

Collaborative Regional Development in Northeast Asia

Korean Perspective

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Economic Cooperation in the 1990s

- Different dreams in the same bed
- Immature political & economic environment
- History & nationalism still strong
- Incompatible political & economic systems

Economic Cooperation: Achievements

- **Rapid growth in intra-regional trade and investment in the past decades**
- **Growing recognition of the need for regional cooperation and for an institutionalization of security and economic cooperation**

Lessons of the past decade and half

- **More realism should be injected in vision-making**
- **Multilateral cooperation frameworks should be established**
- **Functional and practical approach should be taken to bring concrete results**

Prospects for Economic Cooperation

- **Economic cooperation in NEA is likely to grow due to increasing economic interdependence in Northeast Asia and movements toward free trade**
- **The structure and content will be different depending on the future dynamic of the regional political economy**
- **Two factors will be particularly important**
 - **the balance between state and market**
 - **the degree of transnationalism (or nationalism)**

North Korean Factor

- **Increasing possibility of North Korea to be integrated with the regional economy of NEA due to:**
 - **the inclusion of economic assistance package in the six-party talks framework**
 - **growing economic cooperation between North Korea and South Korea/China**

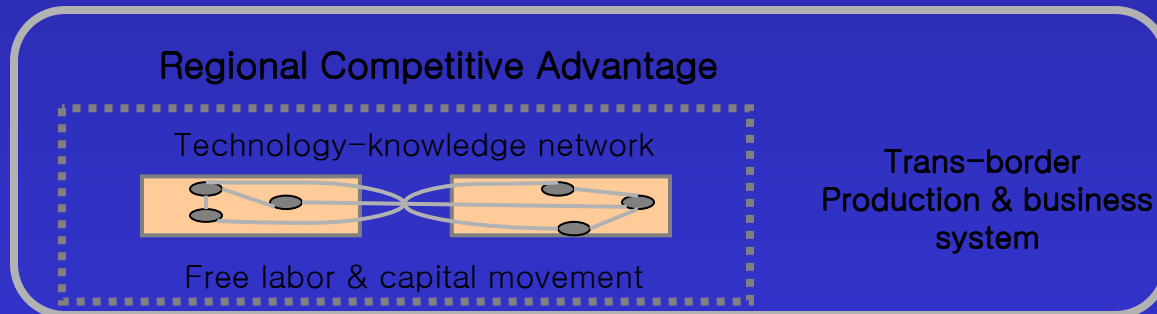
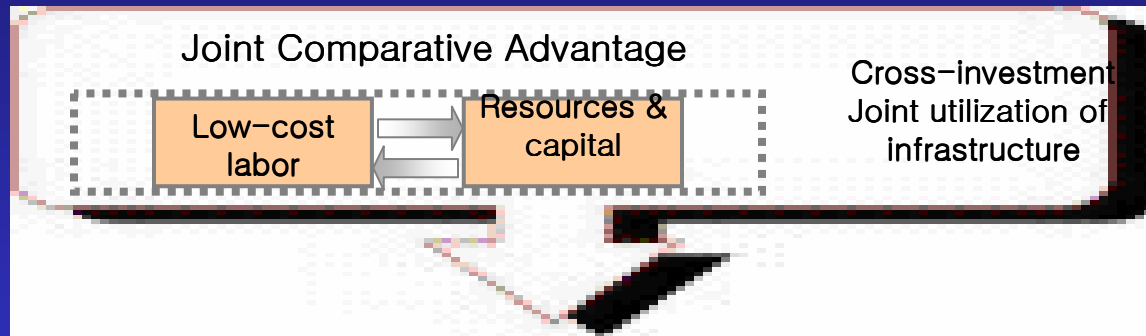
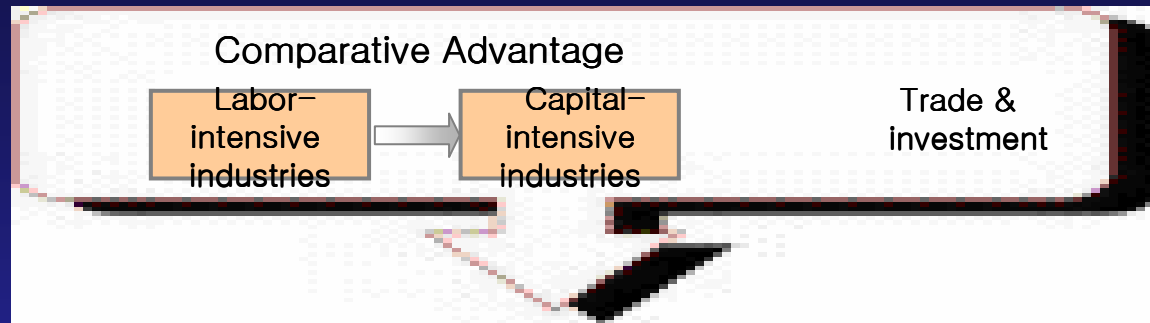
Why Collaborative Regional Development?

- **For the welfare of the whole NEA community**
- **For balanced and harmonious development of subregions within NEA**
- **To achieve these goals, region building through infrastructure development and industrial cooperation is necessary in conjunction with institutional arrangements such as FTA**

Key Points in Collaborative Regional Development

- **Maximize economic complementarity between subregions/areas in terms of capital, land, labor and natural resources**
- **Utilize infrastructure development to enhance geo-economic integration**
- **Facilitate the development of subregions and cross-border regions so as to achieve geographical identity**
- **Raise the level of industrial cooperation by loosening up national self-contained industrial structure (FTA would be critical here)**

