

A Russian Perception of Northeast Asia Cooperation: Pros and Cons

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THEORETICAL VERSUS PRACTICAL CONSIDERATIONS

The scope of discussion in the Northeast Asian Economic Forum has evolved considerably since its first conference in Niigata in 1988. In particular, the February 1995 meeting in Niigata had a larger degree of pragmatism, as it was attended not only by academics, but also by businessmen and government officials. However, it appears that the desire to identify practical ways of utilizing the very impressive potential of Northeast Asia (hereinafter—NEA) has bypassed agreement on the meaning of Northeast Asian economic cooperation.

The phrase "Northeast Asia regional development" is rather vague in a geographical sense. Moreover, the term encompasses both multilateral projects and *de facto* trade/investment/technology transfer ties on the national and local (border) levels between Russia, China, Japan, and both Koreas. And there are several multilateral integration/cooperation concepts being considered simultaneously,¹ including the Japan Sea rim, the Yellow Sea rim, various economic zones, and "triangles." These concepts include conflicting national interests, and only very loosely correspond with one another. Without sorting out such theoretical differences and reaching a consensus on the focus and course of future development, practical cooperation will be on a trial and error basis making its success uncertain. Nevertheless, this approach may be the only option for keeping the broader idea alive, especially with a much stronger rival emerging—APEC—which is the present focus of attention of concerned Asian nations and businesses. The task of tailoring the strategies of NEA regional development to the APEC process is of special concern.

Generally speaking, the principal motive behind the pursuit of any regional/international cooperation scheme is the creation of more favorable conditions for interaction between national or subnational economies and businesses. This is in turn supposed to result in faster and qualitatively more advantageous growth. However, in the case of NEA, major developments in recent years were not the result of any special policies of

government or of creative efforts of non-governmental structures, but were due instead to overall political changes and the elimination of barriers. For example, the normalization of relations between Russia and South Korea resulted in the steady growth of trade at a rate of more than 30% a year, bringing its volume to US\$3.2 billion. in 1995.² Eventual changes in inter-Korean policies would have immense significance for economic flows in the entire sub-region. And a resolution of the Russia-Japanese territorial dispute could also have a substantial impact on the economic interaction. These simple examples show that when the sub-regional political and economic framework has not been fully established, it is very difficult to try to work out rules of the game.

THE TUMEN RIVER AREA DEVELOPMENT PROGRAMME (TRADP): A MODEL CASE?

In the absence of a comprehensive scheme of NEA cooperation, the only substitute was a pilot project which, it was hoped, could eventually become a catalyst for broader processes in the region. So it is understandable why attention, both in discussions and in practical efforts, gradually became centered on what was supposed to become a "model case": the Tumen River Area Development Programme. Thus it became a "hot issue,"³ overshadowing the more important, but still insoluble fundamental issues of NEA cooperation. It can be argued that this approach is not ideal, but it is practical. At the least, the United Nations through UNDP became involved in the cause of NEA cooperation.

The initially stated UNDP long-term vision was to transform the region into a "Rotterdam of the Far East": a major international shipping, trading and manufacturing center for NEA in the 21st century.⁴ The initial question, of course, was, and still is: does NEA really need another megalopolis? However, there are many obstacles to the implementation of this idea, e.g., uncertainty regarding the source of investment, different concepts and interests of member countries, lack of coordination, lack of funds, weak trade and investment support mechanisms, and ecological problems.

Indeed, this project is an illustration of both what is right and what is wrong with respect to NEA economic cooperation. The project itself is progressing rather smoothly. But to date it has been concerned mainly with institution building, not practical investment. Many political developments could affect the project. For example, any change in inter-Korean relations could be of immense importance for the practical fate of the project. Radical expansion of economic cooperation between the North and South

(not to mention Korean unification) could mean an entirely new set of priorities for both the DPRK and ROK, as well as other countries involved.

