

Session 5

Summarization and Action Program

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This session has two titles: one is "Summarization Session," and the other is "Action Program." I would like to try to do both, that is, summarize briefly some of my observations on the last two days' discussion, and then propose some concrete next steps.

First of all, it is clear to me, after reading the papers and listening to the speakers, that there are many institutions in the region, in both the public and the private sector, which are engaged in research designed to discover and take advantage of opportunities for economic cooperation. However, it also seems to me that this research is somewhat fragmented, that it is uncoordinated, and sometimes even redundant or uncomplementary.

So, as a partial remedy, I would like to propose the establishment of a coordinating group that would focus its initial efforts on coordinating the research activities suggested and stimulated by such meetings as this one. This coordinating group could eventually assist in identifying, evaluating, and promoting specific commercially viable projects in the countries or regions and subregions of Northeast Asia. It could perhaps even serve as a nongovernmental mechanism for keeping discussion alive on regional projects and bridging the gap between concept and formal intergovernmental or enterprise-to-enterprise approval. The first step to try to realize this group would be to convene a coordinating meeting of organizations and enterprises that are interested in or are doing research on economic cooperation in Northeast Asia. The purpose of the meeting would be to formulate a detailed, coordinated research agenda and to parcel out research projects to national task forces.

In thinking about research on which to focus, there seem to me to be several sectors that are almost self-nominating. The first, of course, is development financing. It seems that more analysis is needed to identify suitable sources of financing for cooperative endeavors. The various types would include local commercial financing for investment and working capital for small and medium-size local enterprises, trade financing for the provision of facilities for financing and settling interregional and external trade (e.g., bills of exchange, issuance of letters of credit), infrastructure financing (particularly in transport, communication, and mineral resource development), and social overhead financing (such as for health, welfare, and educational facilities). It is in this context that the possibility of a Northeast Asian regional development bank should be further explored, particularly looking at the constraints and the ways to overcome them.

A second major area for further work is the transportation-telecommunications sector. Each nation is developing its national infrastructure more or less in isolation from and even in some cases in competition with the others. In part this is due to momentum that originated in the Cold War, when borders were remote, tense, and often under military control. But now the political situation is different, and this momentum must be slowed and in fact reversed. A critical step toward the formation of a unified, single transportation and telecommunications system in Northeast Asia could be the establishment of an international consultative committee both to promote cooperation and to coordinate research and development in this sector. The

committee could have subcommittees for such sectors as shipping, air, road, rail, and communications.

A third and final area that seems to nominate itself is the energy sector. The region simply cannot develop much further without sufficient energy. Now, many of us have heard of the futuristic proposal for a Northeast Asia gas grid which would be based on Siberia's enormous gas resources and would connect throughout the region and even to other regions. Such a grid would inextricably link all Northeast Asia, but what would be the realistic supply and demand schedules and patterns for such a system? What would be the most logical complementarity of related industry sites and types? What would be the implications of such a grid on national development plans? There are obviously a plethora of questions that need to be addressed. A Northeast Asia energy consortium, perhaps similar to the ASEAN Council on Petroleum, might be formed in this region to discuss and analyze these questions as well as other cooperative aspects of energy resource development and use. This would include supply and demand agreements.

Ma Bin

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I would like to make a proposal. Since 1990 there have been repeated discussions on the development of Northeast Asia and the Tumen River area. The Asia-Pacific Institutes of each country have been holding international seminars on these topics. In July 1990 the first such conference was held in Changchun, and again in Changchun in August 1991 the second conference was held. In April 1992 a conference was held in Pyongyang, in August 1992 one was held in Vladivostok, and in September 1993 Yongpyeong was the host. Through these meetings, experts and scholars of each country have gathered to discuss the decisions made by the governments, and these seminars have contributed to the promotion of the efforts by UNDP and the Tumen River Area Development Programme. I would like to point out the great contributions by Dr. Lee-Jay Cho, who is one of the advocates of this project.

In August 1991, the second international seminar in Changchun was under the sponsorship of API of China, the East-West Center of the United States, and the UNDP. This was a trilateral cosponsorship between the three bodies, and thereafter the UNDP hosted a conference on the Tumen River project with six participating nations. On October 24 of the same year, at the New York headquarters of the United Nations, the TRADP was announced and has been gaining attention worldwide ever since. Programme Management Committee meetings have been held four times, and experts' meetings several times.

At the New York headquarters of the UNDP, the TRADP office was established. Its staff has been exclusively making efforts to promote the project. The UNDP study group and each working group have drafted an overall plan and detailed plans, and the Programme Management Committee meetings have been held to establish consensus among the parties concerned. At the same time, based upon their unique circumstances, individual governments have been pursuing their own efforts: for example, in Russia the Nakhodka plan, the Rajin-Sonbong Free Trade Zone in North Korea, the Border Development Plan of China

When we look at this past year's developments in the Tumen River area, the UNDP has been playing a leadership role and each government has established measures for assisting the UNDP. Further, seminars have been held to promote exchange between the private sector and scholars. In other words, all parties have been important.

