

The Problems and Opportunities of Subregionalism in Northeast Asia: The Case of the Tumen River Area Development Programme

Christopher W. Hughes

Centre for the Study of Globalisation and Regionalisation

University of Warwick

SUMMARY

Economic region-building can play a vital role in assisting the establishment of peace and stability in Northeast Asia in the post-Cold War era. This paper analyses the theory and history of regional development in Northeast Asia, and then examines the case of the Tumen River Area Development Programme (TRADP) in order to illustrate the practical difficulties of moulding together a subregional project. The paper argues that the growth of regions is determined by the twin forces of regionalism and regionalisation, but that at present it is the lack of the former in the TRADP which accounts for its limited success.

Significance of Northeast Asian regionalism

The end of Cold War and the breakdown of the US and USSR-centred bipolar international order has produced both problems and opportunities for peace and security in Northeast Asia. On the one hand, the increasing fluidity of international relations in Northeast Asia, exacerbated by the onset of economic globalisation pressures, has created the conditions for the potential reemergence of a number of inter-state and intra-state conflicts. These include more 'traditional' security concerns such as territorial disputes, competition for natural and energy resources, and separatist movements, as well as 'post-Cold War' and 'post-globalisation' problems, such as the proliferation of weapons of mass destruction, environmental destruction, and economic dislocation--seen most clearly with the East Asian currency crisis since July 1997. On the other hand, though, the fluidity of the post-Cold War order in Northeast Asia has also given rise to opportunities to restructure the international order to cope with the problems outlined above and create a new basis for peace and security. In particular, the role of region and subregion-building offers one vital means to deal with instability following the end of the Cold War and to create a mediating level of formal or informal governance which can meet the challenges of globalisation into the next century. For even though aspirations of region-building in East Asia have been dealt a heavy blow over the short term by the ongoing currency crisis--creating economic, political, and social disarray in the ASEAN (Association of Southeast Asian Nations) countries and disrupting the progress of APEC (Asia-Pacific Economic Cooperation) --over the long term, the currency crisis may only serve to strengthen the conviction that enhanced regional integration is necessary to combat the seemingly relentless diffusion of globalisation forces and to correct the instability that they can bring in its wake.

For instance, despite the fact that the North Korean security problem, with its attendant aspects of the consideration of the military balance on the

Korean Peninsula and ideological battles for legitimacy, is often seen as the last remnant of the Cold War in Northeast Asia, at the same time it increasingly needs to be viewed as a post-Cold war and post-globalisation problem in the sense that North Korea is a state which has lost access to its former economic sphere in the socialist bloc and has been economically 'cast adrift' to face alone the pressures of globalisation. The resultant economic hardship for North Korea, compounded by this state's own internal structural deficiencies and economic mismanagement, has in large part been responsible for generating its aggressive military behaviour after the Cold War, as it seeks the diplomatic leverage to gain economic access to and economic concessions from the US, Japan, and South Korea. In this situation of military tensions on the Korean Peninsula generated by economic instability, there thus exist powerful arguments in favour of seeking to integrate economically, or 'anchor', states such as North Korea into the Northeast Asian international community and emergent regional groupings.

Given the security function and importance of economic region-building for peace and security in Northeast Asia, the purpose of this paper is to examine the extent of the problems and opportunities which confront attempts to create a viable Northeast Asian region in the late 1990s and beyond. In order to carry out this task, the paper is divided into five sections. The first section examines the definitions and characteristics of a region and the two processes of region-building—regionalisation and regionalism—so as to establish basic criteria by which to evaluate the progress and problems of the creation of a region in Northeast Asia. The second section explores briefly the history of successive regional orders in Northeast Asia to point out the problems and opportunities of creating a region in the past, and to help place in perspective and explain the limitations of the Northeast Asia region in the contemporary period. Section three then analyses the current state of the Northeast Asia region and its diversity which offers both facilitating and hindering factors for future regional

integration. Section four moves on to analyse the case of the Tumen River Area Development Programme (TRADP) as a case study of the hopes and difficulties of region-building in Northeast Asia. Finally, section five sums up the conclusions of the previous sections and offers some thoughts on the prospects and significance of region-building in the future.

Region characteristics and processes

The term 'region' is notoriously hard to define in the literature of International Relations and International Political economy due to the wide variety of regions and regional characteristics that are manifest in world today: ranging from the highly 'advanced' models of regional integration seen in Europe and the EU, through to the emergent and differing styles of region-building evident in the Asia-Pacific since the late 1980s¹⁾. However, a useable definition of a region which encapsulates the features witnessed in a number of regions is perhaps a limited number of states or sub-state elements linked together by relative geographical proximity and by a degree of mutual interdependence. Geographical proximity is noted here to distinguish interaction which occurs on a limited geographical scale from that which occurs on a global scale, and interdependence can take the form of economic, political, and even military interdependence. Another important and commonly occurring, but not necessarily indispensable, feature of region-building is a sense of shared identity or homogeneity in culture and values, which can act to cement and strengthen interaction between states and sub-state elements.

All regions are socially constructed by the thoughts and deeds of human actors, whether state or non-state in nature. Thus, regions are capable of coming into existence by deliberate human action, or, conversely, of becoming moribund as human actors seek other outlets for political, economic and security interaction. As will be elucidated in a later section, the characteristics and

functions of the East Asia and Asia-Pacific regions have been reconfigured a number of times by the dominant states in the region since the late nineteenth century.

