

Toward a Sharing Community: Multilateral Economic Cooperation Prospects in Northeast Asia

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It is indeed a great honor and privilege to be here at the fourth meeting of the Northeast Asia Economic Forum, and I would like to thank the organizers for inviting me to this meeting. I know that the first three meetings of this Forum have raised some very important policy questions and have provided some much needed answers. I also know that we can once again look forward to another successful meeting of the minds here in Yongpyeong.

I am sure all of us would agree on the timeliness of the topic of this meeting. Only a few years ago, any kind of regional cooperation in Northeast Asia seemed like a distant dream, much less a topic of discussion. But, as a result of rapid political and economic changes in the region, the issue of regional economic cooperation has drawn increasing attention. I believe this timely meeting will play a critical role in our search for new ways to promote multilateral economic cooperation in Northeast Asia.

In this vein, I would like to take this opportunity to share with you a few personal thoughts on regional economic cooperation in Northeast Asia and the Tumen River Development Project.

GEOPOLITICAL ENVIRONMENT

Before discussing economic cooperation, I think it would be appropriate to briefly sketch the geopolitical environment surrounding this region.

Politically speaking, we are facing some rather serious obstacles. When we speak of regional economic cooperation, Europe immediately comes to mind. Europe, of course, has already passed the stage of discussing economic cooperation and is now talking of *political* integration. North America has also started moving in a similar direction. In sharp contrast to Europe and North America, however, commonly shared values and perceptions regarding regional cooperation remain

limited in East Asia. Although there have been several attempts to form intra-regional cooperative mechanisms, such as APEC (Asia Pacific Economic Cooperation) and PBEC (Pacific Basin Economic Cooperation), they are very limited in their scope and feasibility. I dare say that we will have a great deal of work to do before we are able to form a regional economic community.

An even greater challenge lies in regional security. You may have noticed the title of my speech to be "Toward a Sharing Community." The title is somewhat awkward when one considers security issues. You may be interested in knowing that the Yongpyeong valley is the very location where one of the most fierce battles took place during the Korean War.

To be sure, there have been some important positive changes in the region since the end of the Cold War, one of them being Korea's normalization of diplomatic ties with both Russia and China. However, the Korean peninsula is still divided and remains a source of instability for the entire region. The North Korean nuclear issue and their missile capabilities are good cases in point.

For the region of Northeast Asia as a whole, despite the erosion of the Cold War structure, the future of China-Japan, China-U.S., and Japan-U.S. relations is, at best, unclear. Accordingly, the political outlook in Northeast Asia is not nearly as reassuring as the outlook in other parts of the world. However, one hopeful sign I do see is the ongoing discussions on forming some sort of multilateral security mechanism in the region.

REGIONAL ECONOMIC COOPERATION

In contrast to the political and security picture, the outlook is far brighter when we speak of economic cooperation in Northeast Asia. We often hear arguments that regional economic cooperation must be preceded by or be based on political stability. This was certainly the case in Europe. In my view, however, the opposite is true in the case of Northeast Asia. That is to say, the more realistic and interim approach to enhancing regional stability is through increased intra-regional, multilateral economic cooperation. Given the conflicting security and political interests among the countries in the region, it may be difficult to secure political stability at once. However, if we could capitalize on the huge potential for economic cooperation in Northeast Asia, its effects will likely spill over to the political and security realms. In this context, let me say a few words on regional economic cooperation in general and the case of the Tumen River Development Project in particular. Before I go on, let me just say that I think the Tumen River Project deserves our full

attention during this meeting. I say this because, if successfully implemented, it has the great potential of becoming the model of economic cooperation in the region.

As I am sure you are well aware, the degree of interdependence among East Asian countries has increased significantly as a result of expanding economic exchanges over the past few decades. What is most striking about this phenomenon is that it has not relied on special institutions or discriminatory trading arrangements, but instead it has been fostered spontaneously. Moreover, although intra-regional trade has continued to increase, most of the market economies of the region depend heavily on trade outside of the Asia-Pacific region. In the cases of Hong Kong, Korea, Japan, and Taiwan, a far larger amount of their exports go to the United States and the European Community (EC) than to other Asian countries. Given the global nature of East Asia's trade, it stands to reason that an open, multilateral trading system, rather than an inclusive one, serves the overall interests of East Asia.

Another rationale for promoting regional cooperation has to do with former and current socialist countries in the region. There is a need to bring them closer together with the more dynamic market economies. China, in fact, has been aggressively reforming its economy since the late 1970s. In a recent move, Russia is following in the footsteps of China. However, Russia's unnecessarily slow adaptation of market reforms means that more must be done to pull Russia into the Pacific Rim economies. North Korea has yet to implement any significant economic reforms because of the potentially significant political fallout. Because of this, I personally believe North Korea will eventually have no other choice but to enact reforms in order to revitalize its increasingly stagnant economy.

One final incentive to enhance regional economic cooperation rests with the focal role of Japan. While no one foresees any major challenge to Japan's economic dominance in the near future, concerns are mounting in East Asia over the long-term influence of a so-called "Yen bloc." Such concerns are compounded by Japan's chronic trade surplus with most of the East Asian economies. It is my firm belief that if we are able to form a regional economic community, trade frictions between Japan and its neighbors will be significantly reduced, thereby creating a basis for increased regional economic dynamism and strength.