Now, in February 1995, this conference is being held in Niigata, providing substantial meaning to the TRADP. I think we can look forward to progress of this project. However, although we can be optimistic, difficulties have also been increasing.

The TRADP is a system engineering initiative with many purposes. It must not only benefit the region as a whole but also respond to the needs of each region, each country. One problem is the lack of infrastructure in the region, and this is an extremely serious bottleneck for the further development of this project. But to pursue the development of infrastructure, more funds are needed. Finance is lagging, and in this context I would like to make two proposals.

One, an international consulting body and an information data system should be established. Doing so would allow systematic and detailed studies and ultimately a master plan for this development effort. In China, our experiences lead us to believe that we need to establish a master plan by studying in detail the various aspects. We need to respect the unique economic situation and cultural circumstances of each country, but at the same time this development has to be implemented in conformance with international standards. This is not an urgent issue, but I think it is about time we begin to consider these points. We also need to build a long-term plan, not merely concentrate on the short to medium term.

The Tumen River area, or the Japan Sea Rim, has many virgin forests. It is an undeveloped, untouched region. This area also has an abundance of resources, but we must refrain from development that would damage the natural resources or the natural environment. In this context, we need to compile rules and regulations to prohibit types of development insensitive to the environment. In terms of management, information technology and management technology must be fully utilized so that the Tumen River project can become an excellent model for international cooperation. That is my first proposal.

Second, to pursue development, funds are required. Enormous funds must be provided, and to do this there has to be a bank, a financial institution. We will be involved in international cooperation; thus, an international financial institution is required. By establishing such a bank, funds may be provided for the further development of infrastructure. From a long-term perspective, we should establish a financial institution and by using the managerial resources of the financial institution, these projects may be pursued.

The need for such a bank is quite serious. As for the specific methodology of implementing it, many comments have been made throughout this conference. Dr. Nam, Dr. Kakazu, and other speakers have been studying the subject thoroughly, and they have made very good comments. With the rapid development of the worldwide economy, the requirement for international organizations and multilateral financial institutions are changing dramatically. Experiences of the IBRD and EBRD can be utilized. The UNDP can play a major role in the growth and development of each country, and then the World Bank will have to also contribute to such efforts.

So these are the two proposals that I want to make here. A few years ago we organized a coordination group in China, and in the private sector research institutions have been established. A promotion committee has also been established. From a continental perspective we have been calling this area the Tumen River area, but in fact this is Northeast Asia. We could also call this the Japan Sea Rim. The fact that this conference is being held in Niigata proves to us that this awareness is rising in this area.

Fujiwara Katsuhiko

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I work for Keidanren, which is the federation of private companies in Japan. I serve as Senior Director of the Asian Affairs Department. So I look at Northeast Asian development and Tumen River area development from the perspective of Japanese private companies. I am offering these comments not as an official Keidanren position but as observations based on my personal experiences, made in a personal capacity.

The Keidanren mission, chaired by the chairman of Keidanren, is now visiting various countries in ASEAN. I have just returned from India and Pakistan, where we talked about a variety of subjects, one being investment. Investment is indeed an important subject for the private sector. There is a strong need as well as high expectations vis-à-vis Japanese investments, so I would like to link up the topics of Tumen River area development and investment from Japanese private companies.

As I interpret the flow of discussion in this conference this morning, the driving force of development in this area is not the government but the private sector. If the private sector can operate on a free basis in a free and unregulated environment, the region will be able to develop at a rapid pace. Much of the development that has taken place in the Asian region so far has been attributable to this driving force by the private sector, so I would like to identify the conditions that would be necessary for private companies to make investments on a large scale.

Political stability is one prerequisite. We cannot make investments in countries that are frequently fighting wars, and we cannot make investments in countries with which Japan does not have diplomatic relations. But I'm not an expert on the political domain, so I will stop here.

The second prerequisite is infrastructure, such as railroads, roads, airports, telecommunications, and of course education should be included. Basic infrastructure is a prerequisite that cannot be omitted.

Is private sector investment lured by infrastructure that is already developed, or are the developing countries trying to attract investment from overseas in order to solicit the capital required for the development of infrastructure? This is like the chicken and the egg, and I want to clarify my position on this. For the development of infrastructure, we need the central government or local governments to pursue their primary responsibility as public entities. The government, the municipalities, and the international institutions should be fully aware that it is incumbent upon them to go ahead with the development of infrastructure in their jurisdictions. Currently, there is a global trend toward privatization. Whether it be BOO or BOT, there seem to be a lot of new ideas being devised for the private sector to play a significant role in infrastructure development. When you listen to these discussions, you get the impression that the private sector is expected to make investments as a primary responsibility in infrastructure development, and I hear this kind of argument frequently. Of course, there are possibilities for the private sector to become a major player, but I tend to feel that this is a time-consuming fantasy. Ultimately, it rests upon the government of a region to be responsible for the construction of basic infrastructure in that region.

China, North Korea, and Russia need infrastructure development. I have the impression that the Chinese government is actually engaged in many such activities,

and I hear that in Russia things are lagging behind a little bit. Concerning North Korea, it is quite unfortunate that they did not send a representative to this economic forum. It seems that third parties are gathered here today to try to talk about these subjects without the participation of all parties concerned.