Regionalisation is the first of the two processes which account for the rise of regions, and it can be defined as the growth of societal integration within a region due to the operation of 'autonomous' forces. By this it is meant that economic, political, or societal forces work in a relatively unconscious or unplanned way to draw together regional actors and promote integration. Hence, in the case of economic regionalisation, these forces take the form of trade and investment flows across regions, regardless of territorial boundaries, in order to exploit economic complementarities. Robert Scalapino has described the flow of regionalisation forces without a conscious grand plan, but leading to the integration of regions, as the rise of 'natural economic territories'²⁾.

Regionalism is the second force that can be said to work for the growth of regions, and the particular focus is upon the 'ism' as representing a conscious principle and programme by state or non-state actors to affect regional integration.³⁾ These programmes may consist of active efforts to create the conventions, regimes, and institutions which can serve to bind regions together and give a 'hard' edge to regionalist projects, as with the case of the highly institutionalised European Union (EU). Alternatively, regionalist conceptions may be more passive in nature and take the form of simply state approval for regional projects, with only a minimal government input in terms of creating the framework for the free flow of regionalisation forces. This type of regionalism involves at the very least an implicit government commitment not to impede regionalisation forces, and characterises the 'soft' regionalism prevalent in the Asia-Pacific which generally tends to lack strong institutions. This paper distinguishes two sets of forces working for the growth of regions, but it is arguable that in practice they work in tandem and both need to be present for sustained region-building. Consequently, it can be seen that in the case of the EU

these two forces are mutually reinforcing, with economic regionalisation driving greater demands for regionalism and the establishment of institutions to govern regional interaction, and this then creating a firmer basis for regionalism and the environment to encourage the further flow of regionalisation forces.

Having defined regions and region-building processes, the next basic criteria which needs to be established is that of the subregion. In essence the subregion can be regarded as sharing the same characteristics of a region but on a smaller geographical scale. Subregions may include sovereign states such as in the case of ASEAN or may involve interaction between smaller geographical units and units of governance. Hence, in the example of TRADP outlined later it will be seen that not only are the central governments of the states of the subregion of Northeast Asia involved in the project, but also local government actors in each of the states. Indeed, the smaller geographical scale of subregion may also mean that at times they can be referred to as micro-regions, characterised by local governments and actors taking the lead in pushing forward integration. Subregions may be both 'closed' or 'open' in fundamental character. In the case of ASEAN, it can be seen that this subregion functions in the political, security, and, to some extent, economic spheres as a means to ward off the pressures from other larger states in the region, giving the grouping something of a 'closed' nature. Other subregions may be more 'open' in nature, though, with horizontal linkages to other subregions, which then act to create a 'patchwork' of regional groups that form the basis of larger regional groupings.

Historical perspectives on the Northeast Asian region

Having elucidated the fundamental criteria by which to examine the growth of regions, it is next necessary to move on and outline the history of the Northeast Asia region in order to understand the difficulties that lie in the way of region-building in the contemporary period, and why the Northeast Asia region often

fails to combine satisfactorily the twin criterion of regionalism and regionalisation.

The first identifiable historical region in Northeast Asia was that of the Sino-centred regional order which existed from the Ching Dynasty through to the late nineteenth century. The desire here is to avoid the use of anachronistic terminology, but it is perhaps fair to say that under Chinese suzerainty and the tributary system a prototype form of a Northeast Asia region came into existence. The dominance of the Chinese order and its loosely defined concepts of sovereignty acted as regionalist, or centripetal, forces to limit barriers to interaction and draw the countries of the region together, and loosely defined concepts of sovereignty limited barriers to interaction. Regionalisation forces also functioned under Chinese suzerainty as it allowed for the development of a system of trading zones to exploit economic complementarities, such as that centred on the Kingdom of the Ryukyus, Kyushu, Taiwan, and Eastern China⁴¹.

However, the 'natural economic territories' of this era were to be disrupted by the enforcement of the Western imperial order on East Asia in the late nineteenth century through to the start of World War II. Imperialism in Northeast Asia initially adapted itself to the Chinese regional order through its exploitation of the treaty port system, but inevitably regionalism became subordinated to imperialism as the imposition of European empires on Southeast Asia and sections of Northeast Asia began to prise apart cross-regional linkages. The introduction along with imperialism of the concepts of the Westphalian state system and strict territorial sovereignty acted to partition the region and inhibit economic interaction. In turn, the overturning of regionalism by imperialism was to generate centrifugal forces which undermined 'natural economic territories', and dictated that the economies of the region should instead look outwards to the economic networks of the imperial powers.

The outbreak of the Pacific War saw the displacement of the Western imperial order by a new regional order centred on Japan. Japan's attempt to

remodel the region around the Greater East Asian Co-prosperity Sphere and enhance regional economic, political, and security interdependence represented the exact equation of regionalism with imperialism. This regionalist imperialism did encourage some economic regionalisation, as Japan worked to incorporate its colonies into one major production system centred on itself. However, Japan's introduction of this imperialism-based regionalism and regionalisation into Northeast Asia ultimately failed, imposed as they were by military coercion, and leaving a legacy of economic malformation for those countries forced into the Japanese production chain--the most notable example being the unbalanced development of the northern and southern halves of the Korean Peninsula.