Nevertheless, the institutional and organizational progress of the project is obvious and impressive, culminating in the recent creation of the five-nation Consultative Commission at the 6th Program Management Committee meeting in New York.⁵ In Seoul, a Foreign Ministry official emphasized that it is the first NEA multinational mechanism for economic cooperation.⁶ Indeed, the importance of the whole TRADP scheme may not lie in itself, but in its creation of a multilateral forum for economic discussion. Now the critical question is: can that forum effectively address other issues besides TRADP?

INTERREGIONAL OR INTERNATIONAL COOPERATION IN NEA?

From a Russian point of view, the TRADP project combines both federal and regional interests. Any form of Asian cooperation which involves Russia should strengthen the interdependence and links of the Russian Far East (RFE) territories with the rest of Russia, not vice versa. I strongly disagree with those who foresee any kind of separation of the RFE, i.e., an "independence of the region from the center" and see international cooperation as a tool for achieving it.⁷ I share the troubled feeling of the well-known Russian political scientist G. Arbatov who stated at the meeting of the Foreign Policy Council of Russia that "it looks as if everything is [being] done to separate this part [Far East] from the country, and soon the situation will turn in a way, that relations, trade and all the forms of ties of our Far East with the Asian and Pacific states will be more intensive than those with the European part of Russia."⁸ I feel that it is a national priority for Russia to prevent such a development and that this policy should determine Russia's approach to NEA economic cooperation as a whole.

Moreover, it is essentially wrong to limit participation of national economies in NEA cooperation to certain territories or areas of countries. This is certainly true for Russia. The entire Far Eastern Economic Region of Russia has only 5.2% of the Russian population, and its specialization is mostly in a primary sector—natural resource development (Table 1).⁹ The RFE region also accounts for only a very small portion of the overall Russian trade volume with Japan, South Korea, and China. Therefore, the separate participation of the RFE in what can only be a vertical division of labor in NEA can only be of a limited nature and of limited benefit.

Another example of the necessity to involve Russia as a whole in NEA economic cooperation is the projected gas pipeline from the Irkutsk region

Table 1 The Structure of Russian Far East Industrial Production in 1993 (in %)

	Entire Industry	Electric Power Generation	Fuels	Ferrous Metallurgy	Non-ferrous Metallurgy	Machine-building and Metal-working	Chemicals and Petrochemicals	Forest Products, Wood-working and Pulp and Paper	Glass and China-ware	Light Industry	Food	Flour-grinding	
													10.5
Russian Far East	100	11.9	10.5	1.2	28.4	7.6	0.9	5.3	4.4	0.2	1.3	25.5	1.6
Including:													
Primorsky Krai	100	9.7	1.0	0.1	4.2	12.5	2.5	6.0	5.4	0.4	1.7	52.1	2.2
Khabarovsk Krai	100	12.3	26.0	6.3	5.4	14.7	1.8	9.8	4.2	0.1	2.0	13.0	3.1
Amur Region	100	19.2	8.0	0.2	23.0	7.8	0.1	3.9	5.3	1.4	1.9	17.6	5.6
Republic of Sakha	100	10.2	12.1	—	66.4	1.1	—	1.2	4.1	—	0.3	4.1	—
Sakhalin Region	100	9.8	19.3	—	0.2	4.0	0.3	12.3	5.4	—	0.6	45.6	1.9

to China and eventually to Korea. Discussions on the project have progressed considerably in recent months. At a meeting in Moscow in December 1995, an understanding was reached in which the South Korean government would soon officially confirm its participation in the project to both the Russian and Chinese governments which themselves agreed in November 1995 on joint efforts to push this project forward. It envisages the development of Kovyktino gas field in the Irkutsk region, construction of gas condensate processing and gas sharing plants, as well as a gas pipeline through Mongolia, China and across the Yellow Sea to South Korea. Feasibility studies will soon be completed; the estimated cost is US\$8 billion. The Russian national government, and private and semi-governmental companies (Russia Petroleum, Sidanko), are taking a leading role in this project.

Clearly, a project of this magnitude can be carried out only with the participation of the Russian economy as a whole.¹⁰ Other major projects of cooperation in NEA are also feasible only with the participation and resources of central governments. For example, as a member of ESCAP, Russia's role in the practical development of sub-regional economic projects is enhanced, especially regarding transport infrastructure and ecology, e.g., the ESCAP project linking the railroads of China, Mongolia, Kazakhstan, Russia, and Korea.