The next issue I would like to discuss is how we can raise the funds required for infrastructure development. Of course, there is a shortage of capital required for infrastructure development, and since there is this shortfall of capital, we have to raise the funds from somewhere. Several ways and means are available, and I would like to emphasize one of them: savings, from domestic sources. No matter how poor or how rich a country happens to be, that country should have a pool of domestic savings, and unless such domestic savings are allocated to infrastructure development funds, nothing will go forward. So, minimal though the amount may be, domestic savings should be allocated on a priority basis to infrastructure development.

A second source of funding is official development aid. The source of ODA in this region would, in substance, be Japan. But, as we heard from Ambassador Endo yesterday, Japanese ODA has to fulfill certain difficult conditions for it to be provided. However, such obstacles must be overcome. I believe that it was Mr. Sugano of the Bank of Tokyo who suggested that Japanese ODA should be provided to multilateral institutions so that they can be channeled through to such regions.

A third source of funding is international development institutions. We have the World Bank, the ADB, and the EBRD already in place, and I hear ideas about establishing a Northeast Asia Development Bank. But setting up a new institution will actually not contribute additional funds, so perhaps we can better serve our purposes by taking maximum advantage of existing institutions. Perhaps the UNDP can serve as a sort of coordinator among existing multilateral development banks.

A fourth source of funding is the private sector, and if the first three sources were successfully activated, it would be easy to go to this fourth step and you would never be able to stop the flow of private funds coming into this region.

Next I would like to talk about specific actions. Since Keidanren is a group of private companies, we have repeatedly convened investment seminars introducing various major investment projects to the Japanese investor audience. We have invited speakers who are responsible for such projects because we want to play a role in disseminating information to the Japanese private sector. So, for the Northeast Asian region, if you have specific plans for such investment and you want to convey this to Japanese private companies, you should contact us at Keidanren. I am sure that we can be of some help.

A second specific action I would like to suggest is the following. Private companies are not impressed with a long list of grand designs. If you have one or two pilot projects that could serve as excellent models, and if all resources could be concentrated to make such pilot projects successful, that could serve as an indication that similar projects would succeed in the region; that would be a good scenario to follow. Mr. Sugano suggested the Zarubino project as one that could serve as such a model. Perhaps private business people have the same chemistry, because I had the same idea.

Adrian P. Hewitt

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First, I should like to echo many of the comments on regionalism and interdependence made by Ambassador Endo at the beginning of the forum, when he contrasted the position of APEC and the subregion of Northeast Asia with that of the EU. Three features in particular. Number one, the Northeast Asia subregion has very different levels of development, income, and even growth, whereas the EU is pretty homogeneous. Last month's addition of Austria, Sweden, and Finland to the twelve actually made it even more so. Second, Northeast Asia has contrasting political and even economic systems. On the other hand, the EU, despite its strong national cultures, is consistent in this regard. Third, Northeast Asia's primary trading partners are outside the region. On the other hand, the EU trades massively with itself, especially since the 1992 completion of the single internal market.

And yet, with all these advantages on Europe's side, for Europe to build anything beyond an economic community is proving extremely difficult. It requires time; it requires stamina and persistence; it requires political vision and follow-up execution. In particular, the Maastricht Treaty on European Union is a step towards political integration, towards a common foreign and security policy. It is not a treaty of union, it is a treaty on union.

Union requires time and will proceed in phases. Currently, in fact, the EU member states are wanting to manage things more themselves rather than through Brussels, through the European Commission. In any case, any common foreign policy that is agreed will be arrived at intergovernmentally, not imposed from the center or proposed by the European Commission. Here, then, the eventual EU foreign policy of the future differs from its development cooperation policy of the past—the Lomé Conventions and other elements—which was both initiated and managed by the Commission. These policies are now running down. You just have to note the current difficulties in replenishing the European Development Fund for the Lomé or ACP countries, partly because they have not worked. One of the reasons why they haven't worked is, I submit, the lack of EU attention to Asia, much less so than that of the member states like Germany or the United Kingdom, which have had quite well-rounded policies towards Asia.

Even in its currently revised form, there is, I feel, still too much defensiveness about EU policy towards Asia and not enough action. It was not until the European Commission produced its policy paper, "Towards a New Asia Strategy," in late 1994 that the European Union began to treat Asia as a coherent region.¹ This fact alone is rather startling. How could the world's largest regional trading bloc have for so long neglected to relate with and explain its policies to the fastest growing region, and especially in the developing world, when for decades it had expended its scarce institutional resource—policymaking energy—on an elaborate system of development cooperation with another far less coherent region, the African, Caribbean, and Pacific group of seventy mainly small states. (Let me say in passing that of these seventy ACP states, just one—Papua New Guinea—is a member of APEC.)