Hence, following Japan's military defeat in 1945 its Asian regionalist project sprung apart, to be replaced by a new Cold War regional order. The centrifugal forces of the Cold War spelled the suppression of regionalism by bi-polarism, and compounded the imperial legacy of the economic, political, and security separation of the states of the region. The USSR's Far Eastern provinces, the People's Republic of China (PRC), the Democratic People's Republic of Korea (DPRK), the Republic of Korea (ROK), and Japan were all placed in separate economic blocs under the stewardship of the USSR and US, where free economic interaction between the constituent members of each of these bi-polar camps was impeded. The Sea of Japan, even though the natural route for interaction between these neighbouring economies, became a 'Cold Sea' with reduced economic and political interdependency, and the states surrounding it again turned away to their respective economic blocs on the outside or periphery of the region--the PRC and the DPRK to the Soviet Union, the ROK and Japan to the US. Only military interdependency continued, as the USSR and US and their respective allies confronted each other across the Sea of Japan with nuclear and conventional arsenals.

The contemporary situation of the Northeast Asia region

The above description of the development and retrogression of the Northeast Asia region up until the end of the Cold War argues that not since the Chinese World Order has there been a regional grouping which combines effectively the two components of regionalisation and regionalism forces. Furthermore, not only does this historical description explain the failures of past regional projects, it also indicates how in the contemporary period Northeast Asia remains a divided region with deep-rooted obstacles to further integration.

In terms of political relations, Northeast Asia is characterised by a fractured mosaic of sovereign states, which includes the divided nations of the PRC and ROC, the DPRK and ROK, and Russia, Japan and the Northern Territories. Compounding national and territorial divisions is the divergence of the political economy of each state in Northeast Asia. Political and economic systems range from the isolated communist dictatorship in the DPRK; to the PRC still under one-party communist rule, but embarking upon economic liberalisation and pluralism; to Mongolia under reformist socialist and communist parties; to Russia, which has undergone a rapid transformation to democracy and a market economy; to the ROK, which has long had a market economy, but more recently has made a transition to stable democracy; and finally to Japan, which has proved to have the most durable democracy and dynamic economy in Northeast Asia.

Accompanying these variations in the political economies of the region are marked variations in stages of economic development. Japan stands as the economic giant of Northeast Asia, weighing in with an impressive Gross National Product (GNP) of US \$ 4,591 billion, and an average income per capita of US \$ 36,728 which is many times greater than that of its neighbours (Table 1). The ROK ranks second to Japan in terms of economic prowess due to its rapid industrialisation and technological development, but still records less

than a tenth of Japan's GNP, and has been hit hard by the East Asian currency crisis since late 1997. The DPRK represents the 'sick man' of Northeast Asia with a GNP of only \$21 billion and which is believed by ROK sources to be contracting at the rate of anything up to 5 per cent annually⁵⁾. By contrast, the PRC over the last decade has witnessed rapid economic growth at around 10 per cent per annum, although this has been characterised by increasing disparities between the booming coastal areas and economic stagnation in many interior areas. The Russian Far East economy is also highly variegated, with some advanced technological and military industries, but also a heavy dependence upon resource extractive industries and a shortage of labour. Finally, Mongolia brings up the rear in the Northeast Asia development stages with a GNP of just US \$ 1 billion and a population of 2 million.

Table 1: Leading indicators of Northeast Asia's geography and economy

	Population (million)	Area (1,000 sq km)	Population density (per sq km)	GNP (US\$ billion)	Per capita GNP (US \$)	Comparison with Japan
Japan	125	378	331.0	4,591	36,728	
ROK	44	99	444.4	381	8,660	4.2
DPRK	23	125	184	21	913	40.2
PRC	1,199	9,596	125	522	435	84.4
Northeast China	102	787	130	60	588	63.0
Russia	148	17,000	9	268	1,811	20.1
Russian Far East	8	6,215	1.3	14	1,750	21.0
Mongolia	2	1,565	1.3	1	500	74.0
Total	[1,541] (304)	[28,763] (9,169)	[54.0] (33.2)	[5,784] (5,068)	[3,753] (16,671)	

Source: Kannihonkai Keizai Kenkyūjo, *Hokutō Ajia: Nijū Isseki no Furontia*, Tōkyō, Mainichi Shimbunsha, 1996.

[] represents total for Northeast Asia countries

() represents total for Northeast Asia subregion (Japan, ROK, DPRK, Northeast China, Russian Far East, Mongolia)

This picture of economic diversity between the states in Northeast Asia is further reinforced by the types of internal economic disparities that occur within each individual state. Hence, the Sea of Japan coastal areas of Japan are

relatively underdeveloped compared to the Pacific side of the country, and in the PRC, provinces such as Heilongjiang, Jilin, and Liaoning which once enjoyed high levels of industrial development compared to the rest of the country now find themselves falling behind provinces such as Guangdong and other Special Economic Zones⁶⁹. Moreover, following the end of the Cold War, the Russian Far East has partially lost its privileged position as the strategic outpost of Moscow in Northeast Asia, which means that, with the onset of market liberalisation and an end to price and transport subsidies, the competitiveness of its products has been undermined.

