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SUBNATIONAL POWER AND REGIONAL INTEGRATION:
THE CASE OF TUMEN RIVER DEVELOPMENT

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Introduction

This study attempts to understand movements towards regional integration in Northeast Asia. The area includes China, Russia, Japan, North Korea, South Korea, and Mongolia. A more diverse group of countries is difficult to imagine. Divided by ideology, levels of economic development, political structure, and a history of war and bitter enmity, any hope for cooperation between the countries of Northeast Asia would seem a practical impossibility. Northeast Asia lies at the intersection of great power interests, and reflects the struggles of the Cold War era. Every country in the area has, at one time or another in the 20th century, maintained hostile relations with its neighbors. Some countries still do.

Much of the political, economic, and security structure of Northeast Asia has been defined by fears of Japanese aggression and communist expansionism. Of the Northeast Asian countries, all have experienced Japanese aggression and are therefore understandably concerned with growing Japanese power. China has had a particularly turbulent experience following the Japanese invasion in 1931 and the establishment of a puppet state in "Manchukuo." Relations between Japan and the PRC were not normalized until 1978. The occupation of Korea has stirred Korean nationalist sentiments and a hatred of Japan that simmers just below the surface. While Russia and Japan established diplomatic relations in 1956, and signed a joint Japan-Soviet Communiqué in 1973, a formal peace treaty between the two countries has yet to be concluded, and the thorny issue of the "northern territories" continues to impede Japanese-Russian cooperation.

Cold War divisions drew deep lines across Northeast Asia, with the region divided between capitalist and communist camps, and a proliferation of bilateral treaties, largely dictated by American interests. This was in large part due to the American conception of Pacific security as a "folding fan," with United States at the center.¹ Accordingly, the US.-Japan Mutual Security Treaty, which became effective in April 1952, aimed both at establishing a "cork in the bottle" policy of containing Japan, as well as securing Japanese alignment with the anti-communist "Western" camp, in the interest of containing communist China and the Soviet Union. The peace

treaty signed at San Francisco in September 1951 also reflected Cold War tensions, generated from memories of Japanese brutalities and a world divided into opposing political camps. The Soviet Union refused to sign the treaty, while a dispute between Britain and the United States regarding the legitimacy of Taiwan and Beijing claims to Chinese representation prevented Chinese participation. The outbreak of the Korean War in 1952 effectively tipped the policy of dual containment in the direction of "communist containment" as the United States based much of its military initiative against the Korean communists, in Japan, thereby giving a tremendous boost to the Japanese economy, and drawing a clear line between the two camps in the Asian arena.

With the end of the Cold War, the dismantling of the Soviet Union, and the rise of free trade arrangements in Europe and North America, however, discussion in Asia has turned away from narrowly defined security concerns to multilateral economic cooperation or the formation an integrated "Asian bloc." In Northeast Asia, economic relations have begun to exhibit what Robert Scalapino has called "soft regionalism," defined as "one lacking organizational structure as yet, but based upon the flow of economic interaction across ideological-political boundaries." Soft regionalism is characterized by increased capital flows, technology transfer, and a horizontal division of labor. In light of Northeast Asia's history of mutual aggression, and the continuation in some instances of Cold War hostilities, efforts at multilateral cooperation appear particularly anomalous and cry out for explanation. What conditions, domestic and international, have fostered the rise of multilateral cooperative endeavors in Northeast Asia? What processes have assisted movements towards integration? What are the political and economic implications of multilateral cooperation?

This paper uses a case study--the Tumen River Area Development Programme (TRADP)--in an effort to examine the processes which lead up to regional cooperation and promote regional integration. Plans for development of the Tumen Delta area represent a microcosm of the more general plans for Northeast Asian development, and thus a offer unique opportunity to study

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multilateral cooperation "in the making." As the only multilateral development scheme currently under way, and one which involves all the Northeast Asian economies, Tumen can be understood as a first step in the direction of broader regional integration.\textsuperscript{4} The project, under the sponsorship of the United Nations Development Programme (UNDP), aims to develop a jointly-managed trading complex at the mouth of the Tumen River, over an area spanning the boundaries of North Korea, Russia, and China. With a UNDP commitment to $30 billion over 20 years, the project envisions a trade and transport complex along the lines of Hong Kong or Rotterdam.\textsuperscript{5} Why have the Northeast Asian countries agreed to cooperate in this project? What interests are involved and what are the incentives for cooperation? What are the implications for regional integration, and global structure in the post-Cold War era?