To provide an explanation of this state of affairs would require a longer diversion into Europolitics, post-colonial history, and policy deficits in Brussels than I am permitted here. Suffice it to say that, although many of the now fifteen member states

of the European Union had individually coherent policies towards the region (although less so towards Northeast Asia, if treated as a subregion), the European Commission, which initiates as well as executes trade and cooperation policies on behalf of the Union, has only recently produced the aforementioned "New Asia Strategy" in three regional parts and affirmed that "It needs to accord Asia a far higher priority that it has done in the past."

Perhaps this neglect at the level of the EU and East or Northeast Asia was mutual. When the European Commission ran a public opinion survey in Asia in 1994 to discover how well known the EU was, it concluded that it was almost unknown, not just in the form of name recognition but as a concept. In fact, one of the common answers it got was that the European Union was thought to be an insurance company. Not surprisingly, the "New Asia Strategy" pays enormous attention (I would say too much, to the neglect of policy fundamentals) to raising the profile of Europe in Asia.

I shall not return to these cosmetic matters, important though they may be as a complement to policy. I must also concede that not all member states have elaborated entire development cooperation policies with the region. Some that have have been partial rather than integral. And for some Europeans who read the great European allegorical novelists like George Orwell, the very concept of "East Asia" provokes a little irrational foreboding, although of course Orwell would have told us that we have nothing to fear but fear itself. My point, however, is a serious one, for there is among EU policymakers still an absence of a proactive policy towards the region (in contrast to the United States and Japan, and the "New Asia Strategy" document notwithstanding) but a plethora of rather defensive policies.

Because the EU has neglected to be active here in the past, it now tends to demonstrate its fear of exclusion. This was seen most clearly at the Bogor Summit of APEC in 1994. Two-thirds of the world's production and nearly as much of its trade, 46 percent in fact, was represented there in APEC. Europe was not, and the EU feared exclusion in the event of that regional group ever taking off, for the EU was most of that other one-third. I believe that such a stance, fear, is fundamentally misguided; it panders to the always latent protectionist instincts of deepest Europe, which are currently manifesting themselves in a tract of Sir James Goldsmith (who is now a member of the European Parliament), called *The Trap*, which argues against multilateral trade liberalization and for a form of regionalism that is exclusive, self-serving, and atavistic—just the opposite of what a successful European Union development cooperation policy should be.²

The EU must become much less defensive in future for the very reason that, whereas the GATT has counted about eighty-five regional arrangements in the world for the purpose of its Article XXIV, only two of them are, in any coherent and practical sense, regional trading blocs. Of those two, one is a rather fragile and recent construction, NAFTA (more fragile, I think, since Mexico's collapse than even two months ago), and the other is the European Union. Such blocs need political will and political drive to maintain their momentum and to prevent themselves from breaking up. I would say that the EU is the only multinational entity genuinely trading as a bloc, virtually the same way as the fifty states of the United States do. After the Maastricht Treaty on European Union, it is also taking steps towards a coherent and a global development cooperation policy. Following a European foreign policy through into governmental arrangements will take a little longer to achieve, but it will come, probably not before the end of the decade.

By including Japan in the East Asia region with China, Mongolia, both Koreas, and some others, though not Eastern Russia, in its "New Asia Strategy" document, the EU is at last adumbrating a response, after having been too much led in its foreign commercial and cooperation policy by the inherited colonial baggage of the six original EEC member states, from whom the focus on sub-Saharan Africa was sustained even after the enlargement to include the United Kingdom in 1973 and the Iberian countries in 1986 should have restored balance towards Asia and, indeed, Latin America. The reasons for this more robust response, post-1994, are clear. The strategy itself needs further elaboration. It remains too concerned about self-image at the expense of policy fundamentals—as if the EU and the European Commission still hope that governments and businesses of its member states will act coherently without central coordination towards a new Asia strategy that defines Europe's interests and gives reasons for having a strategy—but there is little more, so far, except a little, probably unwelcome, excursion into the area of political liberalization and human rights. Overall, the document is too defensive, and there ought, I believe, to be no reason for the EU having a defensive policy towards the region.

First, as what I've said already implies, the world's largest trading bloc will benefit from trade liberalization in and competition from the region. Second, Europe, through its member states, is by far the largest supplier of official development assistance. Although Japan at \$11.3 billion and the United States at \$9.7 billion are the leading national donors, France alone at \$7.9 billion and possibly even Germany currently at \$7 billion dollars (all these figures are for 1993 disbursements) will overtake the United States in 1996 when aid-receiving countries like Israel and Singapore are graduated out. So European countries will occupy the second and possibly third slots after Japan, on their own.

In any case, the EU and its member states supply two-thirds of all official aid. If it ever came to a vote in the OECD's Development Assistance Committee, the fifteen EU members could easily outvote the other eight donors in the DAC's total membership of twenty-one. They don't and they wouldn't, but they could. European aid donors have, generally speaking, been less prone, too, to post-Cold War negative adjustments to their aid programs than the North American donors, even though they have lived closer to the Iron Curtain itself.

The EU must not be complacent about its inchoate relations with Asia and with this region. It must no longer be prey to Eurocentrism. There are still, unfortunately, many European politicians who see Asia as a threat rather than an opportunity and a challenge. They welcome the sobriquet "Fortress Europe" which the United States, perhaps wrongly, tried to attach to the EU in the early Uruguay Round negotiations because of the common agricultural policy. European policymaking still has a long way to go to develop a coherent and coordinated foreign and security policy in particular.