The divergent nature of the political economies of Northeast Asia has produced inevitably a low level of economic interdependence. As Table 2 and Charts 1 and 2 illustrate, between 1985 and 1994 only the DPRK and Mongolia had a high level of trade interdependence with greater Northeast Asia (defined as including the USSR and the Russian Republic), with the other states in the region typically accounting for between 70 to 80 per cent of these two states' total imports and exports. For the PRC these levels were only around 20 to 30 per cent, and for the USSR/Russian Republic, the ROK, and Japan ranging between 5 and 30 per cent. Table 3 reveals the extent of the lack of trade interdependence for the subregion of Northeast Asia (defined as excluding the Russian Republic, apart from the Russian Far East), with the majority of the exports and imports of each state in the region going to or coming from outside Northeast Asia, and the Russian Far East, DPRK, and Mongolia accounting for only a very small percentage of the trade of each country. Furthermore, for states such as Japan, trade with other states in the region is so low as to be almost negligible in terms of its total world trade—the DPRK, for instance, accounting, for less than 0.04 per cent of Japan's trade in 1994. Japan itself is a major source of the exports and imports of a number of stages in the subregion, but still over 90 per cent of its total trade is conducted with other areas the world. Therefore, even though Japan is the major economic power located

geographically within Northeast Asia, its external links with other areas mean that its prime economic interests are located outside the region and that it does not form an integral part of it. Japan's only trading relationship in Northeast Asia which approximates to one of interdependence is that with South Korea, but even this relationship is highly asymmetrical as South Korea accounts for only around 5 per cent of Japan's exports and imports, whilst Japan occupies 15 to 20 per cent of South Korea's total trade. In addition to low levels of trade interdependence, Japan's investment in Northeast Asia is also comparatively low. Table 4 demonstrates that Northeast Asia accounts for 7 per cent of Japan's total Foreign Direct Investment (FDI), and that the majority of this is concentrated in the PRC and ROK. Thus, in contrast to Southeast Asia, where Japanese FDI has worked to bind the region together economically, Japanese FDI does not yet appear to be performing this function in Northeast Asia⁷.

The overall picture of the Northeast Asia subregion after the Cold war is, then, one of great divergence in and between the political economies of each state. The outcome of this has been to undermine economic and political interdependence and to restrain the forces of both regionalisation and regionalism, giving rise to only limited efforts at region-building. But at the same time, despite these severe limitations upon the growth of a Northeast Asia subregion, there are hopes in the 1990s that the release of the centrifugal pressures of the Cold War could foster the conditions for the reintegration of the Northeast Asian states and recreate the conditions of interdependence of the Chinese World Order. In particular, sections of the Northeast Asian central and local government policy-making and business community, spurred on by the progress of larger region-building projects such as the EU and APEC, have begun to conceptualise new economic subregions in the Yellow Sea and Sea of Japan⁸. This reemergence of regionalist projects and the discourse of regionalism has also been matched by the potential stirring of regionalisation forces. As Table 5 explains, the expectation is that the complementary resources of the region,

now unimpeded by Cold War barriers, could be mobilised and create something similar to Scalapino's description of 'natural economic territories'. Thus, it could be expected that the low factor endowments of the developed economies of the region could be compensated for by the correspondingly high factor endowment of other states less developed states, and vice versa. The combination of these varied but rich complementarities could be the natural outgrowth of economic synergy and integration in Northeast Asia. For example, it is clear that despite strong political barriers, cross-border trade between the PRC and Russian Far East has begun to flourish in the post-Cold War period as private actors seek to match economic resources together and exploit the relative factor endowments of each others' states. Even in the Sea of Japan, where Japan and Russia continue to be divided politically by the issue of the Northern Isles, there has been a lively trade in second-hand cars between the two countries as private business actors begin to exploit the reopened access to economic complementarities after the end of the Cold War.

Table 2: Greater Northeast Asia Region trade matrix 1985 and 1994

(US \$ million)

Importing Country	Japan	ROK	DPRK	PRC	USSR	Mongolia	Total intra-regional exports	Total world exports	Share of intra-regional exports (%)
Exporting Country									
1985									
Japan		*7,098	*247	*12,477	*2,751	2	22,575	175,638	13.0
ROK	*4,543		*0	*40	*16	*0	4,599	30,300	15.2
DPRK	*179	*0		*257	*485	n.a	921	1,350	68.2
PRC	6,483	478	231		1,037	5	8,234	27,329	30.1
USSR	1,429	42	864	924		952	4,211	87,281	5.0
Mongolia	*8	0	n.a.	*3	*531		542	689	79.0
Total intra-regional imports	12,642	7,618	1,342	13,701	4,820	959			
Total world imports	129,539	31,000	1,720	42,480	90,023	1,096			
(%) Share of intra-regional imports	10.0	25.0	78.0	32.3	5.4	87.5			
Importing country	Japan	ROK	DPRK	PRC	Russia	Mongolia	Total intra-regional exports	Total world exports	Share of intra-regional exports (%)
Exporting country									
1994									
Japan		*24,359	*171	*18,682	*1,167	17	44,396	396,000	11.2
ROK	*13,523		*18	*6,203	*962	15	20,721	96,000	22.0
DPRK	*323	*176		*199	*40	n.a	738	1,020	72.4
PRC	*21,573	*4,402	*425		*1,581	24	28,005	121,038	23.1
Russia	3,490	1,230	100	3,496		†149	8,465	†64,059	13.2
Mongolia	*45	*19	n.a.	*73	‡*104		241	368	66.0
Total intra-regional imports	38,954	30,186	714	28,653	3,854	205			
Total world imports	274,742	102,500	2,300	115,693	†47,034	259			
Share of intra-regional imports (%)	14.2	30.0	31.0	25.0	8.2	79.2			

* Exporting side's figures; † Includes Russian exports to CIS and rest of the world; ‡ includes Russia and the CIS

Sources: Kannihonkai Keizai Kenkyūjo, *Hokutō Ajia: Nijū Isseki no Furontia*, Tōkyō, Mainichi Shimbunsha, 1996; JETRO, *Sekai to Nihon no Bōeki*, Tōkyō, Ōkurashō Insatsukyōku, 1997, Hiroshi Kakazu, 'Northeast Asian Regional Co-operation', in Myo Thant, Min Tang and Hiroshi Kakazu (eds.) *Growth Triangles in Asia: A New Approach to Regional Economic Co-operation*, Oxford, Oxford University Press, 1995, p. 256.