This reality is now better understood by the leadership of the RFE provinces. This was well demonstrated during the September 5-7, 1995 meeting of regional administrations of the NEA countries in Khabarovsk, when it discussed the proposal of the vice-governor of Hyogo prefecture to create a coordinating body of the NEA countries' regions. It is true, of course, that in Russia, the contradictions between "center" and "regions" are still acute and that separation of authority is not yet clearly defined. Nevertheless, the federal government is paying increasing attention to this issue, and the current trend in Russian politics towards emphasis on Russia's integrity and on "statehood" will surely result in a more, rather than less, centralization of the country, regardless of the results of past and future elections. Indeed, the Foreign Ministry of Russia is attaching increasing importance to the coordination of international cooperation with Russian regions. In 1994, the special Consultative Council of the Subjects of the Russian Federation on International and Foreign Economic Relations was created under the auspices of the Ministry to coordinate the international activities of the regions of Russia and to ensure a uniform foreign policy of the Federation.¹¹

Nevertheless, the Far Eastern regions of Russia are feeling especially deprived and dissatisfied with the policy of the "center." This was obvious from the December 1995 parliamentary elections in which the results in the

Far East showed a much greater preference for hard-line community opposition than in other regions of Russia. During the December 1995 meeting of Russian orientalists at the Ministry of Foreign Affairs, the importance of economic cooperation with Asia-Pacific nations was stressed. But it was also pointed out that Russia's political activity in the region as well as the economic interests of the RFE were not being given the attention they deserve. Even cross-border cooperation in the RFE lags behind that in western Russia. That meeting also drew attention to the fact that although China, Japan, and the Korean Peninsula are a natural area of economic cooperation for the RFE, the role of the Russian Federal Government in this cooperation has been limited. It is thus now considered necessary for the central government to delineate regional cooperation projects of federal importance and to provide centralized support for them. The idea of creating a special government structure responsible for this task has been around for some time. This idea also correlates with the proposal to create a special Far Eastern territorial administration headed by a vice-premier of the Federal Government. The overall goal is to prevent erosion of internal ties between the territories of the Far East and the "center" and to ensure a uniform external foreign policy position.

The important prerequisite for international cooperation of the RFE is its unified development. For that, the adoption of a federal program for the development of the Far Eastern regions is considered critical. Some have proposed giving the RFE the status of a "developing territory," which could provide a basis for an international effort focused on its development. For example, an international investment fund could be created, which would raise money by issuing obligations guaranteed by the state or an authoritative international bank.¹²

To sum up, Russian participation in NEA economic cooperation cannot be limited to only its Far Eastern regions in various projects. Rather, in the era of the "global village," the importance of geographical distance is diminishing, while that of intellectual and technological potential—which is undoubtedly greater in the western parts of Russia—is growing.

POLITICAL CONSIDERATIONS

Apart from possible economic gains, NEA cooperation is also of serious political concern for Russia. Because the practical results of regional cooperation, including TRADP, at the moment appear rather remote, Russia is preoccupied with more urgent problems of Asian security, as well as the internal situation in its Far East. It thus seems to be taking a passive, wait-and-see attitude toward NEA economic cooperation. However, that

attitude should not be mistaken for indifference. Russia considers itself as much an Asian as a European power. Indeed, Russia has the longest Asian border and the longest Pacific coast. Nevertheless at the end of the 20th century, the territories which face Asia and the Pacific, are still Russia's "backyard." In an era when the Asia-Pacific is truly emerging as a new center of development of world civilization, especially in terms of economics, changing this situation is a major national challenge. Thus the importance of Asia in Russian foreign policy is growing, particularly for NEA where the interests of all major powers converge. Moreover, Russian economic presence in the region is increasing. Trade with Asian countries now comprises about 30% of overall Russian foreign trade and its share is increasing due to a 25-30% higher growth rate in respect to overall foreign trade. And Russia is a member of PECC, PBEC, and ESCAP, and plans to join the ADB.