So I hope I've briefly shown that by now the EU is the major player outside Asia if seen through the exclusion approach of APEC, and especially if Russia joins. After all, Europe and its market is at the end of that land bridge that we've been talking about during previous sessions. I argue that Europe cannot afford not to be a key player within the region as a whole and even with Northeast Asia.

I do not wish to end on a negative note, but at least the European Commission, again, in its "New Asia Strategy" paper concedes that the risks of failing to implement the new strategy are serious and would cause self-inflicted damage. I'll just quote briefly from the paper:

The Union stands to lose out on the economic miracle taking place there because of the strong competition: from Japan and the United States, and also increasingly from companies within the region's newly industrialised and capital rich countries such as Korea or Taiwan. . . . If European companies are unable to take a full share of the world's main centre of growth in the next decade this will affect their profits and competitiveness, not only in Asian markets but also world-wide. . . . If the Union loses out on the economic miracle taking place in Asia, this will have political costs, and at the very least it will exacerbate the calls for more defensive policies from those who view Asia as a threat rather than as a valuable partner, which in turn will further reduce the benefits to be gained from Asia, and so on, in a spiral of decline.

There are political divisions within Europe just as there are political divisions about Europe in the member states (not least my own country). Neither the European Union nor Japan has yet come to the end of its respective process of redefinition of foreign and security policy, and as a result our economic strengths are not yet translated into commensurate political influence. Each is represented at G-7 economic summits but has no seat on the UN Security Council. In the case of the EU, two member states have seats instead. EU policy beyond trade and perhaps development cooperation—where, unfortunately, the new commission has slid back into regionalism towards Asia—is not yet as coherent as even the Maastricht Treaty on Union would require it to be. The "New Asia Strategy" defines the problems but does not yet identify the instruments or the resources with which to address them. It warns about the risk of spirals of decline without proposing a full program of action, but at least a start has been made. It would have been wrong for this Northeast Asia Economic Forum not to have heard this mixed assessment from a policy analyst from within the EU, for the EU is nothing if it is not the one true supernational trading bloc on which so many of the GATT's eighty-four "other" regional economic groupings are modeled.

Notes

1. Communication of the European Commission to the Council, "Towards a New Asia Strategy," 15 July 1994, reviewed at the European Commission/Financial Times conference in Brussels, 6 October 1994, and presented in report to the EU General Affairs Council, 9–10 December 1994, Essen, Germany.

2. First published in French as *La piège* (1993); published in 1994 in English as *The Trap* (Macmillan).

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Obviously there are huge developmental needs in East Asia. That has been a theme throughout the conference, and I don't want to belabor it. The issue, I think, is the one Mr. Behrstock raised yesterday for the first time of modality: how do we go about dealing with the developmental problems, what sort of institutions are optimal and what sort of institutions are feasible?

In looking at this, I think the first point we have to remember is the pervasive national political uncertainty across the major capitals of this region. Japan has had four prime ministers in the last two years. The United States is headed into a presidential election campaign. Moscow is headed toward a transition. Beijing, it is thought, is headed in a similar direction. In the Korean peninsula as well, of course, there are also pervasive uncertainties.

This leads us, I think, to a focus on other sorts of institutions. We have talked a lot about local governments as a catalyst. Certainly that is a crucial role; they have been a driving force in integration thus far, but the question has been raised, especially given the huge capital needs that some of the Japanese analysts presented, for example, whether the really local governments can be a sufficient vehicle for dealing with the huge developmental long-term needs the region faces.

Certainly there are existing institutions in the region, but these, I would argue, also are insufficient. We have seen that APEC, for example, certainly is very general thus far. The Osaka Summit provides an opportunity to direct attention to issues such as infrastructure which were neglected in Bogor, but certainly APEC is insufficient in the foreseeable future. The EBRD, the ADB—those problems we've seen. My sense of these matters is that certainly we all agree that participation in APEC should be broadened to include Russia and Mongolia, and when the agreement clearly is being implemented regarding nuclear development, probably North Korea as well. However, and still, these large overarching organizations do have their problems.

The private sector: Mr. Fujiwara has given us a succinct presentation of what role private sector forces potentially can have but also the requirements they have. His analysis, I thought, was very realistic and rather sobering on this matter. Look at where investment is actually going today; it is going particularly to Southeast Asia. We have seen that there is a vigorous development of the Mekong valley, for example, and of course there is the Keidanren mission right now. Investment is going to the South rather than to Northeast Asia, so the question remains, will these mechanisms be sufficient for the development of Northeast Asia?

To move toward a conclusion, what I take from this conference is perhaps the most valuable and interesting new set of insights regarding a new breed of intermediate subregional organizations, which will inevitably be needed over the long term, something between APEC on the one hand and local governments or national governments on the other. Certainly in the process of Europe's integration, these played a key role—things such as the Schumann Plan, for example, which created the iron and steel community in Europe.