Chart 1: Comparison of export interdependency in Northeast Asia subregion in 1994

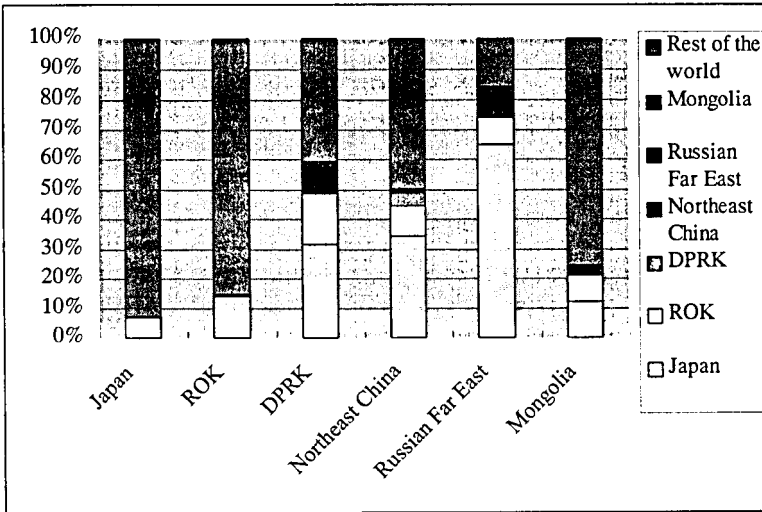
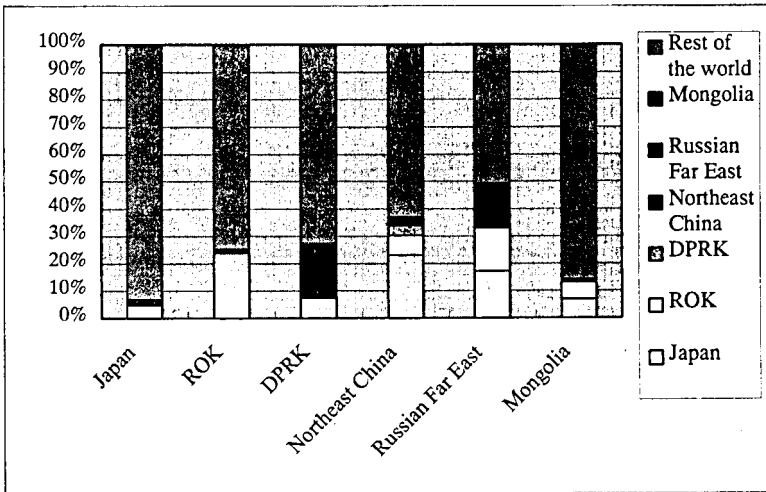


Chart 2: Comparison of import interdependency in Northeast Asia subregion in 1994



Sources: Tables 2 and 3

Table 3: Northeast Asia/Sea of Japan subregion trade matrix in 1994 (US\$ million)

Importing country/ region	Japan	ROK	DPRK	Northeast China	Russian Far East	Mongolia	Total intra- regional exports	Total world exports	Share of intra-regional exports (%)
Japan		*24,359 [6.2] (24.0)	*171 [0.04] (7.4)	*1,315 [0.3] (23.2)	108 [0.03] (17.2)	17 [0.004] (7.0)	25,970	396,000	7.0
ROK	*13,523 [14.0] (5.0)		*18 [0.02] (1.0)	369 [0.4] (7.0)	99 [0.1] (16.0)	15 [0.02] (6.0)	14,024	96,000	15.0
DPRK	*323 [32.0] (0.1)	*176 [17.3] (0.2)		199 [10.0] (4.0)	4 [0.4] (1.0)	n.a.	702	1,020	69.0
Northeast China	*3,323 [31.0] (1.2)	*944 [9.0] (1.0)	425 [4.1] (19.0)		92 [1.0] (15.0)	2 [0.02] (1.0)	4,786	10,730	45.0
Russian Far East	*972 [65.0] (0.4)	*127 [9.0] (0.1)	*3 [0.3] (0.1)	*149 [10.0] (2.6)		*0.2 [0.01] (0.1)	1,251	1,498	84.0
Mongolia	*45 [12.2] (0.02)	*19 [5.2] (0.02)	n.a.	12 [3.3] (0.2)	0.0		76	368	21.0
Total intra- regional imports	18,186	25,625	617	2,044	303	34.2			
Total world imports	274,742	102,500	2,300	5,676	629	259			
Share of intra- regional imports	7.0	25.0	27.0	36.0	48.2	13.2			

* Exporting side's figures

Figures in [] are percentages of exporting country/region's total world exports

Figures in () are percentages of importing country/region's total world imports

Sources: Kannihonkai Keizai Kenkyūjo, *Hokutō Ajia: Nijū Isseki no Furontia*, Tōkyō, Mainichi Shimbunsha, 1996; JETRO, *Sekai to Nihon no Bōeki*, Tōkyō, Ōkurashō Insatsukyoku, 1997.