Useful Concepts of Collaborative Regional Development

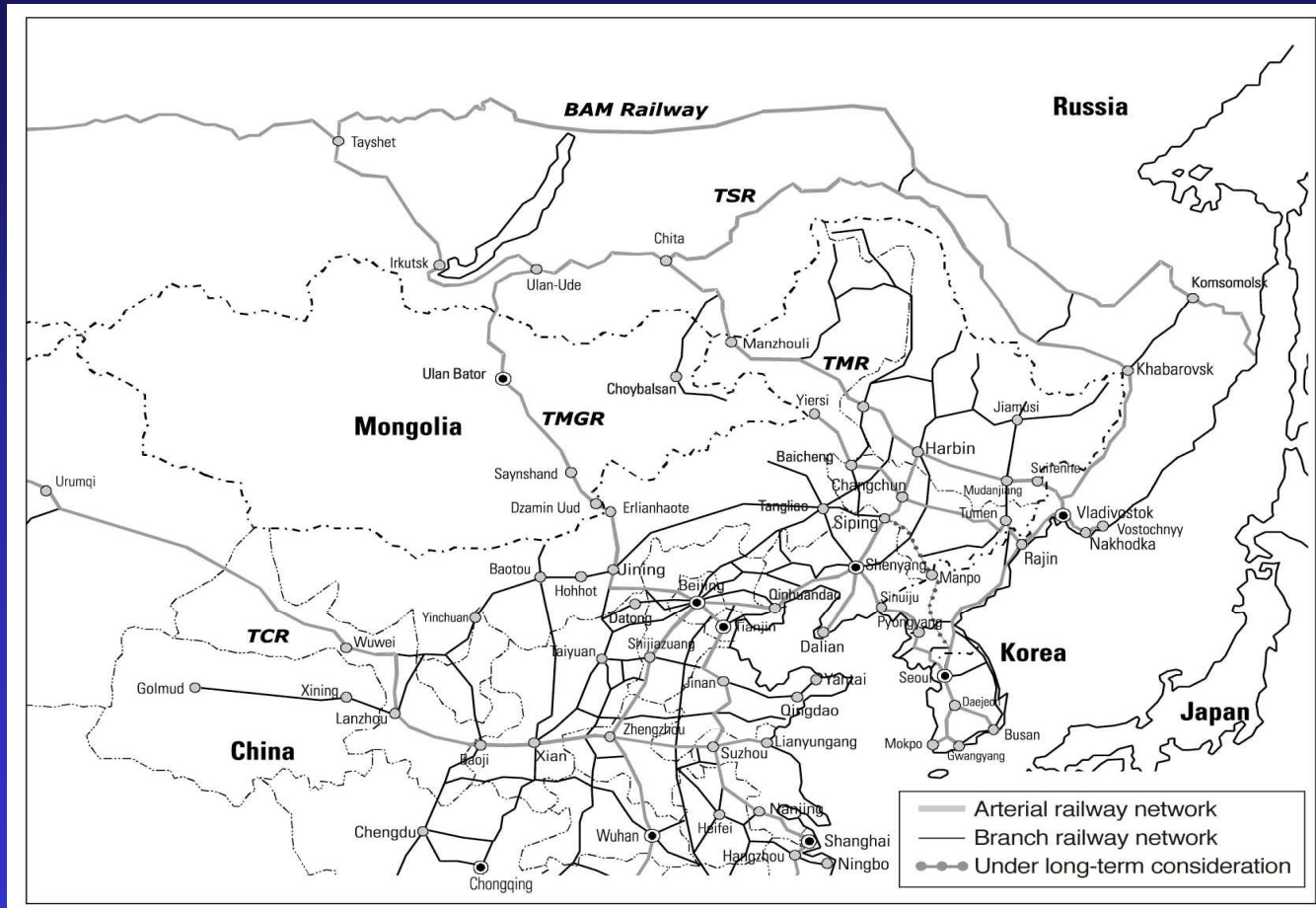


Infrastructure Design for NEA

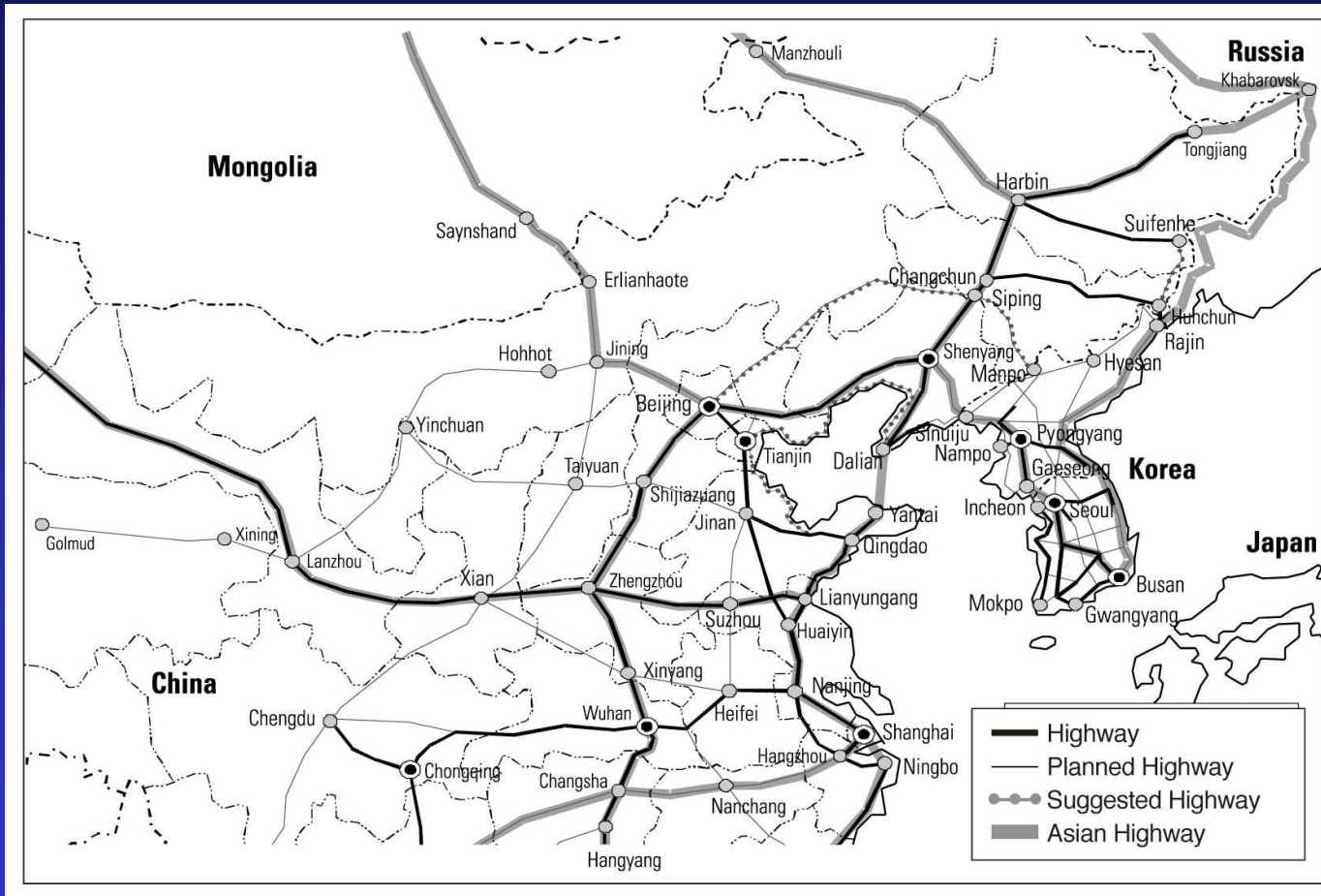
Basic Approach

- Demand serving but facilitating the development of backward areas
- Satisfying national needs but serving larger regional concerns as well
- Integrated development of transport, electricity, communication and pipelines
- Synchronized development between nations