What have we heard regarding concrete possibilities for action? One was Dr. Kobayashi's proposal for a Northeast Asia development fund, perhaps not a new institution, but combining resources from various institutions and earmarking them

for Northeast Asia. Certainly the Northeast Asia Development Bank, although politically it might take time. Dr. Katz and some of our Korean participants also presented the ideas of the analogy to the New York-New Jersey Port Authority, transnational bodies that could play new roles. Finally, I suggested yesterday the notion of joint projects, private-sector based. Mr. Fujiwara told us that perhaps (since everything can't be done at once) we should have a focused single or small number of pilot joint projects across the region to help to stimulate development.

In conclusion, the last point I would make is that I think these projects need to be inclusive, that is, they need to provide something for all the major nations of the region. The one problem we did see with Tumen, for example, is that perhaps Tumen, while it is attractive to some nations, seems to be less attractive to others. If the pilot projects are inclusive, then they are going to be the most attractive and productive.

Chun Jin Hwan

President

Global Business Strategy Committee

Lucky-Goldstar Charlman's Office

The idea of Northeast Asian economic cooperation has in recent years gained increasing attention among the countries of the region with the rapid changes in the political and economic realities of the post-Cold War era. The Tumen River area project has already contributed to stability and cooperation in the region by bringing together nations that were once Cold War enemies. Because U.S.-North Korea relations have recently made some progress, we can expect that the political issues of TRADP will improve. Because of the attention TRADP receives from the news media, and because it is the only intergovernmental effort at regional cooperation in this part of the world, the process of TRADP will naturally have significant implications for the future of Northeast Asian cooperation.

As for existing advantages, Northeast Asia's human capital is above average for countries with comparable per-capita incomes in the region. The region's natural resource endowments also stand out. However, the inefficient organization, low levels of capital accumulation, and lagging export efforts have kept the region from realizing potential gain in economic productivity. Putting this situation in a more optimistic light, the conjunction of these advantages and disadvantages and the obvious complementarities with the neighboring economic giant, Japan, explain why it is possible to envision Northeast Asia as one of the world's major growth centers in the next several decades. For example, the wide disparities in export performance imply equally large regional opportunities for increased intraregional trade and investment.

The South Korean business community is quite intent on helping to develop the Tumen River area, since participating in such a large-scale project will benefit the South Korean private sector and overall economy. The implications of the Tumen River project on Korean consumer production are also extensive. Due to the low fixed costs, the Tumen River area is an ideal site to produce South Korean value-added consumer goods. Not only do the river and ports offer ideal outlets for exports, but also as wages in the area rise it can be hoped that inhabitants will seek locally made products for purchase. This fact, combined with establishing brand name and product recognition in the three developing countries, will allow for more efficient market exposure than our common single Asian ventures. Thus, Korean firms should look at the Tumen River project as a means of solidifying currently expanding economic relations with China, North Korea, and the Russian Far East while creating new opportunities with Mongolia.

The multinational ripple effect produced through the development of this one area could make it the biggest project in which Korean firms have ever participated. When South Korean firms look ahead to the future of the Tumen River project, they are encouraged by what they see as promising political and economic returns. In particular, South Korea wishes to utilize the multilateral forum to talk with its North Korean counterparts in a freer manner and induce them to shift themselves to a gradual yet well-conceived open door policy.

As many of you know, the Lucky-Goldstar company is currently taking part in numerous economic zone projects throughout the world. In our relatively short history of foreign investment, we have come to find certain characteristics absolutely necessary for our international success and the success of the respective zone. Our

experience clearly shows that a well-managed enterprise zone, bolstered by an enforced set of rules and regulations and laws, has by far the best chances of attracting and keeping foreign investors. This system lends security to international corporations while cutting down on red tape.

If we assess the current situation, TREDAs has unlimited economic potential, but because of present obstacles of progress is being delayed. These obstacles are mainly lack of infrastructure and restricted legal and institutional foundations. Only after infrastructure is developed will TREDAs be able to function as the true distribution center and manufacturing area for Northeast Asia. Therefore, the riparian countries must encourage other foreign countries to invest in the infrastructure area.

To lure these investments, political stability in each participating country, mutual understanding on various issues, and a unified, consistent development plan are required. In the long run, strategic, legal, and institutional frameworks should be institutionalized to facilitate the extension of trade and investment in TREDAs. By examining our successes and failures in other economic zones, we at Lucky-Goldstar Group have discussed a model for controlled development of the Tumen River area despite the aforementioned cooperation efforts among the riparian countries. The three riparian countries have yet to progressively harmonize the institutional mechanism and policy measures to support the promotion of trade and investment.

I recommend that the riparian countries transform and develop TREDAs into a common free economic zone. To manage and smoothly operate the free economic zone, the riparian countries must allow the sovereignty of each territory, which will begin to lay the foundation of a common free economic zone.