Northeast China comprises: Heilongjiang; Jilin; and Liaoning

Russian Far East comprises: Sakha Republic; Magadan Province; Chukotka Province; Kamchatka Province; Koryak Autonomous District; Amur Province; Khabarovsk Territory; EVA Jewish Autonomous Province; Primorye Territory, and Sakhalin Province.

Table 4: Northeast Asia/Sea of Japan subregion FDI matrix in 1995 (\$ US million)

Receiving country/region Investing country/region	Japan	ROK	DPRK	China	Russia	Mongolia	Total intra-regional investment	Total world investment	Share of intra-regional investment
Japan		418 [1.0] (32.0)	4 [0.001]	3,108 [6.1] (8.3)	30 [0.1] (2)	17 [0.03] (42.5)	3,577	50,694	7.1
ROK	94 [3.1] (3.0)		n.a.	1,043 [34.1] (3.0)	n.a.	4 [0.1] (10)	1,141	3,060	37.3
DPRK	n.a.	n.a.		n.a.	n.a.	n.a.			
China	13 [4.0] (0.3)	11 [3.4] (1.0)	n.a.		3	4 [1.2] (10)	31	322	
Russia	n.a.	n.a.	n.a.	n.a.		n.a.			
Mongolia	n.a.	n.a.	n.a.	n.a.	n.a.				
Total intra-regional investment	107	429	n.a.	4,151	33	25			
Total world investment	3,837	1,317		37,521	1,877	40			
Share of intraregional investment	0.4	33.0		11.1	2	62.5			

Figures in [] are percentages of investing country's total world FDI

Figures in () are percentages of receiving country's total world FDI

Sources: Kannihonkai Keizai Kenkyūjo, *Hokutō Ajia: Nijū Isseki no Furontia*, Tōkyō, Mainichi Shimbunsha, 1996; JETRO, *Sekai to Nihon no Boeki*, Tōkyō, Ōkurashō Insatsukyoku, 1997.

Table 5: Comparative and complementary factor endowments in Northeast Asia sub-region

	Japan	ROK	DPRK	Northeast China	Russian Far East	Mongolia
Arable crop land	Low	Low	Low	High	Low	Low
Pastoral crop land	Low	Low	Low	Medium	Low	High
Mineral resources	Low	Low	High	Medium	High	High
Energy resources	Low	Low	Medium	High	High	Medium
Labour surplus	Low	Low	Medium	High	Low	Low
Capital surplus	High	Medium	Low	Low	Low	Low
Advanced technology	High	High	Low	Low	Low	Low
Management expertise	High	High	Low	Low	Low	Low
Developed heavy industry	High	High	Medium	Medium	Medium	Low
Vanguard industry	High	High	Low	Low	Low	Low
Transport infrastructure	High	Medium	Medium	Medium	Low	Low

Sources: Adapted from Eui-Gak Hwang, *The Korean Economies: A Comparison of North and South*, Oxford, Oxford University Press, 1993, p. 299.

Tumen River Area Development Programme

The above discussion has indicated that in the post-Cold War period there are signs that the two processes of regionalism and regionalisation have gradually begun to recombine with the result that a Northeast Asia subregion can now be envisaged as a practical possibility. Given the hopes for region in this Northeast Asia, this next section moves on to examine the case of the TRADP in order to detail the possibilities but also remaining problems for creating a subregion in the 1990s and into the next century.

Background and rationale

The origins and chronological history of the TRADP are laid out in Table 6. The economic rationale of the project mirrors the thinking behind Scalapino's 'natural economic territories' and aims to unlock the types of complementarities noted in Table 5. The unique geographical position of the Tumen River valley on the borders of the Russian Far East, the PRC, and DPRK should provide also unique opportunities for cross-border economic interaction, and, on a wider scale, open up an economic axis linking the interior of Northeast Asia in Mongolia with the Sea of Japan. Indeed, the attraction of the project is that it provides a conduit through which to draw South Korean and Japanese FDI into Northeast Asia in order to knit together a region which could provide a market of up to 300 million people and total GNP of US \$ 3 trillion.

Table 6: Chronology of TRADP and national FEZ (Free Economic Zones)