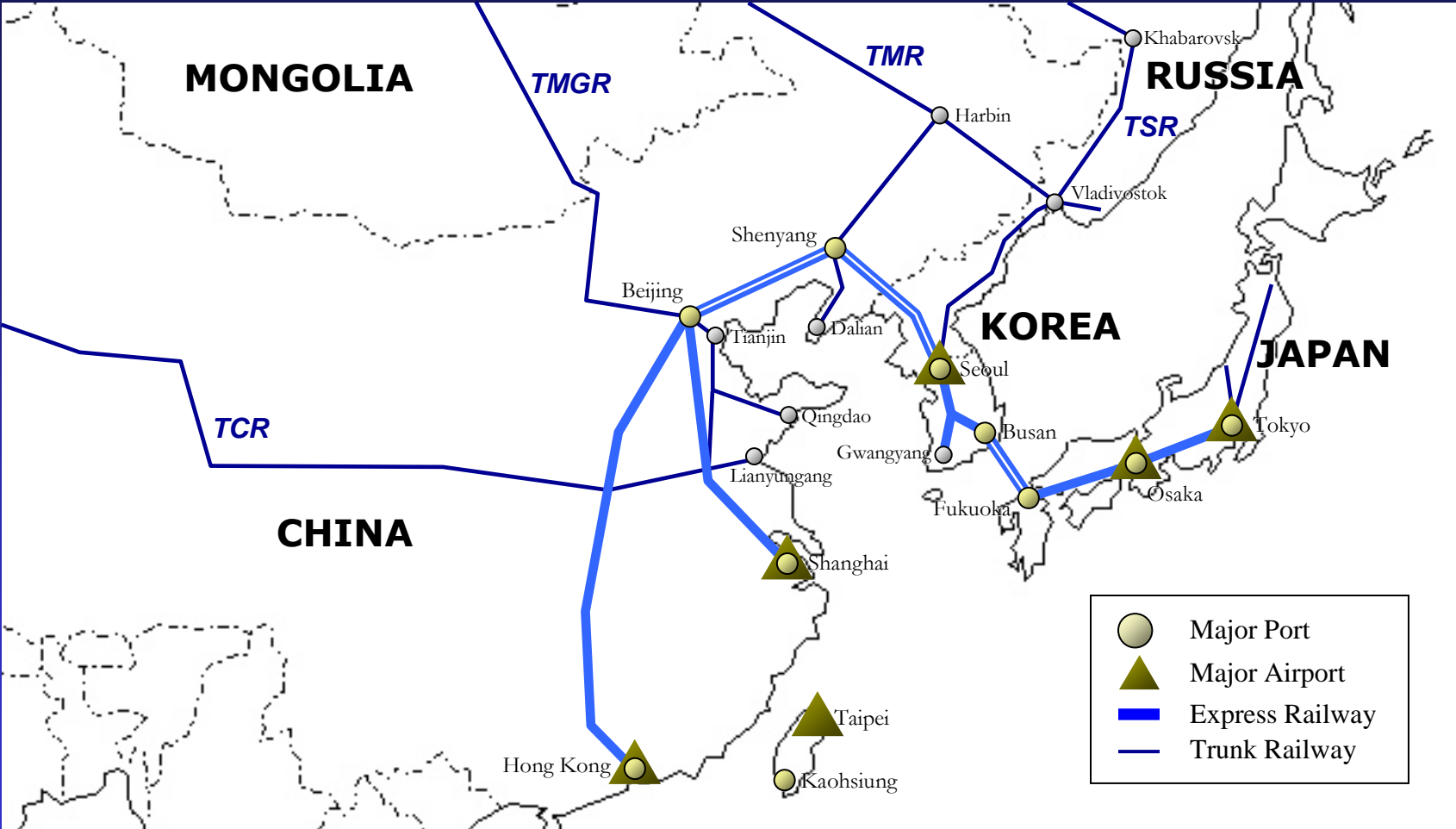
Railway Network in Northeast Asia



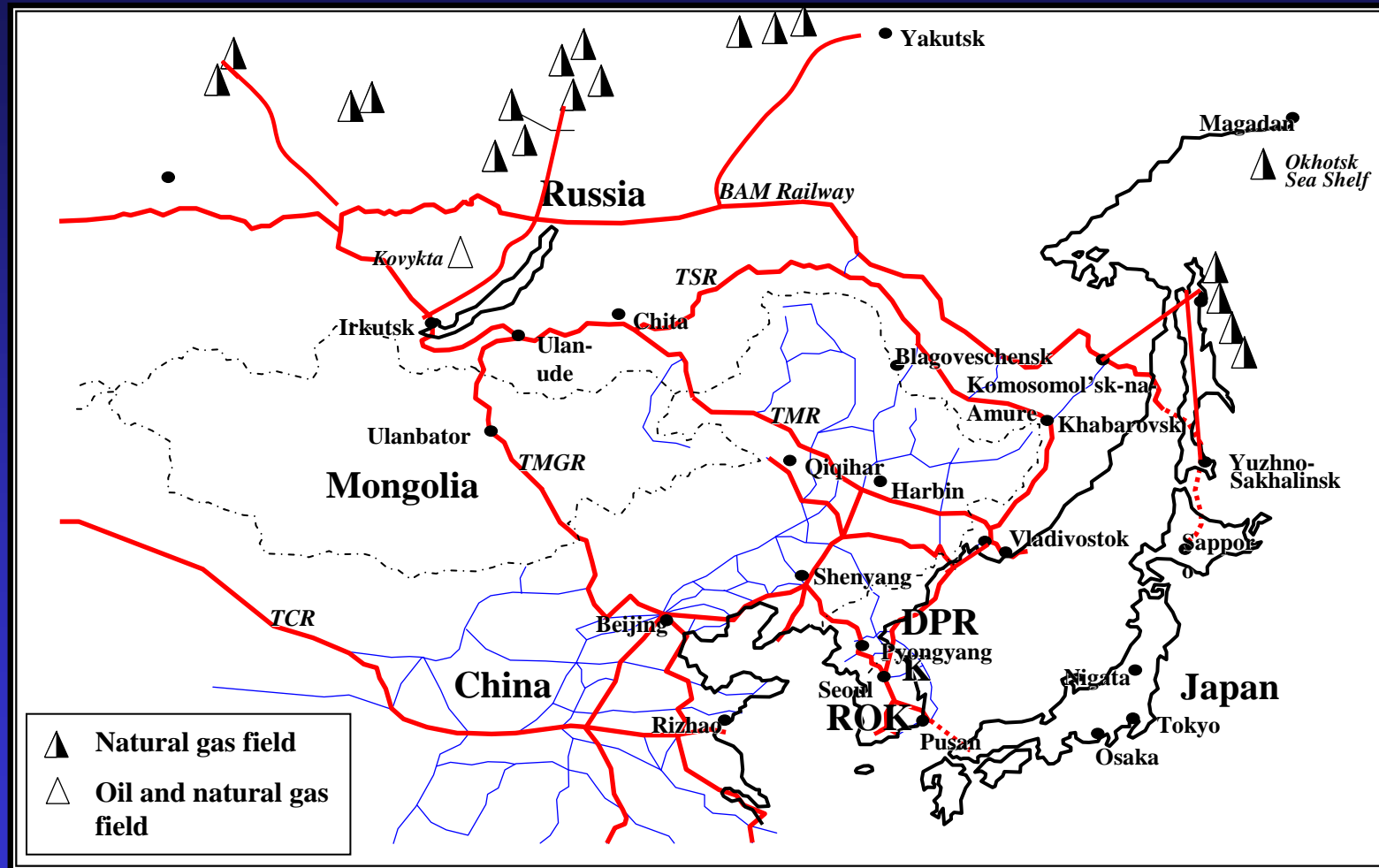
Highway Network



High-Speed Rail Network



Gas and Oil Pipelines



Land Transport Projects in Phases

focusing on the Korean peninsula

	T+5	T+15	T+25
Rail	<ul style="list-style-type: none"> ● Busan-Shenyang ● Yanji - Rajin/Chongjin 	<ul style="list-style-type: none"> ● Busan-Shenyang double track ● Mokpo-Rajin-Harbin ● Mokpo-Dumangang-Vladivostok-TSR 	<ul style="list-style-type: none"> ● Busan-Shenyang-Beijing high-speed
