Collaborative Regional Development in Northeast Asia

Korean Perspective

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Contents

- Evaluation and prospect for economic cooperation in NEA
- Collaborative regional development: concept and approach
- Infrastructure development design
- Subregions and cross-border regions in NEA
- Proposals for collaborative regional development
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

Comparative Advantage
- Labor-intensive industries
- Capital-intensive industries
- Trade & investment

Joint Comparative Advantage
- Low-cost labor
- Resources & capital
- Cross-investment
- Joint utilization of infrastructure

Regional Competitive Advantage
- Technology-knowledge network
- Trans-border
- Production & business system
- Free labor & capital movement
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
Gas and Oil Pipelines

- Natural gas field
- Oil and natural gas field
## Land Transport Projects in Phases focusing on the Korean peninsula

<table>
<thead>
<tr>
<th></th>
<th>T+5</th>
<th>T+15</th>
<th>T+25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail</td>
<td>Busan-Shenyang</td>
<td>Busan-Shenyang double track</td>
<td>Busan-Shenyang-Beijing high-speed</td>
</tr>
<tr>
<td></td>
<td>Yanji - Rajin/Chongjin</td>
<td>Mokpo-Rajin-Harbin</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Mokpo-Dumangang-Vladivostok-TSR</td>
<td></td>
</tr>
<tr>
<td>Road</td>
<td>Seoul-Pyongyang expressway</td>
<td>Busan-Wonsan-Rajin-Vladivostok expressway</td>
<td>Mokpo-Incheon-Sinuiju-Dalian</td>
</tr>
<tr>
<td></td>
<td>Hunchun-Rajin</td>
<td></td>
<td>Pyongyang-Manpo-Changchun expressway</td>
</tr>
</tbody>
</table>

- Busan
- Shenyang
- Yanji
- Rajin
- Chongjin
- Seoul
- Pyonyang
- Hunchun
- Rajin
- Seoul
- Pyonyang
- Hunchun
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

Map showing regions of cooperation in the North Pacific, Yellow Sea, and East Sea subregions in the Northeast Asia region.
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
- Suifenhe-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

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

<table>
<thead>
<tr>
<th>Conditions &amp; characteristics</th>
<th>Tumen delta</th>
<th>Suifenhe-Pogranichny</th>
<th>Yellow Sea zone</th>
<th>East Sea rim</th>
<th>Korea- Japan strait</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institutional &amp; policy conditions</strong></td>
<td><strong>Degree of border opening</strong></td>
<td>Limited</td>
<td>Relatively open</td>
<td>Open</td>
<td>Limited</td>
</tr>
<tr>
<td><strong>Policies on labor mobility</strong></td>
<td>Restricted</td>
<td>Partially allowed</td>
<td>Partially allowed</td>
<td>Restricted</td>
<td>Partially allowed</td>
</tr>
<tr>
<td><strong>Special economic zone</strong></td>
<td>Hunchun, Rajin-Sonbong</td>
<td>Suifenhe</td>
<td>Many SEZs</td>
<td>None except Tumen area</td>
<td>Busan and Gwangyang planned</td>
</tr>
<tr>
<td><strong>Center-local relations</strong></td>
<td>Vertical but bargaining in China and Russia</td>
<td>Vertical but cooperative in China</td>
<td>Vertical and variable local power</td>
<td>Vertical and weak local power</td>
<td>Vertical but growing local autonomy</td>
</tr>
</tbody>
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## Comparison of Cross-border regions in Northeast Asia-III

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