Date	TRADP	FEZ
	<i>TRADP Stage 1: Preparation</i>	
1990 Jul	1 st Northeast Asian Economic Development Conference (Changchun, PRC) -PRC proposes development of 'Tumen River Golden Triangle'	
		Russian Nakhodka Free Economic Zone (FEZ) established
1991 Jul	United Nations Development Programme (UNDP) Northeast Asia Region Planning Meeting (Ulan Bator, Mongolia) -UNDP and delegates from PRC, ROK, DPRK, and Mongolia officially adopt Tumen River development concept	
1991 Oct	UNDP Northeast Asia Region Co-ordination Meeting (Pyongyang, DPRK) -Russian and Japanese delegates participate -UNDP proposes master plan for Tumen River Area Development Programme (TRADP): <ul style="list-style-type: none"> ● US\$30 billion investment over 20 years ● Creation of UN 'international city' to link Rajin (DPRK)-Hunchun (PRC)-Posyet (Russia) Tumen River Economic Zone (TREZ) 1,000km sq. small development triangle ● Rajin-Hunchun-Posyet TREZ supported by Chongjin-Yanji-Vladivostok/Nakhodka North East Asia Regional Development Area (NEARDA) 10,000 km sq. large development triangle -Tumen River Area Development Programme Management Committee (PMC) established to study and implement the project	
Dec		DPRK Rajin Free Economic and Trade Zone (FETZ) established
1992 Feb	1 st PMC (Seoul, ROK) -feasibility studies of TRADP -Russia invited to join PMC as full member -Japan and Asian Development Bank (ADB) invited to join PMC as observers	
1992 Oct	2 nd PMC (Beijing, PRC) -infrastructure pre-investment feasibility studies for TRADP -Russia joins PMC	PRC Hunchun Border Economic Cooperation Zone established -attracts US\$40 million foreign investment by early 1995
1993		Russian Nakhodka FEZ tax privileges abolished
May	3 rd PMC (Pyongyang, DPRK) -PRC, DPRK, Russia agree to lease land for TREZ to be administered by jointly-owned Tumen River Development Corporation	
Sep		DPRK Rajin-Sonbong FETZ established -by late 1996 contracts for US\$ 307 million foreign investment, US\$32 million carried out
1994 Jul	4 th PMC (Moscow, Russia) -TREZ land lease plan and UNDP US\$30 master plan abandoned due to legal, sovereignty, management and financial problems -agree less ambitious project focussed on harmonising separate FEZ projects	
1995 May	5 th PMC (Beijing, PRC) 3 agreements reached: <ul style="list-style-type: none"> ● PRC, DPRK and Russia to establish Coordinating Committee for TREZ to replace PMC, revitalise project, and advise and coordinate investment ● PRC, DPRK, Russia, ROK, Mongolia to establish Consultative Commission for TREZ to promote communications, trade, finance, energy ● PRC, DPRK, Russia, ROK, Mongolia agree on Memorandum of Understanding on Environmental Principles 	
	<i>TRADP Stage 2: Enactment</i>	
1995 Dec	6 th PMC (New York, USA) -3 agreements officially signed	
1996 Apr	1 st Coordinating Committee (Beijing, PRC) -establishes Tumen River Trust Fund and Tumen Secretariat in Beijing	

Flawed regionalism ?

The history of the progression and realisation of the TRADP in part bears out the principles of 'natural economic territories' and argues for its long-term potential, but simultaneously it also demonstrates what Gilbert Rozman has described as the drawbacks for region-building of 'flawed regionalism'⁹⁾. The states involved in the TRADP, whilst undoubtedly aware of the economic benefits of the project, continue to lack the necessary degree of regionalist sentiment and conscious political commitment to, or at the very least political toleration of, the regionalist project to allow it to succeed. In particular, it is apparent in many cases that the aims and aspirations of central and local government regionalist projects in each of the states in Northeast Asia are incompatible. Hence, the central government of the Russian Federation has impeded the progress of the TRADP and the economic freedom of local provinces, concerned as it is about the effects of an 'open' regionalist project in the Russian Far East and an influx of FDI (and especially Japanese FDI) which could pull this area away from Moscow's economic control, capture its rich economic resources for another foreign power, and encourage political separatism. The most notable example of the central government's suspicion of the TRADP was the Duma's decision in 1993 to rescind Nakhodsk free economic zone's tax privileges. Likewise, the central government of the PRC has made it clear that its national priorities lie in the economic development of South China, Shanghai and the Three Gorges project, and has shown suspicion of any attempts by Heilongjiang, Jilin, and Liaoning provinces to increase their economic autonomy. Additionally, the PRC government appears to advocate the TRADP more on the grounds that it will provide Jilin province with access to the Sea of Japan and break China's dependence on Russian ports, rather than being a project which will promote interdependence between the two states.

The DPRK has been the most enthusiastic advocate of the TRADP,

desperate as it is to secure the foreign investment it may attract. But in the same way as the PRC and Russia, the limits to its regionalist perspective have undermined the project. The DPRK also opposes 'open regionalism' due to its implications for the Pyongyang regime's totalitarian political and economic control, and has attempted to confine free economic interchange to its Rajin-Sonbong Free Economic and Trade Zone (FETZ). The DPRK's cagey approach towards economic engagement and interdependence with neighbouring states, compounded by periodic security crises has also acted to deter investment in the FETZ and slow the progress of this third element of the TRADP. The result has been that, even though North Korea claimed that its September 1996 investment forum at Rajin-Sonbong attracted pledges of US \$ 307 million, by late 1997 only US \$ 32 million of this investment had been actually enacted¹⁰.

However, the greatest drag on the development plans of the TRADP is the lack of Japanese central government interest in the project, which then feeds through into a lack of Japanese private business interest. Japan's poor relations with Russia have meant that it has resisted serious economic cooperation with the Russian Far East until there is a resolution to the Northern Isles issue. Even more importantly, Japan and DPRK's lack of normalised relations acts to discourage private businesses from investing in the North. Finally, it is clear that Japan's economic priorities in Northeast Asia really lie with the development of coastal southern China rather than the underdeveloped, and, at present, smaller-scale markets of China's northeastern provinces, the Russian Far East, and the DPRK.