Road	<ul style="list-style-type: none"> ● Seoul-Pyongyang expressway ● Hunchun-Rajin 	<ul style="list-style-type: none"> ● Busan-Wonsan-Rajin - Vladivostok expressway 	<ul style="list-style-type: none"> ● Mokpo-Incheon-Sinuiju-Dalian ● Pyongyang-Manpo-Changchun expressway

Gas and Oil Pipelines

Priority projects

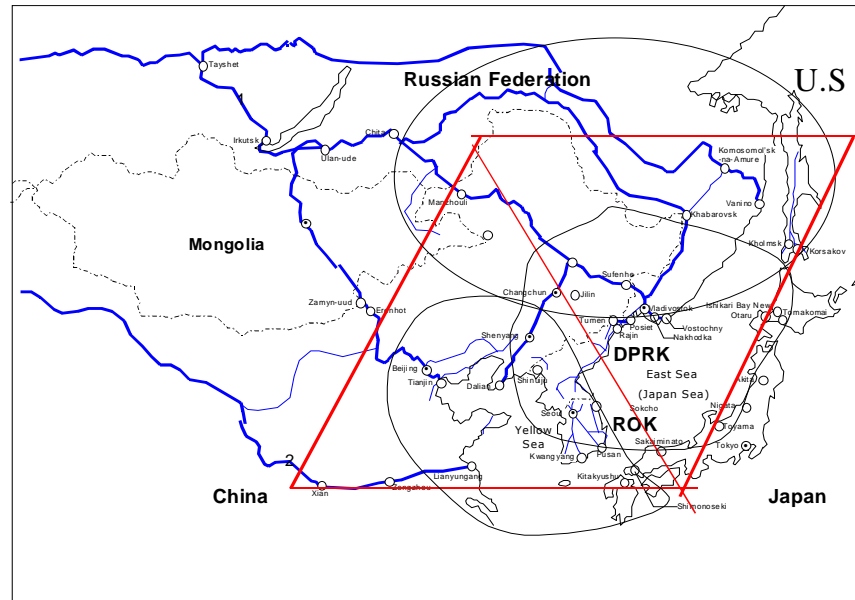
- **Sakhalin PNG to Koreas via Vladivostok**
 - as part of solution to North Korean problem
- **Angarsk-Nakhodka oil pipeline with a branch to Daqing**
 - catalyst for the development of RFE and energy-related industries in the ESSR