\textsuperscript{4}As such, Tumen represents the first stage of economic integration, as suggested in Yu-Min Chou's article, "An Inquiry into the Nature of Economic Integration in Pacific Asia," \textit{op. cit.} pp. 37-38. The four stages suggested by Chou are 1) a free trade area, in which member countries remove trade barriers among themselves but maintain independent trade barriers against non-member countries, 2) a customs union, which requires member countries to form common trade barriers against non-member countries, 3) a common market, in which member countries allow free movement of factors of production among themselves, 4) a trading bloc, in which member countries also coordinate and harmonize their fiscal and monetary policies.

\textsuperscript{5}The UNDP "Tumen River Area Development--Mission Report," Pyongyang October 1991, written by M. Miller, A. Holm, and T. Kelleher, states that the UNDP plan will "secure the confidence of the international investment community and the necessary finance-about 30 billion dollars for the long term investment." The UNDP will also will also "eliminate unhelpful or destructive competition."
Background

A Brief History

The Tumen river delta lies at the geographical heart of Northeast Asia. Today, the Tumen river marks the border between North Korea, China, and Russia. This was not always so. Before 1858, Qing dynasty rule extended north into what is now Siberia, and Chinese ports flourished along the Japan Sea. With the treaty of Aigun in 1858, however, Russia secured the land north of the Yalu river, and by 1860 occupied Haishenwai (Vladivostok) and pressed for the coastal areas north of Vladivostok, and Sakhalin island. Although China was obliged to cede the last 15 km of the Tumen river, it retained navigation rights until 1938. With the loss of ports on the Japan Sea, the river port of Hunchun became the Qing administrative center, and in 1905 Hunchun was opened to foreign countries, a commercial port was established in 1907 and general customs was set up in 1909. Trade with Russia boomed until 1911, when Russia declared the area a closed military zone. Nonetheless, Hunchun was a busy port during the 1920's and 1930's with 1500 ships calling there annually. On March 9, 1932 the Japanese gained control of the rich Northeast of China where they established the puppet state of Manchukuo. Grandiose plans for Manchurian development were envisioned at the time, in line with the Japanese practice of colonial development.

In 1938, Japanese occupation forces in Manchukuo faced off against Soviet forces near Fangchuan on the small plateau of Zhanggufeng, China's closest point to the Japan Sea. After a protracted month-long struggle, which has come to be known as the Zhanggufeng Incident, the Japanese army blocked the Tumen river mouth with piles. China lost its navigation rights, and thus its only outlet to the Japan Sea. During the brief period of Sino-Soviet cooperation following the founding of the People's Republic in 1949, China raised the issue of territorial claims on several occasions, but to no avail. On September 10 1989, China and the Soviet Union simultaneously

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opened the adjacent ports of Hunchun and Kraskino. Not until 1991, when Gorbachev made his historic trip to Beijing, did China regain its rights to navigation on the Tumen river.

In a fascinating historical twist, the Japanese development plans of the 1930's bear a striking resemblance to those of today's Tumen River Development Programme. Indeed, "some of the tenets sound like they could have been lifted straight out of this year's (1992) UNDP consultative mission report on the Tumen development project--the complementarity of the economies around the Japan Sea; the stress on transport and infrastructure; industry's leading role in planning; and the need for 'disinterested' technocratic oversight." The TRADP involves establishment of a zone, or zones, of cooperative development in China, North Korea, and Russia. Participants in the project are China, Russia, Mongolia, North and South Korea, with Japan, the World Bank, the ADB, and UNIDO participating as observers. The idea first developed in Jilin province of China, and received considerable attention in academic circles in the Russian Far East, Niigata prefecture in Japan, as well as at the East-West Center in Hawaii, where a "Working Group on the Economic Development of Northeast Asia," has formed under the direction of Lee-Jay Cho. In 1991, the Tumen project was taken up by the UNDP at the first meeting of its Northeast Asia Regional Programme held in Ulan Bator. A meeting in Pyongyang in October of the same year included delegations from the six countries involved, and set up a management committee. Since then numerous academic conferences and three UNDP Program Committee meetings have explored the possibilities for Tumen River development. To date, the UNDP has committed $30 billion over a twenty year period, and in October 1992, senior officials from China, Mongolia, Russia, North and South Korea signed a $4.5 million agreement which will finance the pre-investment phase of the Tumen River area; the UNDP will provide $3.5 million, and Finland $1 million for feasibility studies.