It is also important that the political situation in Asia differs from that in the West. The influence of leading power centers—the United States, Japan, China, and Russia—varies with different situations. However, no one country, not even the United States, can claim a dominant role in Asia. Russia is interested in creating a type of "security community" which could be based not on balance of power and treaty obligations, but on the common interests and interdependence of all countries. For example, Russia is continuing its efforts to create a "code of interstate conduct" which could be based on the Declaration "On the Principles of Stability in Asia and the Pacific," the draft of which was proposed by Russia. This problem is scheduled to be discussed in Moscow this spring under the auspices of the Asian Regional Forum.

Security cooperation in NEA is also gaining momentum. This was obvious during the December 8-9, 1995 fourth meeting on security and cooperation in Northeast Asia in Beijing. This semi-official dialogue structure is emerging as a promising consultative mechanism on security issues. That meeting stressed the importance—along with confidence-building measures—of seeking in the cause of stability in the subregion, ways of enhancing socio-economic dialogue. Common approaches to the "new non-military challenges," i.e., ecological threats and energy-related issues, were emphasized. Specifically, the energy situation in NEA (including the nuclear energy situation) seems to be closely related to overall stability. Of course, "traditional" confidence-building measures should also be promoted, including multilateral dialogue on military-related issues, rescue operations at sea, arms control and non-proliferation consultations, and possible creation of emergency communication links. The recommendations on the principles of inter-governmental relations in

NEA can be considered a good basis for further discussions for creation of a "code of conduct" in NEA.

The situation on the Korean peninsula remains a major threat to regional stability as well as the principal obstacle to regional economic cooperation. Russia supports the concept of a settlement of the Korea issue on the basis of direct cooperation of both Koreas with the supportive participation of all the countries concerned. This also coincides with the South Korean position revealed by ROK President Kim Young Sam on the occasion of the 50th anniversary of Korea's Liberation in August 1995.¹³ Considering that the complicated inter-Korean problem cannot be solved quickly and without the guarantees of the countries directly involved in NEA affairs, an appropriate mechanism is needed for movement towards that goal. In this context, the discussions on security and cooperation in NEA, as well as the discussions in the present forum have proved to be quite useful. The next step might well be a full-fledged inter-governmental conference, as first proposed by Russia in March 1994.¹⁴ The agenda could include security arrangements on the Korean peninsula as a priority, but also include broader security and non-proliferation issues in the subregion. The experience gained by member states while discussing Korean issues, as well as the mechanisms created for this purpose, could be very useful for subsequent resolution of the broader issues of NEA cooperation and security.

In the 21st century, Russia's strategic aim is to remain a major player in Asian politics. Relations with the major powers of Asia and their allies will be built on the new concept of "open regionalism." However, Russia's current foreign policy in Asia is focused mostly on bilateral relations, rather than on multilateral processes. Some critics say that Russia has not yet developed a concrete profile in Asia. This is different from the situation in its west where attention is focused on processes rather than individual countries. In the future the importance of the "regional component" in Russia's Asian policy will increase. Russian activity vis-à-vis ASEAN and the ARF is one example. And the utilization of economic cooperation in Asia to stimulate reforms and development in its own Far East is an emerging priority (Table 2). For Russia, joining APEC will underpin both of these policies.

Relations with NEA countries will remain of critical importance to Russia. Relations with Japan should change from semi-confrontation to reconciliation, with the main attention shifting from military and security issues to economic, technological and humanitarian cooperation. A constructive partnership with China, regardless of internal changes in both countries, will be of vital importance to Russia. Cooperation between Russia and China on regional and international issues is of growing

