

Part VII: Multilateral Cooperation Framework

22 The North Pacific Multilateral Cooperation: Concepts, Models, and Realities

Vladimir Ivanov

INTRODUCTION

... In 2001, the Korean Commonwealth is formed, shortly after Japan and Russia have found the way out of their century-long territorial conflict and mutual distrust. Together with post-communist China and Korea, they constitute a new subregional community. Their relationship with the U.S. remains strong and allows them to form a "soft" multilateral subregional security structure. The territories of these six states and five nations bordering the North Pacific, the Sea of Japan in particular, plus Taiwan, Western Canada and Mongolia, are engaged in a new type of cooperation, largely independent from, but encouraged by, their central governments. In every segment of subregional interaction the spirit of experimentation prevails. The economic decentralization makes the relationship smooth and easygoing. The pragmatic consensus among the neighbors allows them to concentrate their collective efforts on the large-scale joint regional projects designed to build the advanced basic infrastructure, as well as a new regional system of education institutions, to promote environment protection, to upgrade quality of life, and to maintain a competitive and dynamic business environment. The concept of economic and social development is undergoing a fundamental transformation. The state borders in terms of economics are more transparent than elsewhere, and the concept of "natural

economic territories" is taking over. The growing economic compatibility and harmonization of different cultures and economic systems play the role of the strongest security guarantor. The region is open for international competition and does not represent the economic bloc. It attracts more investment from Europe, North America, Japan, and the Middle East than any other region in the world, and so on

....

This glimpse at a possible future will indicate that, indeed the decade ahead of us could be as important for the future of the region as the decade of 1956—65 was for Western Europe. Advocates of this idea have to deal with a variety of outstanding problems in such a unique combination that no single region ever faced previously. The comprehensive consensus is required for the North Pacific. On the other hand, there is no difficulty for the opponents of this idea to raise serious doubts regarding the feasibility of any regional cooperative arrangements.¹ It is true, the economic cooperation among mutually suspicious neighbors can hardly take place without such consensus-building efforts. In this region, as well as in Europe or Southeast Asia, "economic and political security cannot be separated from the relationships with external powers Indeed, all prevailing regional patterns and formations demonstrate the strong nexus between economic and security relations."² Another problem is economic disparity in the level of development that limits the ability to interact both in economics and spatially,³ in particular by the coastal and inland territories, which, in fact, are "bypassed areas,"⁴ both in economics and politics.

POLITICAL BACKGROUND

In the history of economic cooperation in other geographical areas dominated by conflict, war, a large scale conflict, or a common threat usually had altered the system of regional relations, so new relationships started. The idea of regional cooperation in the North Pacific underlines gradual normalization, harmonization, and evolution of existing relationships. Because of security diversity in the region and other specific features, the cooperation excludes the traditional, threat-oriented mechanics of building regional consensus. Contrary to that, economic cooperation has to be a catalyst for political accommodation.

There are three areas for such accommodation:

- differences in ideology and in the visions of democratic values;
- security concerns and threat perceptions;
- and "forces of history," disputes, and economic and other disparities.

Ideology

The ideological division of the region became less acute and painful since Beijing normalized its relations with Japan and the U.S. in the 1970s. With their massive assistance it embarked upon an "open policy" in the 1980s. Even keeping in mind that these developments became possible in the context of strategic confrontation with Moscow, they do represent compromise between ideologies.

The key problem is whether new cooperative attitudes will emerge despite the ideological differences. In other words, how realistic is the assessment that subre-

gional cooperation will take place even though Korea and China will continue to be divided states and the PRC and North Korea will remain "communist" countries? After the collapse of the Soviet Union, along with China's active search for a greater role in regional and global economy, the "socialism" in DPRK appears to be very different. Despite the legitimate human rights issues in China, the spectrum of an all-encompassing "totalitarian" party—state does not fit contemporary China well."⁵ It seems that both Japan and South Korea are getting more reluctant to overreact to some manifestations of ideological differences, but they are dependent on the U.S. policy and assessments.

As far as the future of Korea is concerned, should we think that even limited ideological accommodation among two parts serves both Koreas' stability and interests better than a sudden weakening of the political system of the North? If yes, then the scenario of ideological accommodation in Northeast Asia should include the political readiness not to ignore anyone's domestic political realities, especially those of the states in transition. Tolerance in foreign policy and time are required for generational change, which in reality is one of the major sources of political transformation. In other words, the dilemma is *whether* to challenge the status quo in countries like China and DPRK risking their possible destabilization, *or* to assimilate ideological differences in the cooperative environment. It could be an extremely idealistic proposition since the changes required are inevitably bound to domestic politics. And foreign policy goals are still under the influence of ideology.

On the other hand, these new approaches should not be interpreted as prescriptions to maintain the status quo at any cost. Rather, they can be considered as ways to realize certain principles and to reinforce democratic values in a pragmatic and cost-efficient way. The political, economic, and social engagement, instead of the attempts to bring about economic and social collapse of the ideologically different regimes, could be, in the opinion of some American analyses, the U.S. strategy. Positive ideological changes which could potentially lead to genuine reconciliation are not the final remedy. The demise of ideology does not necessarily mean a disappearance of deeper contradictions and differences in interests. For some Japanese, the collapse of the USSR does not mean much either in terms of the essence of the territorial dispute or in terms of general perceptions. For the U.S., despite far greater sensitivity to the disappearance of ideological differences with Moscow, the Russian nuclear forces in the region and the future of the United States—Japan alliance constitute the basis for current policy toward Russia.

Security

The question is whether regional security relations management with minimal external assistance is better for the region. This problem has financial and domestic political roots. Even for the United States, regional stability at lower cost is becoming an imperative. And the nature of regional stability is in a process of change.⁶ These and other non-conventional sources of threat very often challenge not only the physical survival of the nation but also its social fabric, advancement and stability, economic competitiveness, and overall performance.