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10Lincoln Kaye, op. cit.
Scenarios for TRADP economic integration range from a free trade zone to a customs union to a common market and ultimately to an economic union. Arguments for cooperation in Northeast Asia include calls for a Northeast Asian Economic Region, a Sea of Japan Economic Region, and a Yellow Sea Rim Economic Zone. Such views are premised on the potential benefits to be derived from complementarity between the regional economies and stress the potential economic payoffs to be gained from removal of barriers to intraregional capital and trade flows. Cooperation would allow less developed areas to get the necessary capital for infrastructures and industrialization, and would provide increased access to the Northeast Asian markets for the industrialized countries—namely South Korea and Japan.

**Development Strategies**

The TRADP envisions the development of a free international economic zone at the mouth of the Tumen River, designed to facilitate Northeast Asian integration, promote regional industrialization, and enhance trading opportunities both regionally and globally. Optimistic reports have likened the Tumen initiative to Hong Kong or Rotterdam, and claimed that "this will be a new economic and trade hub, a free Oriental harbor." The project involves the construction of a port capable of handling 50 million tons of cargo per year, establishment of telecommunications

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between the three riparian countries, development of a container handling system, and commercial and industrial development. The plan aims at construction of a metropolis of high-tech "smart" buildings and the provision of infrastructure including electrical power, gas, water and sewage, road, railway, port, and airport facilities. The Tumen area would serve to integrate the Northeast Asian economies in a mutually beneficial scheme, and would facilitate intraregional trade, as well as providing a terminus for a "land-bridge" to Europe.

The UNDP strategy envisions the development of an export-oriented light industry, primary or processing industries that would utilize the region's natural resources, business service industries, and tourism. In order to facilitate the development of light manufacturing industries, the UNDP has proposed several programs including developing a container handling system, preparing industrial sites with all the necessary hookups, developing standard factory buildings for lease, and rationalizing and integrating the laws of the three countries. Other facilitating programs include integrating the three electric power systems, a program for water development projects, and establishing modern banking and insurance regulations to encourage the development of the financial and insurance industry in the zone.

The participating countries at the 1991 Pyongyang Conference suggested various plans for integration. Three broad positions can be distinguished. The first (figure 1) involves the establishment in each of the bordering countries of one or more free economic zones, with some form of coordination in their policies, procedures, and administration. The second (figure 2) involves the establishment of one continuous zone, comprised of three separate administrative units with would cooperate in the same manner as the first option. A third approach (figure 3), predicated on the importance of effective and coordinated management, involves the establishment of a jointly administered zone, in effect a jointly-owned and managed "enterprise." According to the UNDP Mission Report, this "enterprise" would not lessen territorial sovereignty over land and population, but would enhance the management of a complex set of investments and facilities for the benefit of the concerned parties. It is this solution that the UNDP project has espoused, and to

17 This section based on the UNDP "Executive Summary," 9/1/92.
which the respective countries have gravitated. At the second Programme Management Committee Meeting, the six participating countries endorsed a plan that would lease land to the TRADP on the basis of four "Basic Principles:" 1) retention of sovereignty over all land leased to TRADP, 2) land leases to be negotiated according to the sovereign investment laws of individual countries, 3) international management, 4) maximum attractiveness to international investment. The countries further agreed that the region should have an intergovernmental coordinating commission, an international corporation, and inter-governmental agreements and implementing legislation.\(^\text{18}\) Clearly, the countries have gravitated over time towards a more cooperative understanding of the project. At the time of the 1992 meeting, only the DPRK raised the suggestion of separate zones.

