

Cooperative Economic Development in Northeast Asia

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Economic development in Northeast Asia has been astonishingly fast compared to the rest of East Asia. Trade and investment in this region has expanded considerably and there are many bilateral projects being conducted, for example, the development of the Vladivostok area, or more importantly, the development of oil in Sakhalin. The development of the Sanjian plain in China's Heilongjiang Province is also well underway. Among the many other projects that are being presently conducted, the development of the Tumen River area has drawn the most attention. When the development of the Tumen River area was originally proposed at the 1990 Changchun meeting of the Northeast Asia Economic Forum, for many people it seemed like a dream. However, the project has now entered the implementation phase.

The role of the UNDP in this process has been extremely important. The UNDP has facilitated the negotiations which led to the formation of the original framework of the project as well as the resolution of political differences between the parties involved. With the formation of the Tumen River Development Committee in December 1995, the project has entered a new stage in which the UNDP has stepped back to allow the involved parties to take over the planning of the Tumen River area.

The Tumen River runs along the national boundaries of China and the Democratic People's Republic of Korea (DPRK). The Tumen River area project is an attempt to develop this area. In this area, Changchun in China's Jilin Province is the most developed. However, as this region is near national boundaries, foreigners were not allowed in this area until four or five years ago. Thanks to its rapid growth, the area has now been designated as an area where the "open door" policy will be implemented by the national government. Factories for knitted goods and iron works have been the foundation for the tremendous growth of this city. Changchun's population is about 250,000 people. The city proposes to increase this to 1 million people by the year 2010.

Recently an investment forum was held in Yanbian, the capital of the Yanbian Korean Autonomous Prefecture, west of Changchun. Approximately 350 investors attended and the forum was a great success.

This indicates that this region is already attracting investors and private investments.

The most tremendous change can be seen in the development of the Rajin-Sonbong area of the DPRK, which I was able to visit last November. When I went several years ago, Kim Il Sung's decision to establish the zone had just been announced and development was only beginning. However, the region is now being transformed into a large free trade zone. Large international hotels are under construction in Chongjin and Rajin. Both have about 100 rooms for 200 beds. And new infrastructure such as an optic fiber line is also being constructed.

The strongest impression I gained in the DPRK was the prevalence of open-minded thinking. Rajin has an excellent port, from which there is a regular container ship to Pusan in the Republic of Korea once a week. Various products from Changchun, China are brought to Rajin by truck, which was unthinkable only a few years ago.

The Russian Far East is also changing rapidly. However, the Russian government did not seem to be actively endorsing development of this area. Nevertheless, this policy changed in May 1995. Now the port of Zarubino is rapidly being developed as an entrepôt for products from Heilongjiang. The railroad from Zarubino is projected to cross the border into China and to Changchun. China has been the most active party in the construction of this railroad which has nearly reached the border. Although construction on the Russian side had been lagging, it has picked up considerably since last May when the Russian army began to participate in its construction. When I visited the area, I heard that the line was to be connected in the near future. It is possible that later this year, goods from China will be transported along this railroad to the port of Zarubino and pass thorough the Japan Sea to neighboring countries. This indicates that the governments of China, the DPRK and Russia are actively promoting this project.

In Japan, the prefectures on the Sea of Japan side, namely Niigata, Ishikawa and Tottori Prefectures are taking an active role in the development of the Tumen River project. There has been much private investment from Niigata Prefecture, in particular, in the development of the port of Zarubino. The interest of the central government is also increasing as evidenced by the participation of the Ministry of International Trade and Industry in a public-private mission conducted last year.

In Japan, a new five-year National Development Plan is being implemented. The emphasis has always been on developing the areas facing the Pacific Ocean. But in this new plan, the emphasis is on increasing the importance of the areas facing the Sea of Japan and improving economic relations with the nations on the other side of the Sea. Although the overall plan is not satisfactory from a west coast point of view, the fact that the

region is gaining attention is a great advancement for the development of the western side of Japan.

The development of the Tumen River project should not be implemented with short-term objectives. Last year the UNDP announced that development would take over 20 years with an investment of about US\$30 billion. Research shows that is probably not feasible and investments in infrastructure should be projected at around US\$100 billion over a time span of 30 years.

The Tumen River area lacks technology, infrastructure and communication networks and the question arises as to how to distribute the required US\$100 billion of investment. A few years ago, there was a suggestion that a Northeast Asia Development Bank should be established to procure the funds necessary for development of the area. Encouraging the participation of the Asia Development Bank, or encouraging private investment have also been suggested as possible methods for procuring funds. The active participation of the United States is important in many aspects, particularly in terms of backing up the project.

The initial concept was to make the small town of Hunchun a base for access to the Sea of Japan. Hunchun has shipping rights to the Sea of Japan. This plan initially gave rise to the idea of an "international" city. However this idea ran into very difficult problems. The next idea which arose was to use the port of Rajin to access the Sea of Japan. The fourth plan was to develop the port of Zarubino in the Russian Far East.

The role of the Republic of Korea is very important. Although much of the area of focus is within China, the Korean Autonomous Prefecture has a large population of ethnic Koreans. Therefore, cultural links as well as use of the same language should strengthen ties. Indeed many Koreans are already investing in Changchun. Just as overseas Chinese have played an important role in the development of China, Koreans should play a large role in the development of the Tumen River area.

The economic relationship between APEC and the Tumen River area is basically through natural resources. Dr. Scalapino of the United States has described the Tumen River area as a natural economic territory. However, the three countries of this area are not presently linked by treaties like the EC. As development of the area progresses, however, even natural economic territories will need regulations. Although Russia, Mongolia and the DPRK are not participants of APEC, APEC should widen its framework in order to admit these countries and promote the development of Northeast Asia within the setting of the Tumen River area. This has already been realized in Southeast Asia, where ASEAN works within the framework of APEC and it is possible to pursue development in Northeast Asia through a similar method.

Japan's Perspectives on Regional Economic Development in Northeast Asia

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I would like to cover three points: the general characteristics of the Asia-Pacific region, or more specifically, the Pacific Rim; development of regional cooperation in the Asia-Pacific region, particularly APEC; and Northeast Asia in these contexts.

The most distinctive feature of the Pacific rim is its diversity—in economic development, natural resources, religion, culture, and political systems. The United States and Japan have per capita incomes of about thirty thousand U.S. dollars a year, while China, Indonesia and others have per capita incomes below one thousand U.S. dollars per year. Another distinctive feature is the region's very rapid economic development. When I was a student in Japan, Asia was often described as backward, stagnating and poverty-stricken. But now Asia is described as an engine of growth for the world economy and the envy of the world.

A third distinctive feature is that the region does not have a sense of solidarity or cooperation among its countries. However, because of economic development and interdependence, the concept of cooperation has been gradually emerging. This has resulted in PECC, PBEC, and finally APEC, which was initiated by Australia in 1989. A fourth distinctive feature of the Pacific rim region is that Northeast Asia is lagging behind in terms of regional cooperation, and, in part, economic development.

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APEC is at the core of cooperation in this region. In its seven years of existence, it has developed slowly but steadily, not as rapidly as the United States expected, but more rapidly than some other countries expected. APEC activities have been focused in three sectors. The first is liberalization of trade and investment. At Bogor in 1994, the leaders of APEC countries agreed that all trade and investment would be liberalized by the year 2020 for developing countries, and 2010 for developed countries in this region.

The second sector is facilitation of the flow of trade and investment. The difference between facilitation and liberalization is that liberalization is concerned with institutions, while facilitation deals with lowering tariffs and

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