Not just economic power of the nation, but its international competitiveness

based on the quality of the human resources, culture, and education, as well as openness and ability to cooperate internationally, are becoming the central elements of national security. The role and place in civilization count probably more than the number and accuracy of warheads and efficiency of delivery systems. For example, the greatest contribution that Russia can make to its own security is to get its economic house in order and to overcome international economic isolation (self-imposed to some extent), although an economic revival of the U.S. could be an important precondition not only for American interests, but also for the security of other countries, including Russia. Under the new international and regional conditions, major security efforts have to be designed and directed rather differently. A new set of "threats and challenges" is primarily domestic in nature and composition, with one exception—the threat of international isolation and externally forced economic and social underdevelopment remain powerful weapons.

Threat Perceptions

The end of the Cold War suddenly interrupted the evolution of security and defense concepts. For almost every country of the North Pacific (with the exceptions of North and South Korea), it is probably very difficult in changing circumstances to formulate its foreign policy goals and security objectives, as well as to identify the concrete sources of threat. Where, after all, should the "traditional" security efforts be directed in the situation when *every* country of the region is interested in stability and development at home and non-exclusive cooperative security environment abroad?

There are some views that Asia—Pacific has entered an "era of amorphous threat" and uncertainty without any clear regional security framework.⁷ It is true that the fluid and already different threat perceptions have become even more diverse and dynamic after the end of the Cold War. Each country's list of security concerns is different. Almost no country in East Asia can agree on what the "threat" to stability and its own interests is. After decades of the Soviet threat, Japan is watching the PRC. The prospect of a re-unified Korea is closely associated by Tokyo with military competition. The security of SLOCs is important for Tokyo. Beijing is concerned with ASEAN's rising military spending, and fears closer relations between ASEAN and Vietnam. But its greatest anxieties are economic isolation and the emerging military threat of Japan in the areas where technologically China cannot compete. South Korea also sees Japan as its future security problem. It does not want the disintegration of the DPRK, and fears that the DPRK's normalization with the U.S. and Japan can reduce Seoul's control over the dialogue. North Korea's strategy is to avoid further international isolation, the loss of identity, and the possible "absorption" by the South. Russia perhaps is the most vulnerable to some negative domestic developments in China and subsequent large-scale migration of Chinese. Moscow also fears economic isolation by Japan and a Japanese military buildup. The danger of conflict on the Korean peninsula is the old threat, and the sudden withdrawal of the U.S. from the North Pacific is a new one. The U.S. is determining how to retain its regional supremacy vis—à—vis Japan, which surpassed it as a trading partner, source of development assistance, and source of foreign direct investment. The possible

weakening of alliances is another problem for the U.S., as well as the "danger" of the formation of other alliances without it. All these problems are masked, for the time being, by the issue of the DPRK's nuclear facilities' inspection.

Some of the elements of threat perception and remaining conflicts in the area will not disappear as a result of bilateral efforts, compromises, or accommodation. The division of Korea and the Northern Territories dispute have better chances to be solved if the situation will be shifting toward accommodation and cooperation. But even beyond the territorial disputes and divided nations, the relationships between small and large states will continue to be a problem in itself, unless a collective political mechanism to manage these relationship will be established. Greater suspicions and security uncertainties most probably will continue to disturb the regional climate and bilateral political relationships if the lowest common denominator in defense efforts and military postures is not found.

Defense

How many weapons do we really need to maintain security and stability in the North Pacific? How advanced should these weapon systems be, and how relevant to the possible use of nuclear devices? In the worst case scenario, who is going to strike whom, and at what cost? Growing technological disparities and the threat of technological domination can represent sources of tension in themselves. In combination with security and military confrontation, disparities in military technologies could become a major source of instability. Forward deployed forces, posturing for preemptive strikes, can be seen in this "technological/military" context as a compensation for the still inadequate technological capabilities for maintaining such posturing through other but "extra-territorial" means, such as sea-based or space-based strategic forces. On the other hand, international arms sales and/or military technology transfers under the auspices of security agreements can be considered either as a mechanism of building military technological advantages, or a mechanism of compensation, if such advantages do exist on the other side. All these problems are relevant to the North Pacific.

In this context, the unfolding discussion about the future of the United States—Japan security alliance is invariably associated with reassuring that Japan's role would not extend to the creation of an offensive or nuclear military capability.⁸ On the other hand, the formidable capabilities Japan already possesses in naval and air forces, in particular, including the state-of-the-art modern weapon systems, were acquired within the framework of this security treaty. Furthermore, the question is whether it is realistic expectation or demand that an independent state and sovereign nation is bound to retain forever this unusual political and security status. The discussion of the existing or projected defensive/offensive capabilities is centered on quantitative, not qualitative, parameters. At the same time, offensive capabilities should not necessarily be perceived as an instrument of destruction of the enemy's state forces, its military, or even its economic infrastructure. The war in the Persian Gulf can be considered as a new model of delicate balance between national military priorities and the potential human cost involved and between international goals and domestic political constraints. Despite the political allergy of Japanese people to the

military power, or the reliability of the security guarantees provided by the U.S., or the self-imposed limits of the Japanese constitution, we cannot be certain in terms of its future military capabilities and the potential to project its power. The answer to these problems includes military restructuring and the reevaluation of the concept of security and alliances.