Potential Sub-Regions of Cooperation in NEA

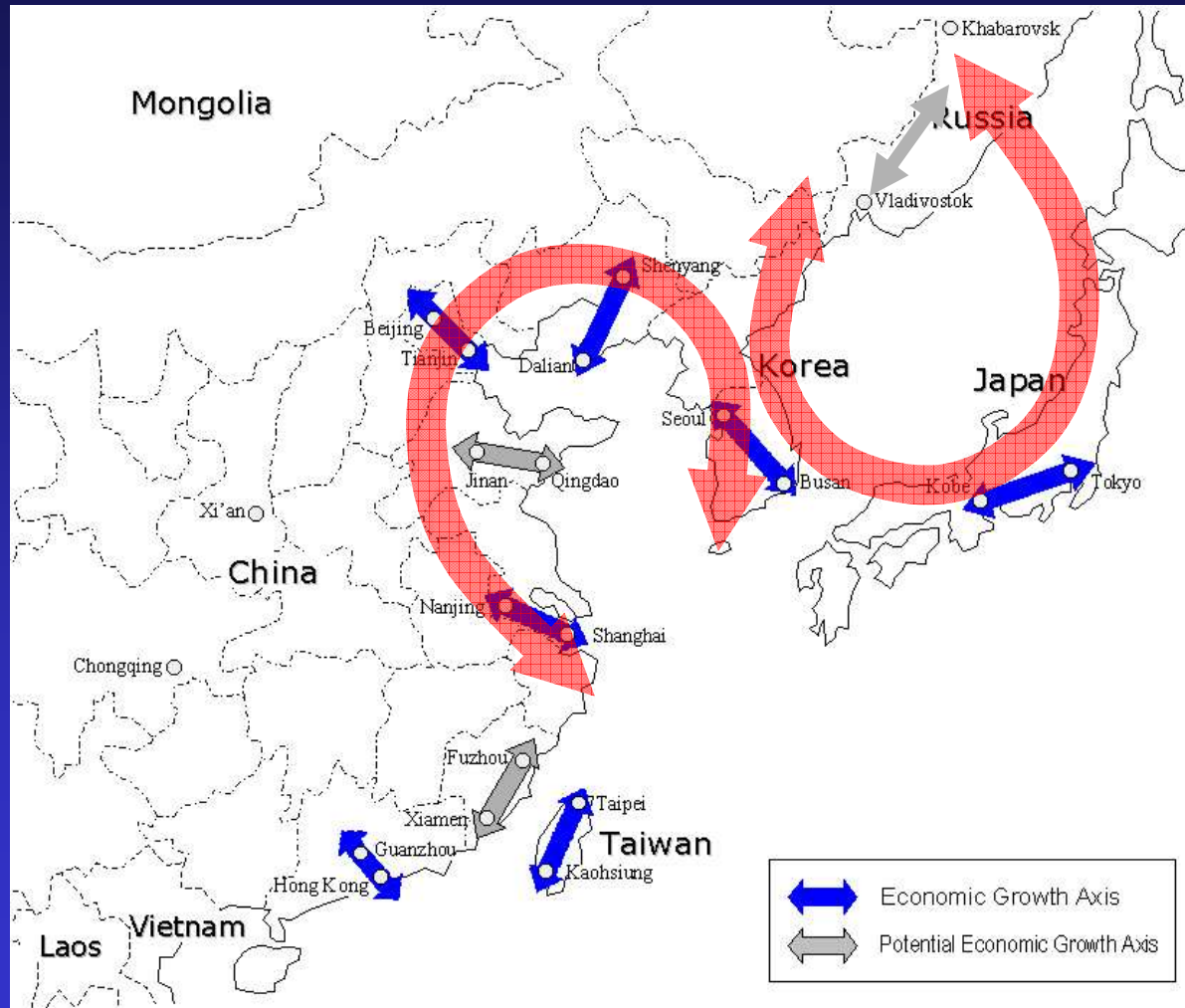
North Pacific subregion

Yellow Sea Subregion

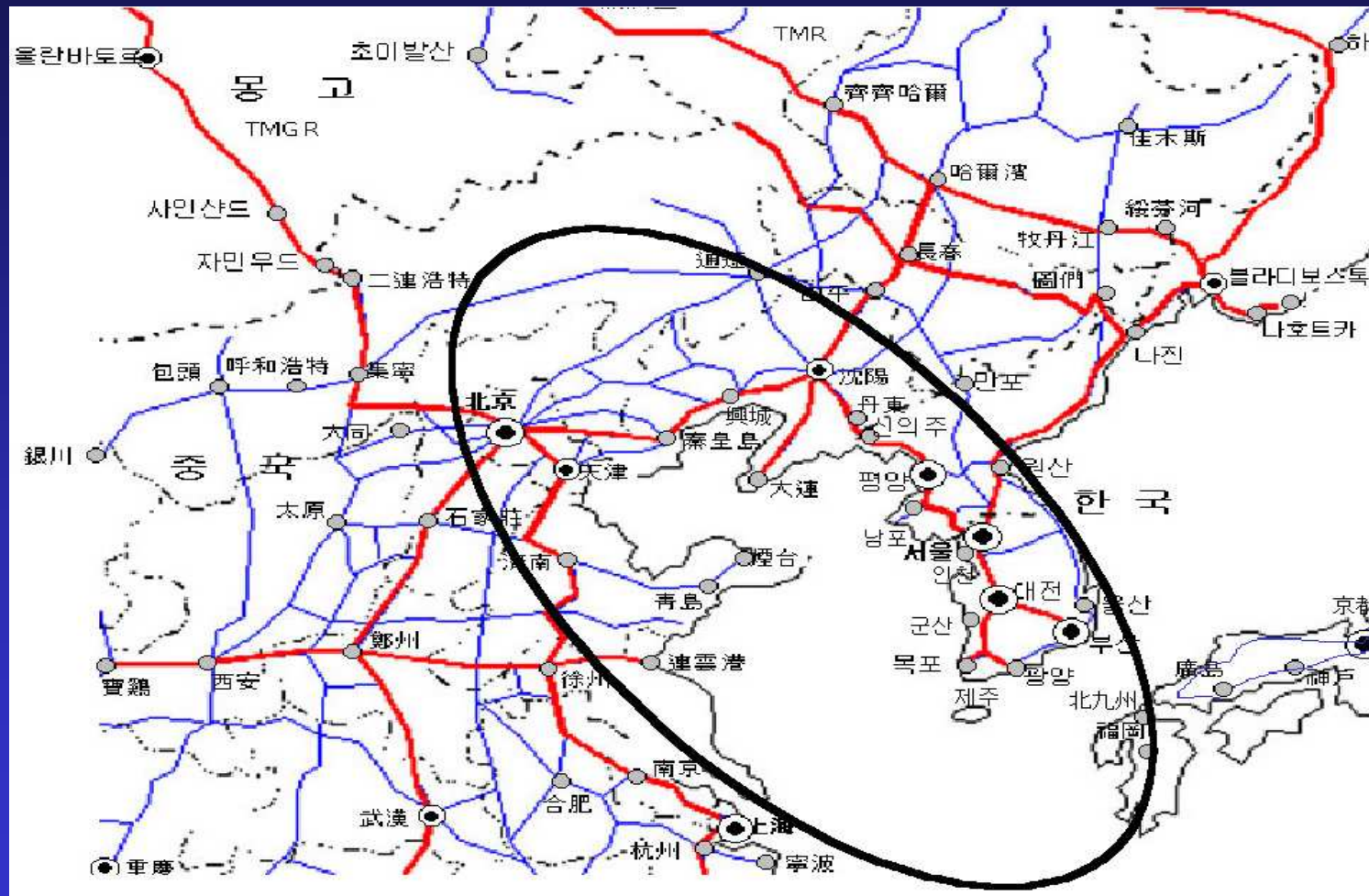
East Sea subregion



Major Growth Platforms in Northeast Asia- YSSR and ESSR



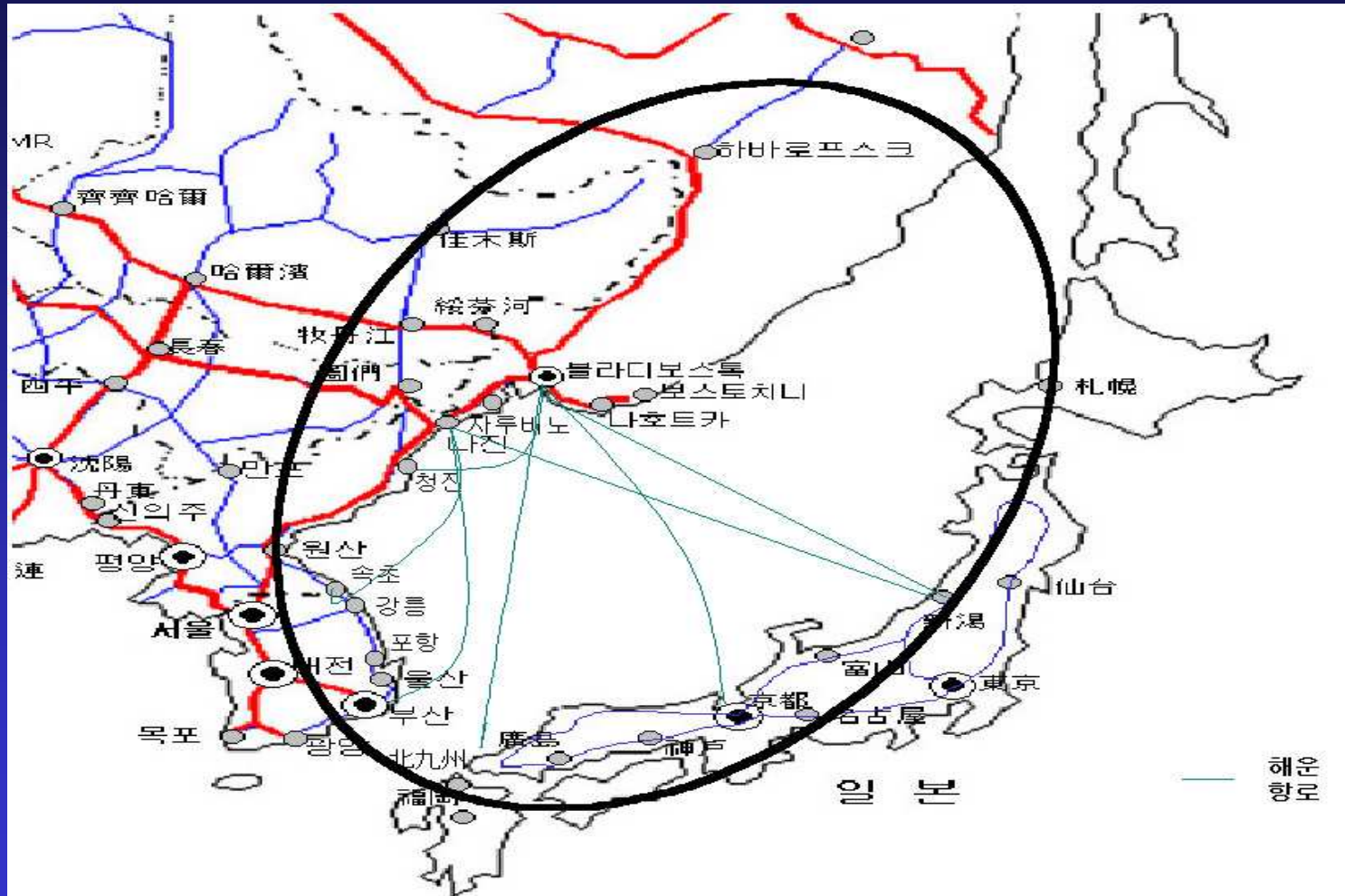
Yellow Sea Subregion



Yellow Sea Subregion

- **Essentially market-driven**
- **Economic complementarity, geographical proximity & cultural affinity are three key factors**
- **Inter-local cooperation growing but needs institutional platforms to reduce excessive competition and to facilitate transborder division of labor**