After this, we should form an internationally accredited organization that will manage and control this zone. Through this new organization, a secure foreign investment environment and free operation of business cooperation should be guaranteed. This organization should be called the Tumen River Management Authority, and its members, in addition to the riparian countries, should include Mongolia, South Korea, and if possible Japan. Such an authority would have the ability to manage all aspects of the Tumen River project, acting as a facilitating promotional and regulatory organization. It would create development plans and delegate licenses to firms to supply infrastructural development. For international firms like ours, working with such an authority would provide ease of entry into the Tumen River zone by minimizing the bureaucracy and the lack of accountability seen in many developing areas.

At the same time, financial mechanisms to support investment expansion will be required. Working with multilateral financing organizations like the World Bank and ADB will be helpful, but to concentrate on financing a specific transnational infrastructural project in TREDAs we must set up a new organization such as Northeast Asia Development Bank.

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First, I would like to say a few words about Mongolia's contributions to the cooperative efforts in the Northeast Asia region and its determination to develop its ties with countries of that region. Like most of the countries of the region, Mongolia is politically prepared to actively participate in common efforts to develop close economic and trade ties in our relations and to create stable conditions for rapid, all-around development of each and every country. In the program for foreign policy adopted last year by our parliament, it is stated that Mongolia will exert its efforts to strengthen its position in Asia and to take part constructively and appropriately in political and economic integration in that region. Within the framework of these goals, as stressed further in the program, Mongolia will give priority to such subregions as Northeast Asia and Central Asia.

It was Robert Marshall who wrote in his famous book *Storm from the East* that "the Mongols opened the East to the West, expanded our knowledge of the world and in so doing, created for the first time one whole world. . . . Out of breathtaking military successes were developed a sophisticated imperial government that brought stability in Asia and fostered international trade." Of course, that was in the thirteenth century. Today, after nearly 800 years since the great conquerors, Mongolia is emerging as a new peaceful land bridge between Asia and Europe. In saying this, I am guided by the fact that the geographic advantage of Mongolia allows it to act as a land bridge between these two continents; it is sandwiched between the Commonwealth of Independent States of the former Soviet Union to the north and west and the People's Republic of China to the east and south. Thus, Mongolia links the two great civilizations of Asia and Europe. In other words, Mongolia borders on two significant and expanding markets of the world, Northeast Asia and the European countries, including Russia. Not only Mongolia's great potential to establish a railway linkage but also its potential as a site for transcontinental air transportation and as transit territory for automobiles to and from Europe should be remembered.

Now, I would like to touch very briefly upon the content of our discussion here in Niigata. Mongols take blue sky as a symbol of good mood and fresh snow as a good sign of future deeds. Coming here, I had blue sky over my head, and arriving in Niigata I found it snowing around me. However, I have been deeply impressed not only by the natural environment surrounding us here in Japan but also by the character of our conference, our discussions here in Niigata. We salute the labors of the Northeast Asia Economic Forum in promoting economic cooperation and evaluating developmental ideas in our fast-growing Northeast Asia region.

We in Mongolia welcome any idea or proposal designed to develop mutually beneficial economic and trade ties in Northeast Asia. Perhaps at present it is premature to put forward a proposal to create a subregion of groupings in Northeast Asia, but I believe personally that the time will come to discuss and promote such an idea. We also support the proposal to establish a Northeast Asia Development Bank as a way of institutionalizing regional cooperation in Northeast Asia, as formulated by the distinguished Dr. Duck Woo Nam in his keynote address. Other suggestions concerning funding systems should also be discussed in detail in the future.

I share the idea put forward by Dr. Nam and supported by other speakers that Mongolia and other Northeast Asian countries be invited to become members of APEC as soon as possible. Indeed, it would give the countries mentioned an opportunity to prepare physically to be integrated economically into the Asian economies and their markets.

There was an interesting proposal echoed in our conference to establish a coordinating group to facilitate research designed to promote cooperation in Northeast Asia. I am also convinced that the time is ripe for governments of the region's states to give more attention to regional cooperation and to upgrade effectively the dialogue already established to an intergovernmental level.

One final conclusion: our conference has once again demonstrated that people, among them scholars, business leaders, and diplomats, want to go farther in developing our cooperative attitudes. Moreover, the Niigata Prefectural Government has shown that local governments can also play a leading role in expanding cooperation in our region.

Report on the ESCAP Activities on Subregional Cooperation in Northeast Asia

The promotion of regional cooperation in Northeast Asia is a significant activity of ESCAP. The commission, in its resolution 50/7, has assigned priority to promoting subregional cooperation in Northeast Asia, particularly in social, economic, and environment fields. ESCAP is involved in the following areas of major concern: (a) Environment, (b) Transport, (c) Trade, and (d) Planning for Sustainable Development.

Environment

Several governments of Northeast Asia have expressed their concern and urgent need for regional cooperation at UNCED and the sessions of the commission. Several countries have started reviewing their national development plans in the context of Agenda 21, for the implementation of which subregional cooperation is considered essential.