Alliances

After the Cold War, every country will try to reduce the costs and risks of foreign policy. Some existing security alliances, if not properly redefined and modernized conceptually, can lose their direction and the political support of the public. Under present circumstances it is likely that the United States—Japan security relationship will experience a strain. The rise of emotionalism on both sides is not yet confronted by strong leadership devoted to the new goals. On the level of public opinion, there is no accurate picture of each other.⁹ “America First” and “Re-Asianization” are becoming two popularly known concepts that can push the relations from the stage of adjustment to the phase of separation. Very little attention has been paid to the broad political foundations of the alliance—shared interests, goals, and values. On the level of the perceptions of the public in both countries, the security-related elements of these relations became a symbol of cooperation, as well as the major incentive for compromises in trade imbalances. Now, on both sides of the Pacific the perception is that there is no more need for concessions, because the security relations are losing their relevance. And the notion of inequality is resented on both sides, although for different reasons. The typical American perception is the need to preserve an unquestionable supremacy: “If the Alliance prospers . . . then the likelihood of Japan becoming a regional security ‘issue’ is minimal. A severe weakening or collapse of the Alliance, on the other hand, would be the single most de-stabilizing development one could conceive of, with extraordinary consequences for regional political, economic, and security relations and for U.S. interests.”¹⁰ On the Japanese side, the consensus has gradually emerged that the security, and regional security beyond the Cold War in particular, could only be mutual in the essence, and collective in the format of maintaining it. There is also an understanding in the U.S. that unilateral security measures based on hegemonic dominance are becoming unpopular at home and less acceptable abroad. Although exclusive bilateral alliances are still essential for deterrence, they are not sufficient for maintaining comprehensive stability and cooperation. Cooperative attitudes, in the opinion of some analysts and scholars, have to be developed. The nature of the security responsibilities is changing—instead of “providing” it at the expense of one leading power, the current demand is to share it with “junior” allies and even with former adversarial states. There is a recognized need to help the latter to have more political space to get out of the economic, cultural, and political isolation “which invariably serves the cause of extremism.”¹¹

Vision of History

With the aversion of the nuclear war and the end of bi-polar confrontation, nationalism and historic animosities could become the most destructive forces. “The

Cold War seemed to impose a kind of discipline over disputes. That discipline has now evaporated."¹² The division of Korea and China, the territorial dispute between Russia and Japan, and the historic animosities among Koreans, Japanese, Russians, Chinese, and Mongols are among the most serious obstacles for regional cooperation, particularly after the end of the Cold War. In this respect the idea of regional cooperation could be confronted by factors and complications invisible earlier. Openness and honesty in the vision of history can help to some extent to cure this problem. Sometimes, even a legal background cannot be an adequate foundation for settlement without political efforts to reconcile the vision of history. And the political solution of some outstanding problems requires an historical understanding, but highly selective historical memory and historical amnesia continue to be obstacles.¹³

OTHER MODELS OF REGIONAL COOPERATION

Whatever model of economic cooperation and subregional co-development efforts will be evolving in the North Pacific, we must consider various non-economic factors which interfere with this process. Among these non-economic factors, which interfere and interact with economic realities, are the following:

- security perceptions and defense efforts' direction;
- shared political goals and domestic stability;
- ideological and political compatibility;
- cultural and ethnic differences;
- consensus on problems of history;
- readiness to cooperate and to compromise in disputes;
- differences in countries' size and geography;
- and external hegemonic or collective regional leadership.

As a rule, these elements of relationship can be considered as essential for providing psychological and political environment for normal economic contacts. And as far as economic interdependence and integration are concerned, only well-coordinated management of these issues, both on the national and regional levels, can enhance the feeling of long term stability. Without this factor in place, large-scale transfer of economic resources through official channels or joint development programs and plans, as well as increased interdependence on the private level, will be impossible. But even with the feeling of stability, different economic and social conditions may require large-scale efforts directed at harmonization. Otherwise, uneven economic foundations will complicate multilateral interaction. Among these economic prerequisites of economic integration are the following:

- economic and political openness;
- elements of economic complementarity;
- recognized regional economic goals and sources of dynamism;
- level of development and scale of economies;
- compatibility of economic systems and development models;
- essential elements of national and regional infrastructure;

- the tradition of extensive bilateral economic interaction;
- *private sector's maturity and its resource potential*;
- role of governments and development strategies;
- role of institution building and multilateral forums;
- and involvement of regional and international institutions.

The patterns of very effective, effective, and ineffective models of regional economic cooperation can be illustrated by economic integration in Western Europe, by evolution of ASEAN and the larger Asia—Pacific Economic Cooperation process, as well as by South Asian Association of Regional Cooperation (SAARC), the dissolution of COMECON, and faltering economic relationships among independent republics and economic regions of the Commonwealth of Independent States (CIS).

COMECON and CIS

The COMECON dissolution (both as an institution and tradition of cooperative relationships) and partial disintegration of existing intra-regional economic links within the CIS serve as constant reminders that economic pragmatism can be easily damaged by the sudden disruption of common security foundations, changes (even similar in direction) in ideology, incompetent government management in the absence of a developed private sector, and the "forces of history" mixed with nationalism, political disagreements, and domestic instability. The recent economic troubles within the CIS or in Eastern Europe's economic relationships with the former Soviet Union clearly demonstrate that even already developed economic interdependence can be a victim of emotionalism and mental blocks.

SAARC

South Asia Association of Regional Cooperation (SAARC) represents another regional political/economic model that did not bring about a genuine cooperation and rather should be considered as a confidence-building or even a crisis management mechanism. With India as the de-facto dominant economic and political leader, the concept of SAARC is under the constant strain of the security, ethnic, territorial, and political conflicts among the member states. The lack of openness and genuine economic complementarity, as well as resources, put severe limits even on the modest economic agenda. The smaller nations of the Indian subcontinent see the usefulness of SAARC as a collective counterweight to perceived Indian political and economic expansionism. The concept of South Asian regional economic cooperation cannot be described as a success even though there were some efforts of institution building, including the SAARC Summit.