East Sea Subregion



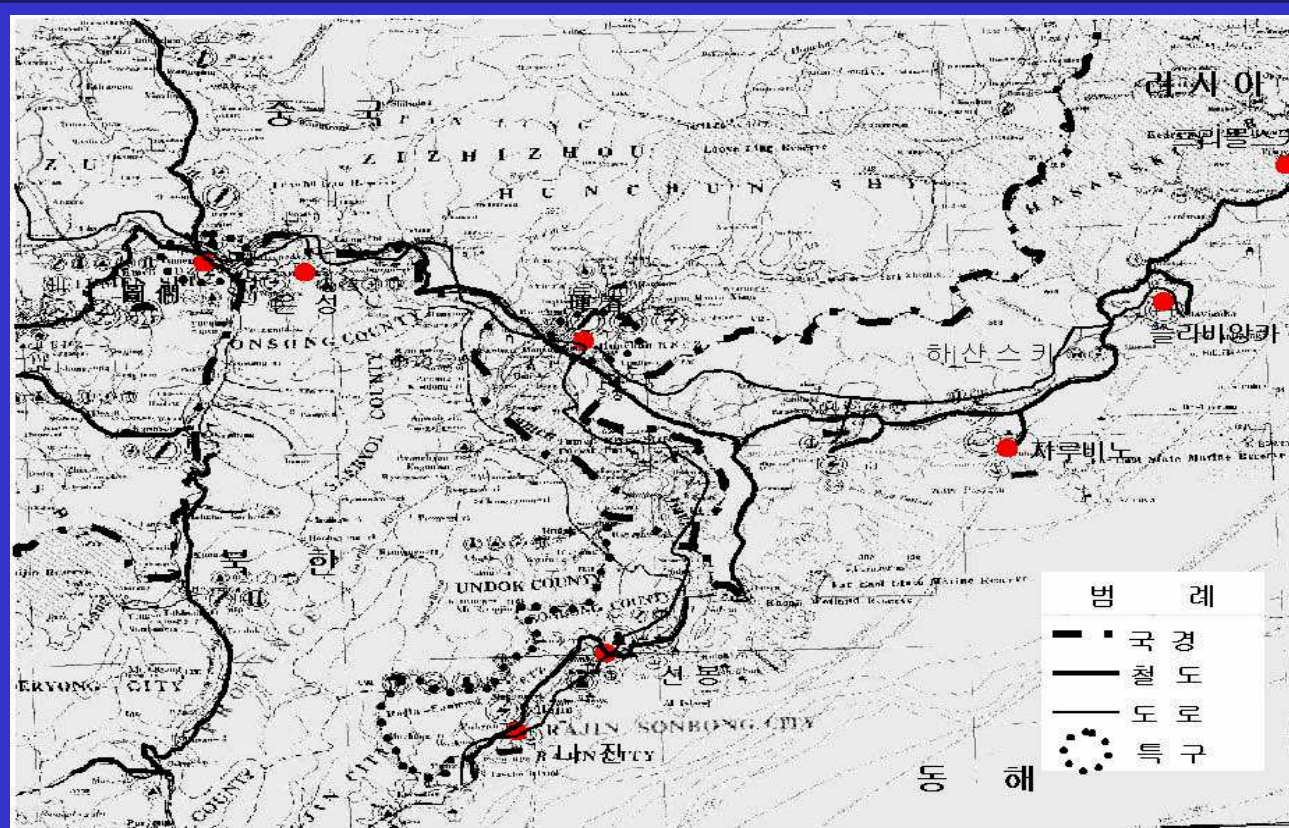
East Sea Subregion

- Potentials in the joint development and utilization of natural resources and labor
- Weak industrial base and lack of lead cities
- Despite local efforts, insufficient motivation to promote cross-sea cooperation
- Possibility of inter-local cooperation in logistics, tourism, fishery and energy-related industries
- Redevelopment of China's northeast could provide an impetus for cross-border cooperation

Cross-Border Regions in Northeast Asia

- **Paju-Gaesong and Sokcho-Gosung between S. and N. Korea**
- **Sinuiju-Dandong between China and N. Korea, Hunchun-Rajin/Sonbong-Khasan among China, N. Korea and Russia**
- **Suifenhel-Pogranichny and Manzhouli-Zabaikalisk between China and Russia**
- **Korea-Japan strait zone (maritime)**