Table 2 Joint Ventures in the Russian Far East

	1991			1992			1993		
	No. of Functioning Enterprises	Exports (US\$ million)	Imports (US\$ million)	No. of Functioning Enterprises	Exports (US\$ million)	Imports (US\$ million)	No. of Functioning Enterprises	Exports (US\$ million)	Imports (US\$ million)
Republic of Sakha	5	1.8	0.3	26	0.7	3.5	42	1.2	2.6
Jewish Autonomous Region	—	—	—	—	—	—	27	4.4	2.9
Primorsky Krai	28	36	56	46	74	127	88	66	30
Khabarovsk Krai	16	31	24	40	97	14	167	58	39
Amur Region	7	0.9	1.1	13	6.3	5.3	44	8.3	9.4
Kamchatka Region	11	24	10	24	66	14	42	32	21
Magadan Region	8	6.9	2.1	21	17	16	36	2.5	0.8
Sakhalin Region	18	85	29	70	87	19	111	71	26

importance. However, any expansionist aspirations, should they emerge in China's policy, should be discouraged.

In the context of the development of Russia in the 21st century, its policy regarding the Korean peninsula is of special interest. The relationship with both Koreas or a unified Korea might become a model for Russian relations with Asian nations. Economic complementarity, a history of peace, a similarity of national character, and an absence of strategic contradictions are positive factors for cooperation.

Summing up, although NEA is a political priority in Russia's Asian policy, it is still not ready to support it in economic terms. Russia has yet to find its proper niche in the sub-regional division of labor, beyond being a source of raw materials. In particular, Russia wants its scientific and technological potential to be utilized in the service of regional development. Indeed, modern information technology greatly diminishes the influence of distance on that type of exchange. To this end, development of a joint NEA program in information technology and exchange might be a good idea. That could become a good example of a truly multilateral project, involving countries as national entities on a non-discriminatory basis. The success of such an initiative would also support the postulation that cooperation between NEA nations in selected industries is more promising than broader cooperation between selected territories.

NOTES

1. For a recent overview, see A. Rodionov, North-East Asian countries seek ways of economic cooperation, *Financial Izvestia*, Moscow, 30 November 1995.
2. KOTRA preliminary data.
3. Lu Zhongwei in his report "Northeast Asian economic cooperation in the post-Cold War era: economic relations between China, the ROK, the DPRK, Japan, and Russia" (available on the "Internet") puts it this way: "The geo-economic patterns in Northeast Asia can be described as 'one big, three small, one heated'. 'One big' refers to the general economic cooperation in the region; 'three small' refers to the Bohai Sea Subregional Economic Zone, the Yellow Sea Subregional Economic Zone, and the Sea of Japan Subregional Economic Zone; and 'one heated' is the Tumen River International Cooperation and Development Zone."

4. See, e.g., Icksoo Kim, Tumen River Area Development Programme and the prospects for Northeast Asian economic cooperation. *Asia Perspective*, vol. 19, No. 2, Fall-Winter 1995, p. 75.
5. See the "Agreement on the Establishment of the Consultative Commission for the Development of the Tumen River Economic Development Area and Northeast Asia" and "Memorandum of Understanding on Environmental Principles Governing the Tumen River Economic Development Area and Northeast Asia," signed in New York on December 6, 1995.
6. *Korea Times*, 5 December 1995.
7. See R. Aliev, Russian Far East: strategy and tactics of development in Primorie in Regional Economic Cooperation in Northeast Asia. Proceedings of the Vladivostok Conference," Northeast Asia Economic Forum, pp. 268-272.
8. *Diplomatic Bulletin*, Moscow, No. 25-26, 1995, p. 66.
9. See, e.g., A Brief Economic Review of Russia's Far East, published by Far Eastern Public Academy of Science, Khabarovsk, 1992. See appendixes.
10. Another major gas project—a pipeline from Yakutia to Korea, which is uncertain now, would also be of great importance for regional cooperation, provided, among others, that the DPRK participates. The DPRK has officially agreed that the pipeline could run through its territory. This is yet another illustration of how any change in the overall political situation could radically change the overall dimensions and directions of NEA cooperation.
11. *Diplomatic Bulletin*, No. 23-24, 1994, No. 1, 1995, p. 58.
12. ITAR-TASS News Agency, 2 December 1995.
13. *Korea Herald*, 16 August, 1995.
14. *Izvestia*, Moscow, 25 March 1994.