APEC

Asia—Pacific Economic Cooperation (APEC) process was based primarily on the ideas developed within the tripartite business—academia—government activities of the Pacific Economic Cooperation Conference (PECC). In their nature, the activities are very strongly dependent on private sector initiatives and interests, as

well as on coordination efforts on the level of national bureaucracies. The overall strategic framework for this type of "soft regionalism" was provided by the loose security and ideological consensus under U.S. leadership, the access to American markets, the increased financial and economic power of Japan, and the dynamic process of economic modernization of the "free market" developing economies. The APEC process did not move yet to the level of the full political recognition and institutionalization as a framework for regional politico—economic coordination. However, there is an expectation that it can be used to prevent the formation of the dollar bloc and the yen bloc, and to keep the regional trading system open. But the end of the Cold War, United States—East Asia trade frictions, regional economic dynamism dependent more on Japan than the U.S., and growing regional assertiveness pose a danger that APEC will remain an unimportant body without any further institutionalization, while diverting the process of integration into geographically oriented blocs.

South Pacific Forum

The South Pacific Forum is a good example of both external leadership provided by Australia and New Zealand, which is basically welcomed, and development funds provided from outside by leading economies of the region. The core ideas behind regional cooperation are not only economic, but also social and cultural in their nature. There is also a regional consensus on broad security issues, such as the South Pacific Nuclear Free Zone (SPNFZ) and on most of the problems of political relationships with the states that do not belong to the South Pacific Forum (fishing rights in 200-mile economic zone, U.S. security presence, France's nuclear tests, Japan's economic involvement, and others).

ASEAN

The ASEAN initially was more a response to the challenges to the security and stability of the member-states, both internal and external, as well as a reaction to the superpower rivalry in Southeast Asia. Formally, the economic cooperation was among the ASEAN priorities, but external economic relations of the participants were dominated by extra-regional trade with Japan, the U.S., and Europe. The economic progress of the ASEAN members did not lead yet to enhanced subregional economic cooperation. The bulk of current intra-ASEAN trade consists of the horizontal trade among Japanese offshore subsidiaries. The collective leadership is combined with the special role played by Indonesia and Malaysia, the U.S. security guarantees, and Japanese economic assistance. The ASEAN is the key element of the PECC and APEC. The post-Ministerial Conference of ASEAN leaders helps this subregional organization to move beyond traditional agenda and to approach the problems of changing security environment in Southeast Asia and the Asia—Pacific region.

EC

The European Community (EC) also was the product of security concerns related to the division of post-World War II Europe, as well as a medium for political accommodation between the West European countries through their security rela-

tions with the United States. At the same time, the initial momentum provided by American political leadership, security dominance, and economic assistance (Marshall Plan), was gradually replaced by indigenous cooperative efforts, comprehensive psychological reconciliation, and domestic sources of economic growth. Political and security partnership rather than external leadership became the basis of the relationships, and the current direction has moved toward greater political independence and competitive economic relations. The new strategic role that EC plays in global affairs, as reflected in its members' collective and individual initiatives directed to Central Europe, Russia, and CIS, is a manifestation of its maturity and political responsibility. Compared to any of the regional cooperative structures briefly described above, the European model looks like the most comprehensive and capable method for dealing with economic and social matters.

CONCEPT OF NORTH PACIFIC REGIONAL COOPERATION

The North Pacific as a Region

In contrast to the successful models of regional cooperation mentioned above, there are problems related to the North Pacific economic cooperation idea:

- The regional security is dependent on outside support and under the pressure of conflicting security perceptions.
- The political relations are immature, based on bilateralism, and continue to be linked to the problem of political openness.
- There is no consensus on the history of the region except some bilateral relations.
- The sense of common or shared political or economic goals and values does not exist.
- Cultural and ethnic differences do represent a problem in relations among the states.
- A lack of political compatibility is accompanied by incompatible economic systems and growing economic disparities.
- There is no developed regional infrastructure.
- APEC, PECC, PBEC, and ADB are not involved in this geographical area.
- Finally, Russia, North Korea, and Mongolia are in economic crises.

Still, there are some positive elements also. Although the disintegration of the Soviet Union was preceded by downturn developments in its economic relations with the DPRK, Japan and Mongolia, bilateral political relations and regional security were experiencing important positive developments. The minimum requirement is to keep things moving forward and to preserve positive dynamism in regional relations. And if it is still unrealistic to expect major breakthrough in the area of economic interaction among the states and territories of the North Pacific, the joint efforts could be concentrated on the areas where visible progress was already achieved.

The Model of Cooperation

The models of economic cooperation remained largely academic concepts before they were able to accommodate some distinctive subregional interests, economic as well as political. The evolution and progress of PECC were dependent on the ability of this concept to incorporate the interests and concerns of ASEAN. The important watershed for APEC was an incorporation of China, Taiwan, and Hong Kong in 1991. In the case of ASEAN and PECC the problem was to gain the respect for the specific economic needs and political interests. In the case of the membership of "three Chinas" in APEC, the problem was to go beyond formal political protocol and to recognize important economic realities.

Current global, regional, political, and ideological changes are conducive for the process of the development of the new concept of regional economic cooperation and political reintegration, which will be based on principles and ideas provided by ASEAN, PECC, APEC, South Pacific Forum, and other international and regional institutions. Any concept of regional cooperation for the North Pacific/East Asia region should be compatible with the philosophy of broader regional institutions and concepts. At the same time, these trans-regional organizations have to support new subregional developments. The concept of special economic zones, zones of free trade, areas of economic and technological cooperation,¹⁴ and other supra-sovereignty economic arrangements could be considered in this context in connection with the experiences of Asian NICs, especially Hong Kong and Taiwan, which are lacking to some extent a definite international political status, but do represent extremely important and dynamic economic entities.