In contrast to the Japanese central government, many of the local authorities on the Sea of Japan coastline are eager for increased interaction with neighbouring states, seeking ways to stimulate the prefectural economies of 'Ura Nippon'. But the central government's lack of active backing for the Sea of Japan regionalist project puts a brake on local government efforts to enhance interdependent relations with Northeast Asia, and once again makes it possible

to speak of Japan as an economic superpower located geographically within Northeast Asia, but which due to its low level of economic and political interdependence with the surrounding states is not really part of the regionalist project.

The overall outcome of the minimal or restricted commitment to the TRADP by the central governments of the involved states has been to frustrate hopes that the project could evolve into a 'natural economic territory' and drive forward economic growth. The general impression is that rather than there being a lack of regionalisation forces or economic complementarities undergirding the project, the key issue is the lack of a shared regionalist sentiment by the central governments which would allow them to step back from intervention in subregional affairs and allow regionalisation forces to flow smoothly. Instead, it is apparent that regionalism in the case of the TRADP is usually subverted to the aims of economic nationalism or mercantilism, as central governments view the regionalist project as a means to gain economic advantage over other states and to create conditions of asymmetric interdependence.

Conclusion: prospects for the TRADP and Northeast Asian region-building

The concept of region-building outlined in the first section of this paper noted two essential components: regionalisation and regionalism. In the example of TRADP, the second of these appears to be missing, or 'flawed', and to inhibit the project's progress. But even if the TRADP at present has not yet fulfilled its proponents' aspirations, this certainly does not signal the ultimate failure of the project or the false dawn of the Northeast Asia region. There are still many opportunities to correct the flaws of regionalism observed above. Diplomatic rapprochement between Russia and Japan since 1997 and the calls for a peace treaty by 2000 should promote greater Japanese central and local government, and private business economic interest in the region. In a similar fashion, hopes of rapprochement on the Korean Peninsula between the DPRK, ROK and US

brought about by the 1994 Agreed Framework, the four-way peace talks since late 1997, and Kim Dae Jung's 'sunshine policy' may all act to lower the political obstacles to enhanced economic interdependency in the region. Moreover, just as the US plays a balancing role in security in Northeast Asia, so might it be able to play a balancing role in economic affairs, if it were to become more fully involved in TRADP and work to make the project not just a link between the Northeast Asian interior and the Sea of Japan, but also between the Northeast Asia subregion and the wider Asia-Pacific community. Finally, regionalism may be given a boost with the greater participation of multilateral institutions in the project. If the Asian Development Bank (ADB) were to become a full partner in the TRADP along with the United Nations Development Programme, this could serve to eliminate some of the bilateral suspicions hindering the project and widen the regionalist perspective of the central governments involved. Therefore, if deeper regionalism can be set alongside the already strong and latent forces of regionalisation in Northeast Asia, an effective region could yet be built, and at the same time significant steps taken towards building a framework for peace and security in the post-Cold War era.

Endnotes

* The following paper is based on a presentation given by the author on 10 June 1998 at IDEC, Hiroshima University.

1) For a discussion of the problems of the definition of regions, see Andrew Hurrell, 'Regionalism in theoretical perspective', in Louise Fawcett and Andrew Hurrell (eds), *Regionalism in World Politics*, Oxford, Oxford University Press, 1995, pp. 38-45.

2) Robert Scalapino, 'The United States and Asia: future prospects', *Foreign Affairs*, vol. 70, no. 4, 1991-1992, pp. 19-30; Amos A. Jordan and Jane Khanna, 'Economic interdependence and challenges to the nation state: the emergence of natural economic territories in the Asia-Pacific', *Journal of International Affairs*, vol. 48, no. 2, Winter 1995, pp. 433-62.

3) Anthony Payne and Andrew Gamble, 'The political economy of regionalism and world order' in Andrew Gamble and Anthony Payne (eds), *Regionalism and World Order*,

- London, Macmillan, 1996, p. 2.
- 4) Takeshi Hamashita, 'The intra-regional system in East Asia in modern times', in Peter Katzenstein and Takashi Shiraiishi (eds), *Network Power: Japan and Asia*, Ithaca and London, Cornell University Press, 1997, p. 116.
 - 5) Christopher W. Hughes, *Japan's Economic Power and Security: Japan and North Korea*, London, Routledge, 1999 (forthcoming) , pp. 227.
 - 6) Furumaya Tadao, *Ura Nippon: Kindai Nihon o Toinaosu*, Tōkyō, Iwanami Shinsho, 1998 p. 132-75; Kaneda Ichiro, *Kannihonkai Keizaiken: Sono Kōsō to Jitsugen*, Tōkyō, Nihon Hōsō Shuppan Kyōkai, 1997, pp. 110-15.
 - 7) Walter Hatch and Kōzō Yamamura, *Asia in Japan's Embrace: Building a Regional Production Alliance*, Cambridge, Cambridge University Press, 1996, pp. 3-19
 - 8) Karoline Postel-Vinay, 'Local actors and international regionalism: the case of the Sea of Japan Zone', *The Pacific Review*, vol. 9, no. 4, 1996, pp. 489-503.
 - 9) Gilbert Rozman, 'Flawed regionalism: reconceptualizing Northeast Asia in the 1990s', *The Pacific Review*, vol. 11, no. 1, 1998, pp. 1-27.
 - 10) Okonogi Masao (ed.) , *Kitachōsen Handobukku*, Tōkyō, Kodansha, 1997, pp. 367-8.