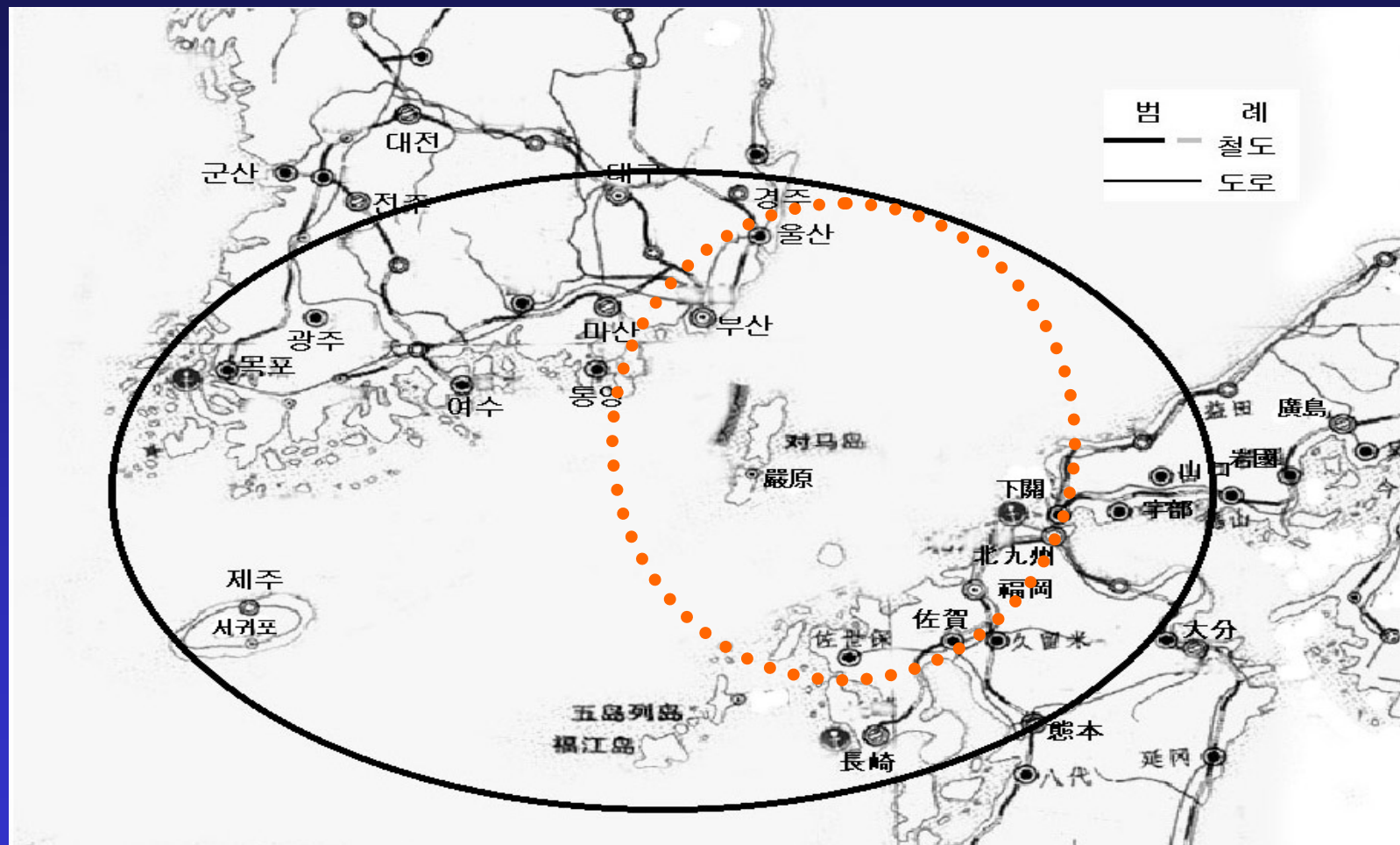
Tumen River Development Area



Tumen River Development Area

- **An innovative idea but premature**
- **Unequal commitments and difficult inter-state cooperation & lack of funding**
- **Political and social factors prohibiting cross-border cooperation**
- **Center-local relations still a problem**
- **New leadership and funds necessary to rejuvenate the idea**
- **Important test case for cross-border region by multilateral framework**

Korea-Japan Strait Zone



Korea-Japan Strait Zone

- **The most promising cross-border zone**
- **High industrial complementarity & possibility of developing into an integrated economic zone**
- **Strong local desire as revealed by Governors' Conference**
- **Psychological barriers still high**
- **Experimental zone possible with political will—
local governments should be more assertive**

Comparison of Cross-border regions in Northeast Asia-I

	Conditions & characteristics	Tumen delta	Suifenhe-Pogranichny	Yellow Sea zone	East Sea rim	Korea- Japan strait
Initial conditions	<i>Geographical proximity</i>	Very close	Very close	Apart by sea	Apart by sea	Relatively close
	<i>Economic complementarity</i>	Not very strong	Not very strong	Very strong	Relatively strong	Relatively close
	<i>Socio-Cultural affinity</i>	Moderate	Relatively strong	Moderate	Weak	Strong but twisted
	<i>Level of infrastructure</i>	Low	Low	Relatively high	Low	High
	<i>Geographical Scale</i>	Small	Small	Large	Large	Medium
	<i>Macro-spatial location</i>	Gateway of Jilin to the East Sea	Nose of Harbin-Vladivostok trade corridor	Major industrial base of Northeast Asia	Resource base of northeast Asia	Key area for Korea-Japan economic cooperating

Comparison of Cross-border regions in Northeast Asia-II

	Conditions & characteristics	Tumen delta	Suifenhe-Pogranichny	Yellow Sea zone	East Sea rim	Korea- Japan strait
Institutional & policy conditions	<i>Degree of border opening</i>	Limited	Relatively open	Open	Limited	Open
	<i>Policies on labor mobility</i>	Restricted	Partially allowed	Partially allowed	Restricted	Partially allowed
	<i>Special economic zone</i>	Hunchun, Rajin-Sonbong	Suifenhe	Many SEZs	None except Tumen area	Busan and Gwangyang planned
	<i>Center-local relations</i>	Vertical but bargaining in China and Russia	Vertical but cooperative in china	Vertical and variable local power	Vertical and weak local power	Vertical but growing local autonomy

Comparison of Cross-border regions in Northeast Asia-III

	Conditions & characteristics	Tumen delta	Suifenhe-Pogranichny	Yellow Sea zone	East Sea rim	Korea-Japan strait
Capacity and mode of cooperation	<i>Existence of cooperation body</i>	Provincial/city level consultation with ICC led by UNDP	Provincial/city level consultation committee	Mayors' conference	Governors'/mayors' conference	Governors' conference
	<i>Internal financing capacity</i>	Weak	Weak	Substantial	Weak	Substantial
	<i>Existence of a large urban agglomeration</i>	None	None	Many	Medium-sized cities competing	A few
	<i>Priority areas of cooperation</i>	Trade, logistics, processing & tourism	Trade & logistics	Logistics, tourism & production	Resources development, tourism & logistics	Integrated production & business network

Proposals for Collaborative Regional Development in NEA-I

- **National/subnational development plans should adopt collaborative development paradigm to the extent possible**
- **NEA countries should establish and strengthen diverse institutional platforms for collaboration**
 - **multilateral and bilateral**
 - **inter-state, inter-local and inter-company**

Proposals for Collaborative Regional Development in NEA-II

- **Expand KEDO into KIDO (Korean Peninsula Infrastructure Development Organization) inviting China and Russia to implement key infrastructure projects of transport and energy**
- **List up infrastructure development projects with attached priorities**
- **Devise appropriate funding mechanism (e.g., NEA Development Bank)**

Proposals for Collaborative Regional Development in NEA-III

- **Promote the development of subregions and cross-border regions to facilitate industrial complementation**
- **UNDP's TRADP framework should be extended to the development of subregions and cross-border regions**

Patience will pay off

Thank you