The Framework of Cooperation

The end of the Cold War in the Asia—Pacific region, unlike in Europe, is going to be a protracted process, not a concentration of dramatic events. In such conditions, the concept of subregional economic cooperation has to deal with a number of problems:

- developing political and emotional accommodation;
- building physical infrastructure;
- developing economic infrastructure;
- approaching the long-term future of economic relations;
- dealing with the problem of leadership;
- introducing an institutional framework for interaction;
- and developing a common vision of long-term security relations.

REGIONAL ACCOMMODATION

During the years of the Cold War and until 1992, strategic and important political considerations imposed severe limits on the geography of regional cooperation and the number of the participating countries. Southeast Asia is still partially disintegrated with the continuing isolation of Vietnam. The Yellow Sea region cannot fully become an area of economic cooperation unless Korea will be in a process of

reunification. The Sea of Japan area is unlikely to be different from what it is now unless there would be a marked improvement in Russo—Japanese relations, formal steps of diplomatic recognition between Japan, the U.S. and the DPRK, China and the ROK, and further progress in relations among the two Koreas. There is also an untapped potential for economic cooperation between Russia, on the one hand, and the U.S. and Canada, on the other. There is only one subregion in the Asia—Pacific region, relatively unimportant as an economic entity (South Pacific), which is not affected by ideological differences and security concerns.

Political Dimension

As far as the North Pacific/Northeast Asia region is concerned, of course, the attitudes and policies of central governments will play an important role in its progress, especially in terms of developing a new security environment. Multilateral political dialogue followed by the efforts to develop regional military interaction and confidence-building could be a direct result of the involvement of central governments. But local initiatives and the role of provincial authorities are difficult to underestimate, especially because local governments are closely associated with regional economic interests. Their interaction among themselves, on the one hand, and with central authorities, on the other, can be the most reliable political foundation for regional economic cooperation and development plans. Subregional economic and political interaction on the local level can be also an important element in domestic political agenda.

Security Dimension

The existing security and political order in the Northeast Asia depends primarily on the United States as an outside source of military security. Bilateral security alliances led by the United States are the backbone of the present system of the regional political relations. Because there is no more "common security blanket," there is a need to come to mutually acceptable limits and rules in the field of security relationships:

- the nuclear deterrence, prospects for non-proliferation and nuclear build-down;
- arms control and limits on armed forces, weapon systems and technologies employed;
- the Northern Territories, and other regional territorial disputes;
- the Korean unification and external support of this process;
- subregional cooperation in resource development;
- human rights protection, openness of economic and political systems;
- and non-exclusive multilateral relations.

Regional Dimension

Unlike Europe, Asia did not have the "collective political and security institutions to absorb the de-stabilizing effects of a U.S. military withdrawal."¹⁵ A multilateral security mechanism in Northeast Asia could encourage:

- the emerging tendency to self-restraint in defense efforts;
- Japan to refrain from military buildup;
- smaller nations to feel more secure;
- limiting the ability of bigger powers to exercise power;
- regional consensus on security issues to emerge;
- and limiting the influence of "forces of history" and nationalism.

Conflict Resolution

It is extremely important to develop the tradition of innovative thinking on conflict resolution in the region. "Perhaps the most complicating of all factors is the existence of islands to which the parties maintain conflicting territorial claims, thereby inflaming the delimitation issues and giving them a symbolic significance that almost precludes the possibility of compromise diplomacy."¹⁶ The territorial dispute between Moscow and Tokyo could be an important testing ground for this approach. It is more likely for them to solve the Northern Territories dispute within the context of building a new security environment in the North Pacific. In their current negotiations two sides cannot agree on a common approach, or compromise, which would accommodate both sides' current and future interests. This solution has to be a combined movement toward new cooperative security, political, and economic relationships between Russia, on the one hand, and the U.S. and Japan, on the other. The solution, which could be appealing to public opinion and domestic political interests of both countries, can be based on cooperative development efforts. This approach was recently proposed by the President of the European Bank for Reconstruction and Development. One, among possible scenarios, is the transfer of the disputed territories under the jurisdiction of the United Nations Trusteeship Committee with a delegation of the administrative authority for Russia and Japan. It might provide the guidelines for the resolution of other territorial disputes.¹⁷

Nuclear Non-proliferation

This is a sensitive moment in the post-WWII history of Japan. The strategic glue in the United States—Japan security alliance is slowly dissolving. Russian and American strategic forces are not seen any more as directed against each other. There is no reason to believe that Japan will never be interested in independent nuclear status and modern weapon systems comparable in capabilities with those already deployed in the region by other powers. Tokyo, less dependent on U.S. security protection, may feel increasingly uncomfortable under the pressure of cool and uncertain relations with Moscow. Its vital sea lanes of communications are exposed to nuclear-armed China and near-nuclear-armed India and Pakistan. The nuclear issue on the Korean Peninsula is not resolved. Under these circumstances Japan could be pushed to radical and emotional alternation of its security policy. The Japanese are getting nervous about Russian nukes in the North Pacific, as well as about the security of Japan beyond the Cold War and its independent international status.

Unless the military postures of Russia, U.S., and China on the Pacific become less centered on nuclear-strategic tasks, it may be difficult to expect that Tokyo will feel

as an equal partner qualified to discuss regional security issues. Basically, Tokyo needs political help and cooperation from outside, as Russia similarly needs economic support. Moscow can do a great deal to ease the strategic situation around Japan and to help its leaders to keep Japanese security policy within the existing constitutional limits. Moscow can really initiate radical changes in security and strategic situation in the region, if it will decide to reduce the size of its nuclear forces and nuclear-related activities followed by a proposal to withdraw all nuclear weapons from the region, and to proceed with the concept of the North Pacific Nuclear—Weapons—Free Zone and a wider non-proliferation program for Southeast Asia and Indian Ocean.