On the whole, I can see ample incentives for East Asia to further enhance economic cooperation. It would serve as a means to ensure sustained growth, manage potentially significant trade frictions and foster freer distribution of goods, services, technologies and information. But

another emerging reality is that whether planned or not, regional economic groupings have already arrived on the scene. In fact, it is now commonly believed that the key engine for economic growth over the long-run will be dominated by region states, rather than nation-states. By region states I mean economic zones which may or may not fall within the geographic limits of a particular country. A good example is Hong Kong. The influence of Hong Kong's economy has gradually extended over the Pearl River Delta, including Guangdong Province in southern China. It has the potential of expanding into Indochina as Vietnam undertakes economic reforms. It is in this context that I am going to postulate on the emergence of another region state, one that is based on the budding Tumen River Basin Development Project.

THE CASE OF THE TUMEN RIVER DEVELOPMENT PROJECT

I cannot overemphasize how critical this pilot project is to the prospects for multilateral economic cooperation in Northeast Asia. Its importance is both symbolic and real. The Tumen River Project is an ambitious attempt to pull together the best of all countries in the region. It envisages an economic zone that includes China's Jilin Province, North Korea's underdeveloped northeast region and the eastern Siberian maritime provinces of Russia. What is important, however, is that Japanese and South Korean capital and technology would be used to jointly excavate natural resources, in addition to the manufacturing of consumer goods within the zone. If the Tumen River Project comes to fruition, I believe the said region would have the potential to become a second Hong Kong or Rotterdam in Asia in terms of economic strength. Obviously, specific measures will take a tremendous amount of time and resources. I am nevertheless optimistic, for I see a number of reasons why it would serve the best interests of all nations in the region.

First of all, a Tumen River Economic Zone could emerge as Northeast Asia's transportation "hub." The geographic proximity of South Korea and Japan as well as the existing Trans-Siberian Railway and China's railway system would make the zone a natural center. One could envision a formidable transportation chain linking Europe and East Asia. Needless to say, the implications for trade and other form of exchanges are immense.

Secondly, the participating countries could benefit greatly from the well-known complementarity of their respective economies. For instance, the Russian Far East has tremendous natural resources which have yet to

be fully excavated. Coupled with a vast labor pool from China, underground mineral resources in North Korea and capital and technological know-how from Japan and South Korea, the Russian Far East could be developed systematically. The combined economic strengths of the five countries involved would be truly impressive.

Third and perhaps most importantly, if successfully implemented, the Tumen River Project would serve as a catalyst to promoting additional sub-regional economic cooperation projects. What I have in mind is an even wider zone that is termed "the Golden Triangle," linking North Korea's Rajin and Woongi, Siberia's Posyet and China's Hunchun area. I do not mean to put the cart before the horse, but at the same time, I do not believe that the idea of a "Golden Triangle" is a premature subject. If we are to keep the upcoming discussions broad and wide open, then the idea is certainly worth our attention during this meeting.

Coming back to the Tumen River Project itself, how the project proceeds would obviously depend highly on the degree of political support from each of the key participants. Clearly, economic incentives alone will not be able to determine the future of the Tumen River Project. Nevertheless, the most compelling rationale for pursuing the Tumen River scheme is that all of the actors in this particular sub-region would collectively and separately gain from the venture. For starters, North Korea and Russia lack consumer goods, modernized industrial infrastructures and production know-how. Conversely, while Japan and South Korea are equipped with technological and management expertise, they depend heavily on outside sources of energy. For China, its on-going reforms and rapid economic growth could be strengthened with greater interaction and integration with the market economies. I believe the Tumen River Project could accommodate the needs of these five countries.

Therefore, my overall view is that the Tumen River Project could stand out as the focal point of Northeast Asian economic cooperation so long as pragmatic steps are taken. The countries of Northeast Asia have had a long history of interaction, but this interaction was stifled in the post-1945 era because of contending political systems. This Project, however, could be an important stepping stone towards reestablishing and formalizing the interaction between these countries. One note of caution is that the Tumen River Project should not be construed as a short-cut towards the creation of a second Hong Kong. Numerous obstacles remain along the way, not the least of which is how North Korea and China will emerge from their respective political transitions. Over the long-term, however, all countries in the region would gain from seeing the Tumen River

Project come to its fruition either by the end of the 1990s or the early part of the next century.

CONCLUSION

By way of summary, in a time of major fluctuations in the global and regional environments, I wish to reiterate the seminal importance of finding avenues for multilateral cooperation in Northeast Asia. The tremendous economic progress which has been made by the Pacific Rim countries in general, and the market economies of Northeast Asia in particular, portends an exciting new Pacific Era in the upcoming 21st century. But as I have already noted, significant challenges and barriers remain along the road towards region-wide or sub-regional cooperation.

The main lesson of the Cold War in the East Asian context is quite simple: East Asians must learn to pool their resources in the search for common values, aspirations, institutions and processes. How we choose to articulate specific policies to meet this singular challenge is our key task in the remaining years of this decade. Over the longer-term, an "Asian-Pacific Community" could emerge based on reconciliation and normalization. All of us have a common cause in ensuring that East Asia will no longer be affected by the scourge of war, ethnic tensions, intense economic friction or political conflicts. This is the challenge for the Asia-Pacific region as a whole and Northeast Asia in particular.

Thank you very much.