ESCAP initiated a project titled "Promotion of Northeast Asian Regional Programme (Phase I)," with the generous assistance of the Government of Korea. The activity under the project identified priority issues for cooperation in Northeast Asia and institutional and financial implications for Northeast Asia Regional Environmental Programmes. The First Senior Officials meeting on Subregional Cooperation in Northeast Asia held at Seoul in February 1993 decided to concentrate the efforts at regional cooperation initially in three priority areas—energy and air pollution; ecosystem management, in particular deforestation and desertification; and capacity building—and recommended that the ESCAP secretariat in consultation with the UNDP, UNEP, and ADB should take follow-up action to prepare and organize the second meeting of Senior Officials.

Following the recommendations of the First Senior Officials meeting in Seoul, ESCAP convened the Second Senior Officials meeting and Expert Group meeting on Northeast Asia subregional cooperation in Beijing during November 1994. This meeting focused on five priority ideas for development into new project proposals: (a) operation and maintenance training for SO₂ reduction in older coal-fired electricity generation; (b) demonstration of clean coal-fired technology; (c) Northeast Asian Biodiversity Management Programme; (d) Northeast Asian seed research and information base for forests and grasslands; and (e) environmental pollution data collection, intercalibration, standardization, and analysis.

The secretariat is currently developing the above project proposals. According to initial indications, the ADB has expressed its interest in financing the first two projects.

Transport

In view of the increasing importance of intra- and interregional trade, ESCAP has been involved in promoting regional and subregional cooperation for the development of land transport infrastructure in member countries of Asia, including Northeast Asia, through the following: (a) establishment of a policy regarding land transport routes to be included in a subregional, intraregional, and interregional Asia-Europe rail-cum-road linkage/network; (b) establishment of the routes; and (c) promotion of border-crossing facilitation measures and legal instruments.

In this respect, the commission at its 48th session (1992) endorsed an integrated project on Asian Land Transport Infrastructure Development (ALTID), which includes the Asian Highway (AH) and Trans-Asian Railway (TAR) projects as well as facilitation of land transport. The project includes a southern route (from Europe to Southeast Asia via the Islamic Republic of Iran, Pakistan, India, etc.) and northern route (from Europe via the ECO region and/or Russian Federation, China, etc., with a connection to the Korean peninsula).

The commission at its 50th session (1994) endorsed the ALTID project implementation strategy as well as the Plan of Action 1994–1995, which includes the following project/activities of interest to Northeast Asia countries: (a) *Facilitation of land transport*. In pursuance of the recommendation of the 50th commission session, a series of subregional seminars have been planned to be organized by ESCAP. The first seminar was organized in Tehran in November 1994 and the next seminar is planned to be held in 1995 for Northeast Asian countries. (b) *Feasibility study on a regional rail network*. A study was initiated to examine potential traffic, break-of-gauge problems, border-crossing facilitation measures, etc., for the development of a subregional network linking China, Mongolia, Kazakhstan, the Russian Federation, and the Korean peninsula as part of a Trans-Asian Railway Network. The draft report of the study is expected to be completed by January 1995. A policy level meeting to consider major findings and recommendations of the study is planned to be held in April/May 1995.

Trade

The focus of activities undertaken by ESCAP in the field of trade and economic cooperation includes the advisory services on the policy issues complemented by training programmes in specific areas, as necessary, aimed at building national capabilities. Specifically, an ESCAP advisory service has been extended to the People's Republic of China on the possibilities of cooperation in Northeast Asia.

ESCAP in collaboration with Seoul University organized an international symposium on "Development of Transitional Economies through Intraregional Trade Expansion and Economic Cooperation with Neighboring Countries: Case Study of the Northeast Asia Subregion" in June–July 1993. A manuscript of the study on prospects of economic development through cooperation in Northeast Asia has been finalized for printing.

The ESCAP secretariat is presently implementing the action programme for regional economic cooperation in trade and investment, adopted by the commission in resolution 49/1 in April 1993, which also covers the countries in Northeast Asia.

ESCAP is planning to organize in early 1996 a roundtable on economic cooperation possibilities through exploitation of trade and investment complementarities in Northeast Asia.

Planning for Sustainable Development

ESCAP has extended assistance in macroeconomic management to the countries of Northeast Asia in various forms, especially in monitoring of and exchange of information on economic performance and related policy changes as a basis for strengthening subregional cooperation in diverse forms. The annual Economic and Social Survey of Asia and the Pacific has been analyzing perspectives on economic development issues, strategies, and policies of the countries comprising the Northeast Asia subregion and their bearing on inter-/intra-subregional economic cooperation.

ESCAP has been actively involved in assisting the countries of Northeast Asia with economies in transition with training programmes for government officials on different aspects of managing economic reform. The government officials from China, Mongolia, and the Russian Federation participated in a Regional Seminar on Macroeconomic Reform in Disadvantaged Economies in Transition held in Bangkok 16-18 November 1994. The seminar provided the basis for sharing experiences with the ultimate objective of assisting improved design and implementation for policy reform in ESCAP economies in transition. As a follow-up to the Regional Seminar, initiative has been taken to organize a seminar on the relevance of the economic reform experience of China for disadvantaged economies in transition.

ESCAP as the regional arm of the United Nations is committed to promoting subregional cooperation in Northeast Asia in varied fields and looks forward to your cooperation and support in this endeavor.