ECONOMIC COMPATIBILITY

The economic complementarity requires not only political accommodation, but also some basic economic preconditions. These include transport links, developed construction industries, communication and information systems, technologies and cooperation in R&D, compatible models of development, coordinated approaches to the mineral and energy resources utilization, modern education system, and many other factors. The collective efforts to design the future economic infrastructure for the North Pacific region could be in themselves a part of the process of cooperation. The dilemma is that, without modern infrastructure that matches the international standards, dynamic economic development is going to be difficult even on the national level, without discussing multilateral economic cooperation on subregional basis. On the other hand, the amount of physical resources involved and efforts required to finance major infrastructure projects could be mobilized only if there are visible economic incentives, prospects for growth, market opportunities, and/or major political and strategic benefits. The economic policies of central governments and cooperation of the international economic institutions, as well as of some individual donors, are critical for the future of subregional economic cooperation. "The key here is that it is necessary to improve the region's basic economies before taking real steps toward regional cooperation."¹⁸

Models for Economic Reforms

The choice of the model for economic modernization¹⁹ is an issue of key importance. For instance, the current emphasis the Russian Government makes on monetary instruments in its attempts to stabilize the budget and financial system is under growing criticism, both domestically and internationally. In some independent assessments, the Moscow-based central government's eagerness to rush with introduction of a market economy "is a part of political struggle; one that is currently the sole tool with which it can get rid of the old 'ruling class' . . . For that reason, not even a trace of government involvement can be tolerated."²⁰ Not only Japanese, but also French and other countries' economic experts, agree that economic planning and government involvement in industry still deserve important roles in Russia. They stress that Western efforts to help Russia and other former Soviet republics move to market economies have been dominated by American economists. Therefore too much stress has been placed on the effectiveness of market forces, but broad long-

term objectives along with the policies to achieve them have been ignored. According to some sources, the Japanese government last year was offended by Moscow's reform plan drafted at Harvard University, on which Tokyo had not been even consulted, while the plan envisioned a substantial Japanese financial contribution.

The recent Japanese report to the Commonwealth of Independent States, contrary to the IMF belief in the primacy of market principles, stresses the value of centrally guided policies based on common goals. Another striking difference is that experts from MITI suggest that the Russian government take emergency measures to halt the output decline and encourage competition first among the domestic producers by dividing the state monopolies into competing companies. MITI suggests that Russia should learn how to channel funds through government institutions and private banks and to encourage capital accumulation through preferential taxation schemes. Russia also should establish Japanese-type "priority production programs" to ensure the supply of essential industrial goods. Japan has proved that it is "possible to breed bureaucrats who understand how the price mechanism works and how to act as standard bearers for a free-market economy," say the authors of the report.²¹ The "Japanese model" provides an approach in which improvements to the structure of the economy—for instance, the privatization of the arms industry and rebuilding of the basic industries—are taken care of first in a gradual manner, followed by moves toward liberalization.²² In Russia, there is a fear that the "Japanese model" might reinforce the opposition to the current regime and that the government might see the economy stabilized by means of price liberalization without splitting up the monopolistic industrial structure. In fact, what the country needs is the strategy of a strong government policy in conjunction with a private sector-oriented approach which has been called "neoclassical interventionism."²³

Economic Openness

According to the *World Development Report 1987*, the countries can be divided into several categories in terms of their trade and economic policies:

- strongly outward-oriented (South Korea, Singapore);
- moderately outward-oriented (Brazil);
- moderately inward-oriented (Mexico);
- and strongly inward-oriented (Argentina).

The combination of import-substitution and export-promotion strategies basically makes the difference in category. However, if we consider the performance and competitiveness, the South Korean economy does much better than others primarily because of the government intervention and support provided to export industries. Some economies of the North Pacific have to develop not only market infrastructure, skills, and efficiency but also economic openness which will allow them to cooperate with developed market economies of the area and with China. Basically, Russia and the DPRK have to move from the current stage of import-substitution strategy to the export orientation and competitive relations based on comparative advantages.²⁴ But the economic openness works only if the "new-comer" enjoys an access to other markets in order to be able to use some of the export earnings for importation and

structural changes. There are serious reasons to be skeptical regarding the future of Russia as another NIE capable of exporting not only raw materials, but also steel, steel products, chemicals, aircraft, many labor-intensive products, and other commodities. There are some reasons to believe that some sort of "soft" economic isolation of Russia might be maintained at least for several years. The DPRK is not just in economic, but also political isolation, that undoubtedly will persist as long as the United States and Japan refuse to establish full diplomatic relations.

Physical Infrastructure

In the absence of large scale capital investment both from the government and private sectors, in order to start some "booster projects;" such as the development of the international economic zone in the Tumen River Delta, the sectoral approach to the regional cooperation could be a practical alternative. What the countries of the region are doing on the national level already can constitute a basis for regional cooperation and coordinated efforts for upgrading an infrastructure in such areas as:

- civil aviation;
- railroads and roads in the border area;
- shipping and navigation;
- tourism and recreation facilities;
- telecommunications and postal services;
- oil and gas development projects and transportation system;
- and electricity production and transmission.

