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## **From Dream to Reality: Spurring the Development of Northeast Asia**

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Spurring the development of Northeast Asia is nothing more than a dream for many economists. It is a dream, however, that is truly worth pursuing until it becomes a reality.

Many problem areas impede the development of Northeast Asia. Among them are capital resources, policy coordination, investment scope, and marketing access. The region's choice of the locations to be singled out for development is key to the success of the whole concept. Regarding the choice of location, each area set aside for development should possess certain comparative advantages, such as its geographical position, tourist sites and areas of historical interest, natural resources, and labor supply.

In the early stages of development, what is most urgently needed is capital. Since domestic capital is lacking in Northeast Asia, it is necessary for the governments of the region to attract foreign investment. However, in order to attract foreign investment, the selected development areas will need good infrastructure and a cheap supply of labor. Stable political conditions and preferential treatment are also a prerequisite to foreign investment. These three last-named items should be handled by the governments of the area; meanwhile, the capital required to build up the region's infrastructure will be more difficult for these countries to obtain.

In addition, the choice of industries for development should start with the industries that have comparative advantages for operating in Northeast Asia. Such industries include the tourism industry, the food processing industry, the heavy and chemicals industries, and the information industry.

The kind of capital required for the development of Northeast Asia can be classified into two categories: capital for infrastructure development and capital for industrial development. Since the amount of capital for infrastructure development needed is large, the governments concerned will have to borrow extensively from foreign financial institutions. There is also a proposal to establish a Northeast Asian Development Bank, which would provide funding for infrastructure projects. In order to attract foreign investors to make investments in potential industries, the governments concerned should be ready to provide all the relevant information regarding development projects to potential foreign investors. Typically, small businesses are the first to make investments. Once

their investments begin to show good results, large enterprises then tend to jump on the investment bandwagon.

Considering geographical and historical relations, it would be most prudent for the governments in this area to begin by seeking investments from Japan and the four "Asian dragons." If and when these initial investments start producing good returns, confidence among investors in Europe and North America about investing in Northeast Asia will receive a boost.

Although there are many obstacles to the development of Northeast Asia, as long as the governments concerned have sufficient understanding of the significance of such development and give it their full support, then the dream of a developed Northeast Asia can be realized.