The TRADP comprises three levels of development.\(^\text{19}\) The first is the Tumen River Economic Zone (TREZ), a narrowly conceived economic zone along the borders of Russia, DPRK, and China. TREZ would rely on internal agglomeration and economies of scale for its efficiency, and would consequently operate independent of substantial links to its hinterland. The second, the Tumen Economic Development Area (TEDA), involves a much broader region, including the Greater Vladivostok Economic Region (Vladivostok, Nakhodka, and Vostochny), four counties in the PRC's Yanbian prefecture, and the DPRK's port of Chongjin and railway linking the ports of Sonbong, Rajin, and Chongjin to China. This area may be considered the economic hinterland of TREZ, and would involve the joint use of infrastructure, cooperation in transportation and communication, and the elimination of local physical barriers to trade and transit. The third, the Northeast Asia Regional Development Area, includes the whole of the ROK, DPRK, and Mongolia, as well as the Northeast Economic Region of China, (Heilongjiang, Jilin, Liaoning, and the four northern most prefectures of Mongolia), and the entire Far East of Russia. Cooperation in this area would involve "the facilitation of trade and cooperation in the transport and communication sectors among participant countries in Northeast Asia, through reduction of trade barriers, standardization of trade documents, interchange of information, opening of border posts,

\(^{18}\)This information from the minutes of the Programme Management Committee Meeting II, Beijing, October 9-11, 1992.
\(^{19}\)This analysis from the UNDP document, "Regional Development in the Tumen River Area: TRADP Justification and Alternative Scenarios," 10/92.
coordinated development of the transport and communication network, joint use of rolling rail stock, etc....."

The program is phased, approaching development in incremental steps rather than pushing for immediate change. Initial emphasis is placed on improving trade, transit and transport in the broader NEARDA and improving existing infrastructure before committing to large new cooperative investments. In practical terms, this means improving port capacities in Vladivostok, Vostochny, and Nakhodka, and transit facilities along the borders of China, Russia, and the DPRK. The flexible "scope and scaling" of the programme also fosters an incremental approach, but requires participant countries to "take greater than usual risks from a strategy of large front-end investments."

An Alternative Hypothesis

Analyses of regional integration generally focus on the nation state as the primary unit of analysis. In this regard, the literature, (geared primarily towards European integration), can be divided into two camps: on the one hand, functionalists and neofunctionalists conceive of integration in terms of the rise of supranational institutions which eclipse the nation state; on the other, realists, neorealists, and intergovernmental theorists, emphasize the primacy of national sovereignty over supranational authority. What these two schools hold in common is their conceptualization of the debate in terms of the relationship between national and supranational institutions.

This study holds that the existing literature cannot adequately explain the phenomenon of Northeast Asian integration. My work indicates that the existing literature's focus on the nation state as the unit of analysis has blinded social scientists to the prospect of a more subtle explanation for international cooperation, one derived from the international consequences of domestic decentralization. While conventional wisdom holds foreign policy formulation to be the province of national governments, my work indicates that increasingly autonomous local governments have

come to play a pivotal role in the process. Along Japan's coastline in Niigata prefecture, in China's northeastern provinces of Liaoning, Jilin, and Heilongjiang, and in Russia's Primorye, local actors have moved away from central directive and spearheaded a drive for cooperation with their Northeast Asian neighbors.

My explanation for Northeast Asian regional integration can broadly be divided into two parts, one focusing on national processes, and the other on international negotiation. This study will argue that the interplay between these two forces, engaged in a highly complex multi-player "two-level game"\(^1\) can largely account for the emergence of multilateral configurations in Northeast Asia. In a sense, this study can be understood as an effort to apply Robert Putnam's theory of two-level games to the case of multilateral cooperation at Tumen. Putnam argued that cooperation was initiated by national leaders (central government representatives), who were obliged to ratify their cooperative endeavors to their constituents: in other words, they must sell their ideas at home. My analysis uses Putnam's framework, but turns his analysis on its head: it is the "constituents" who must sell cooperation to their national leaders. My hypothesis defines the relevant domestic actors as leaders of specific "subnational regions," and examines the domestic context which allowed their rise to power, their impact on processes of international agreement, and the domestic and international impact of their successful participation in multilateral agreements on development. The regional two-level game can be understood in terms of the following two steps:

**Level 1: Subnational Autonomy**—Subnational actors in one country cooperate with subnational actors in several different countries on an informal basis for the purposes of facilitating local economic growth. This level involves two distinct processes. The first (1.1) is a purely national phenomenon, in which domestic political changes allow for increased subnational autonomy. The second (1.2) involves low-level economic cooperation between subnational actors from different

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countries--essentially the expansion of border trade to encompass entire regions, and, in this case, subnational interest in multilateral cooperation in the Tumen River basin.

**Level 2: Regional Integration**--With increasing regional cooperation, subnational actors seek to expand their activities in a bargaining process which requires central ratification. In this way, subnational actors "pull" the center into multilateral agreement. This level involves two distinct steps. In the first (2.1), subnational actors bargain with the center for support for expanding regional economic cooperation. At the second stage (2.2), central actors cooperate to facilitate regional cooperation.

**L1:** National explanations focus on the phenomena of political and economic "subnational autonomy," as a fundamental basis for movements towards regional integration. Subnational autonomy can be understood in terms of a shift from functionally based representation to territorially based representation, in a transition process associated with democratization\(^2\), and in the case of the Communist and post-Communist countries, with reform.

**L2:** With the rise of subnational autonomy in Northeast Asia, subnational regions are able to cooperate on an informal basis in order to maximize economic gains. Chinese from Heilongjiang and Jilin provinces move to establish joint ventures in Primorye and Amur, while Russians in search of work cross the border to work in Manchurian factories. Japanese from Niigata establish joint fishing ventures with fishermen in Nakhodka and Koreans set up restaurants in Vladivostok.\(^3\) Increased economic interaction sensitizes subnational elites to the beneficial potential of multilateral cooperation in the Tumen River delta. Subnational regional government officials in China first proposed the project and subnational officials in other Northeast Asian countries become interested. Thus the participants in academic conferences as well as in business discussions are overwhelmingly from the subnational areas proximate to Tumen. It is at this stage that the UNDP becomes involved, thereby providing an extended forum for multilateral regional cooperation.

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cooperation. Interaction between international organization (the UNDP) and subnational actors further enhances subnational autonomy.

2.1: At this stage, subnational elites bargain with their respective centers for support of increased regional cooperation. This is the crucial step and the primary force driving cooperation and eventual integration movements. The ability of subnational elites to effectively bargain with their centers derives both from the national phenomena of economic and political decentralization occurring in the Northeast Asian countries, and from the increased level of their economic interaction and interdependence. Subnational alliance with international organizations, namely the UNDP, gives subnational actors an extra bargaining chip. Moreover, subnational leaders are able to exploit central interests, which themselves derive from the decentralization process: Thus Moscow is apt to support Primorye's participation in Northeast Asian cooperation because the collapse of centralized political and economic power in Russia has severely undercut Moscow's ability to allocate investment to the Far East. North Korea's dire economic straits have a similar effect on Pyongyang. In China, where the decentralization process has arguably progressed the farthest, subnational officials in Changchun have made a persuasive case for regional development contingent on Jilin's access to the Sea of Japan. In Japan, Niigata's bargaining chip may be less a product of decentralization, than of Tokyo's search for a new regional role in a post-Cold War Asian arena: Northeast Asian cooperation could prove a first step on the road to regional leadership.

2.2: As the respective centers enter into the negotiation process, national and subnational interests coalesce in a process whereby centers represent subnational interests, (though not necessarily for the same reasons). Each country has its own interests and each subnational region its own comparative advantage. Successful negotiation will depend in part on the extent to which centers identify with subnational interests, or see their own interests as being served by subnational leaders. At this stage, international factors also come into play. Enhanced regional cooperation or integration entails redefinition of the countries' relations and raises the question of regional leadership. This is particularly pertinent for Japan, the undisputed economic leader of the region,
as it strives to define its role in the regional political arena. When regional cooperative movements reach this stage, they expand to encompass the interests of other international actors, most notably the United States. While the United States government is not officially involved in the Tumen project, the United States clearly holds important interests in the area. Concern in America over the development of a "third" trading bloc, and the division of the world into "competing blocs," has sparked considerable debate. While some studies have concluded that steps must be taken to avoid the development of a "closed" Asian trading bloc, and insure American participation in any and all blocs, others have concluded that the already extensive American global involvement insures a system of "open" regions and multilateral cooperation.