"Soft" Infrastructure and Human Resources Development

Large-scale efforts have been directed at greater compatibility between different economic, political, social, and cultural systems. Until Russia, North Korea, Mongolia, and China have upgraded to the average operational level of other economies of the region, their backwardness and isolation will continue to constitute a potential source of obstacles for regional cooperation. Exchange, compatibility, coordination, and gradual unification could be the key words for building the foundations of non-material infrastructure, in particular in such sectors as:

- tourism development;
- language studies and training;
- education and professional training;
- cultural and professional exchanges;
- comparative studies of economic and social policies;
- technology exchanges and joint R&D efforts;
- climatic, environmental, and geological studies;
- marine resources development concepts;
- the comparative analyses of law and immigration systems;
- consulate procedures and visa regulations;

-
- the interchange between business information networks;
 - TV, radio, and other mass-media information exchanges;
 - exchange and joint R&D in medicine;
 - local administrative and political authorities contacts;
 - and education and research in the history of the region.

Regional Economic Policy

Geography, size of the economies, and territories, the dominant priorities in foreign trade and economic relations, relative underdevelopment of the coastal areas of the countries involved, and other specific problems of the Northeast Asia/North Pacific have to be dealt with on the basis of special efforts in economic policy. There are at least four areas where concrete steps are needed to facilitate subregional cooperation:

- openness to business contacts and people—to—people relations, including specific measures in immigration laws and regulations to facilitate the migration of labor, as well as mixed marriages;
- a certain degree of economic and administrative autonomy of the coastal and inland areas involved in subregional development plans and their preferential treatment by central governments;
- commitments of central authorities to provide financial resources to the territories involved, national developments projects, and regional cooperative projects;
- the promotion and preferential treatment of small and medium-sized enterprises and business activities within the territories designated.

Support for the Private Sector

The role of the government sector and government intervention in the process of supporting private sector development could be different in various countries. Probably the pace of these developments will be uneven, or even under question in Russia. "but the governments of the Asian developing countries have all (with the possible exception of Hong Kong) been a determining force in economic development and have contributed to the rapid industrial growth of their economies to a greater extent than explained by neoclassical economists."²⁵ The concept of "private sector development"²⁶ proposed by Seiji Naya includes three forms of government action to encourage private sector development: privatization, deregulation, and liberalization. In the case of private sector activities promotion in countries like Russia, Mongolia, the DPRK, and, to some extent, China, some specific additional measures are needed to introduce the system of comprehensive support of small and medium enterprises. This system can be confined to a national level, or could represent one of the possible directions for regional economic cooperation. The real problem is how to make the economic policy know-how available and the transition possible in practical terms to the countries where the private sector does not exist yet, or is at a very early stage of formation, and, at the same time, to prevent the decline of economic output.

The process must include:

- the gradual opening of centrally planned economies needs to be combined with access to the markets of advanced economies of the region;
- financial, trade and fiscal policies need to emphasize domestic resource mobilization and domestic savings;
- a mechanism needs to be established for facilitating the flow of information between the planners and the private sector;
- and techniques of "cooperative and facilitating intervention" must be learned in order to avoid adversarial government-business relations on the regional level.

Obviously, without mature and dynamic private sectors in the countries of the region where these forces do not exist, genuine economic interaction and regional cooperation are bound to remain in the category of academic concepts.

INSTITUTIONAL INFRASTRUCTURE

It is essential to develop a system of regional institutions designed to facilitate economic cooperation and other contacts. Every single area of interaction (finances, tourism, transport, and education) could lead to the establishment of regional councils, associations, chambers or societies. The problem nevertheless is to maintain realistic linkages between local and national business interests, central and regional authorities, sources of capital and technologies, and markets and national trade policies. A relatively "simple" system of regional institutions, like those that exist in the South Pacific or South Asia, can be used as a model:

- North Pacific Regions Forum,
- Standing Committee,
- Program Planning Committee,
- North Pacific Regions Development Program,
- and Secretariat of the Forum

Regional cooperation generally implies the need for individual countries to agree to surrender in certain cases part of their sovereignty to a supranational body (multilateral subregional consultative organization, in case of the North Pacific) in the interest of the group and the members. Such a situation calls for a great deal of political will even in the regions with relatively harmonious relations. In the situation of the North Pacific, it is impossible to establish even an informal organization without cooperation with central governments. The following goals can be set to justify the usefulness of the North Pacific Regions Forum:

- to collect, analyze, and disseminate economic information and regional statistics in order to help regional economic interaction and national development planning;
- and to monitor ideas and initiatives that strengthen regional cooperation and help to develop a spirit of regional community.

