has steadily progressed from discussion to action, and from the local level to the national level. Such progress has come not only on economic considerations in a narrow sense—Japan's interest in the resources and markets of its coastal neighbors—but also has reflected Japan's stronger interest in its international relationships as the country has grown. Another factor has been the initiative shown by regions on the Sea of Japan coast which, lagging behind Japan's overall development, have tried to promote regional development by forming a Sea of Japan economic zone. Adding to the momentum are the need for the Japanese government to resolve excess concentration of economic activities in areas along its Pacific coast and the historical and cultural affinities that Japanese feel with the surrounding regions.

DIRECTIONS IN FORMING A NORTHEAST ASIAN ECONOMIC ZONE

How, then, should a Northeast Asian economic zone take shape? I would like to propose three directions. The first is openness. The world has recently seen movements toward regionalism, such as the market integration of the European Community and the free trade area formed among the United States, Canada and

Mexico. Northeast Asia is different in nature than these countries, however. With the exceptions of North Korea and Mongolia, each country within the Northeast Asia region conducts significant trade with nations outside the region. It is impossible for these countries to only expand transactions regionally; they must both strengthen regional cooperation and expand trade with the whole world. Their future direction must aim at what has been termed open regionalism.

The second point is phased development. A long-term view is necessary, of course, but plans should be carried out in stages. The United Nations Development Programme (UNDP), for example, has a grand plan to invest US \$30 billion over a period of 20 years to create a free-trade zone in the Tumen River basin. Such a plan is important indeed, but for the present considerable results could be obtained by improving existing ports, such as Chongjin and Rajin in North Korea, and raising their operation rates. Both long-term and short-term plans are necessary and specific development programs should be promoted by using Western consultants.

The third point is that efforts by each area are required. Economic cooperation will not succeed unless each area strives to develop itself. Remarkable results in this respect have been achieved by the Yanji, Tumen, and Hunchun areas of China—a paved two-lane road has already been completed between Tumen and Hunchun and a rail line will be completed next spring, the Hunchun area is also being industrialized. Such local development efforts are needed before economic cooperation can build on such foundations.

NECESSARY CONDITIONS FOR DEVELOPMENT

Finally, there is the question of what conditions are needed for the development of a Northeast Asian economic zone. The first requisite is further improvement in political relations. For Japan, positive governmental cooperation will not be possible until a peace treaty is concluded with Russia, a solution of the Northern Territories problem is determined, and relations with North Korea are improved.

The second requirement is building infrastructure. The largest bottleneck in forming a Northeast Asian economic zone is a serious lack of infrastructure—railways, roads, ports, airports, and telecommunications facilities. To end the bottleneck, international cooperation is required in technology, research capability, and funding.

Building infrastructure requires cooperation from governments, but funding and technology can also come from private direct foreign investment and joint ventures. Private enterprise can cooperate in various fields, including agriculture, industry, transportation, communications, energy, and services. Introducing private funds and technology would require recipient countries to strive for improvements in many areas.

Funding itself is the third requisite. Potential sources of funding include domestic budgets in China, North Korea and Russia, funds from international agencies like the Asian Development Bank, and Japanese private funds. Private funds will flow if the prospects for development are promising. As mentioned above, should diplomatic relations improve, Japanese official funds will also be available. One possible consideration is the establishment of a Northeast Asian development bank.

The fourth condition is information. A lack of information has been one hindrance to economic interchange in the private sector. The countries of the region should publish full economic data as soon as possible to facilitate cooperation. A Sea of Japan think tank will be set up in Niigata next spring to conduct surveys and collect information on the region.

A fifth requirement is the establishment of international organizations for economic cooperation. While this may be difficult at present, a role for such permanent organizations as the OECD will be necessary in the future. The UNDP is now playing a useful coordinating role in the development of the Tumen River area. The development plans of North Korea and China also need coordination by such an organization.