NOTES

1. It is difficult, for example, to confront the view expressed by Takashi Sugimoto that "rather than depending upon economic rationalization for regional development, it is more likely that political factors will play a far more important role in getting the project off the ground." Cf. Takashi Sugimoto, *The Dawning of Development of the Tumen River Area*, IIGP Policy Paper 75 E, March 1992, p. 16.
2. K.S. Nathan, "Linkages Between Asia—Pacific Regional Economic and Security Relations: Emerging Trends in the Post-Cold War Era," Conference paper presented at the Institute on Global Conflict and Cooperation (IGCC) Conference on Pacific Security Relations After the Cold War, Hong Kong, June 15—18, 1992, pp. 2, 4.
3. Won Bae Kim, "Regional Cooperation in Northeast Asia: A Spatial Perspective," said, "From a simple economic perspective, the region in question has a great potential for development because capital and labor—the two key elements of regional development—are sufficiently available in the region as a whole. Capital, if artificial barriers are removed, is likely to gravitate toward places with abundant labor and resources." *Proceedings of the Conference on Economic Development in the Coastal Areas of Northeast Asia, 29—31 August, 1991, Changchun, China*. (East—West Center and Sasakawa Peace Foundation, June 1992), eds. Won Bae Kim and Burnham O. Campbell, p. 61.
4. This term is borrowed from *The Importance of Bypassed Areas in Asian Economic Development. Proceedings of the Okinawa Conference*, ed. National Institute for Research Advancement, Japan Center for International Exchange, Tokyo, 1983.
5. Robert A. Scalapino, "Security in Northeast Asia: Future Issues and Prospects for Cooperation." Paper prepared for the Institute on Global Conflict and Cooperation (IGCC) Conference on Pacific Security Relations After the Cold War, Hong Kong, June 15—18, 1992, p. 16.
6. There is an assessment, that in countries like India, Indonesia, Pakistan, Philippines, and possibly China, nonagricultural employment opportunities will not grow rapidly enough to prevent the growth of the agricultural labor force during the 1990s by approximately 10 to 20 percent; that means that arable land per farmer will decline even further, lowering labor productivity and income, increasing the incidence of rural poverty, and exacerbating inequality. Cf. "Analysis of Population Trends and Projections in Asia, 1980—2010," Part Two, Background Papers, East—West Center, May 1990, pp. 2—23.
7. Shigekatsu Kondo, *New Japanese Thinking on Pacific Security Uncertainties and Proposed Regional Security Cooperation*. (Tokyo: The National Institute for Defense Studies, 1992), p. 6.
8. Shigeki Nishimura, a colonel in Japan's Ground Self-Defense Forces suggests that "it is, in fact, impossible for Japan to maintain an exclusively defensive posture except within the framework of the United States—Japan security system, in which the U.S. provides the supplementary offensive capability," and that "a separate Japanese defense capability would require nuclear arms." *Far Eastern Economic Review*, August 2, 1992, p. 23.
9. "Building Rapport in Japan—United States Relations. Away from Emotionalism Toward Mutual Understanding," in *Japan 21st*, 1992, No. 3, p. 37.
10. Alan D. Romberg, "New Approaches to the Northeast Asian Security: A U.S. View." Paper presented at an International Colloquium held by the Institute for National Strategic Studies, National Defense University, July 2, 1992, Washington, D.C., pp. 6—7.
11. Robert A. Scalapino, *op. cit.*, p. 10.
12. Alan D. Romberg, "Changing Security Concerns in the Asia—Pacific Region," March 16, 1992 (unpublished), p. 5.
13. Tsuyoshi Hasegawa, "Russo—Japanese Relations in the Post-Perestroika Period." Paper presented at the Conference on Pacific Security Relations after the Cold War sponsored by the Institute on Global Conflict and Cooperation (IGCC) Hong Kong, June 15—18, 1992, p. 24.

14. The most important measures aimed at the improvement of economic conditions for Export Processing Zones efficient operations include:
 - a) revision of basic laws to enable the process of EPZ integration with domestic economy and local industries, and research and development activities promotion;
 - b) revision of foreign exchange regulations to allow smoother operations and interaction with outside markets;
 - c) rationalization and automation for productivity increase in order to transform of EPZ into high-tech and high-value-added industries, and the promotion of labor educational and training activities;
 - d) establishment of harmonious relations between labor and management;
 - e) efforts to increase the administrative efficiency;
 - f) and proliferation of knowledge in establishment of special economic zones in other countries. Cf. *Export Processing Zones and Science Parks in Asia*, (Tokyo: Asian Productivity Organization, 1987), p. 5.
15. Daljit Singh, "A Political Overview of Southeast Asia," *Southeast Asian Affairs 1992*, Singapore, 1992, p. 5.
16. *Ibid*, p. 78.
17. Cf. Douglas M. Johnston and Mark J. Valencia, *Pacific Ocean Boundary Problems: Status and Solutions* (London: Martinus Nijhoff, 1991), pp. 104—20. In particular, the authors analyze possible solutions for Senkaku/Tiao-yu Tai area, Tok-do/Takeshima area, and China—North Korea—South Korea dispute over the continental shelf in the Yellow Sea, as well Southern Kuriles ("Northern Territories") dispute.
 Also, they provide a detailed account of the disputes which exist in the West Pacific (Spratly Islands Area, Natuna Area, Eastern Gulf of Thailand, Gulf of Tonkin, Selebes Sea, Malacca, and Singapore Straits), and some information about Southwest and Central Pacific, East and Southeast Pacific, and Northeast Pacific.
18. Burnham O. Campbell and Won Bae Kim, "Conclusion," *Proceedings of the Conference on Economic Development in the Coastal Area of Northeast Asia, 29—31 August, 1991, Changchun, China*, eds. Won Bae Kim and Burnham O. Campbell (East—West Center and Sasakawa Peace Foundation, June 1992), p. 217.
19. Dr. Saburo Okita was among the first Japanese economists who suggested that developing countries should think about the "Japanese example" and borrow from Japanese development experience. Cf. Saburo Okita, *The Developing Economies and Japan: Lessons in Growth* (Tokyo: University of Tokyo Press, 1980).
20. Shinyasu Hoshino, "The Japanese Model: Maturing 'Miracle' and Abiding 'Mystery,'" National Institute for Research Advancement, Tokyo, 1992, p. 3.
21. *Far Eastern Economic Review*, 13 August, 1992, pp. 59—60.
22. Shinyasu Hoshino, *op. cit.*, p. 3.
23. Seiji Naya and Pearl Imada, "Sources of Economic Dynamism in East and Southeast Asian Countries," in *Development & South—South Cooperation*, Vol. V, No. 9, December 1989, p. 10.
24. *Macroeconomic Structural Issues in the Asia—Pacific Economies*, eds. William E. James and Seiji Naya (Osaka, Japan: JNCPEC, 1990), pp. 108—13.
25. *Ibid*, pp. 83—4.
26. *Development Challenges in Asia and the Pacific in the 1990s*, eds. Seiji Naya and Stephen Browne (East—West Center—UNDP, 1991), p. 77.