The Model

Step 1.1: National Change
The development of subnational autonomy

Step 1.2: Soft Regionalism
The development of informal networks

Step 2.1: Subnational Bargaining
The centers are drawn in

Step 2.2: International Negotiation
The beginning of formal regional cooperation

The Case: Northeast Asia

1.1: National Change: the development of subnational autonomy: The countries of Northeast Asia have all, to varying degrees, experienced the emergence of subnational forces. In Japan, those areas facing the Sea of Japan suffer from the urannippon or hinterland syndrome, prompting calls for more extensive central and local governments' public investment in

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26 The case study focuses primarily on the Russian Far East, Northeast China, and the area of Japan bordering the Japan Sea, although reference to the other Northeast Asian countries is made where appropriate. Mongolia, although an enthusiastic member of the TRADP, has not played as high profile a role in the cooperation process as these three countries. The North Korean role has been obscured by lack of information. In the South Korean case, while participation is evident at Level 2, scant attention has been paid to Level 1 actors. South Korea's relatively small size and geographical position, in between Japan and Manchuria, makes it difficult to determine where Level 1 actors would be located. While some reference to Level 1 actors has been made in the literature, concrete evidence is not forthcoming, perhaps for the reasons suggested above.
infrastructural facilities" at Niigata. This has lead local interests along the Sea of Japan to call for "regional development," by which they understand two possible procedures: First, "collaboration of two regions, say, Japan Sea coastal cities with East Sea coastal cities of South Korea...." Another developmental option under this rubric would involve "development within a specific province, say Niigata Prefecture, its provincial government, municipal city and town governments and their industrial/commercial business organizations.... Only by way of this grassroots network of energy and aspirations can regional development succeed." Niigata officials have voiced complaints of a North-South axis, which excludes economic participation of the western coastal areas. Much of the impetus for development of a Japan Sea economic zone derives from this area's sense that it lags behind Japan's overall development. The coastal areas of South Korea have similar complaints of marginalization.

Among the Communist and former-Communist countries especially, political and economic liberalization has opened the way for new expressions of subnational autonomy: In China, a system of "local state corporatism," has presided over effective devolution of political and economic control to the localities, and thereby to the development of subnational interests. The Chinese reforms consist of a tax responsibility system that requires localities to submit a portion of their revenues to the state and allows them to retain the rest, to be used at their own discretion. Tax depends on the localities' ability to pay, and may be replaced by a subsidy in cases when villages cannot make ends meet. Because officials benefit directly from expanding revenues, and are assured, under a fiscal contract system, of a minimum fixed rate for three to four years, they have strong incentives to promote local growth. Villages operate like small corporations in which the

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31 Beijing has been engaged in an ongoing tug-of-war with the provinces, and in the Eighth Five-Year Plan and the Seventh Plenum, undertook protracted negotiations concerning the balance of political and economic power between the center and the periphery. See "Security and Economics in the Asia-Pacific Region," Significant Issue Series, Pacific Forum/CSIS Honolulu, Vol. XIII, No. 9, pp. 5-6.
profits from one sector are used to support other sectors. Thus the revenue from the lucrative "rural industries" is used to support public services, welfare, and most importantly for reinvestment. The local government plays a central role in the operation of the rural enterprises through selection of management personnel, control of inputs, supervision of services, and control of investment and credit decisions. The reform has given rise to a tight knit system at the local level, in which party administrators and local firms cooperate in a mutually beneficial scheme resulting in local enrichment and enhanced decision-making power at the local level.

The result, politically, has been an effective devolution of political power to the localities. In effect, the introduction of market forces, which necessitated local economic decision-making has made it impossible for the center to control local activity. This accounts for the phenomenon of flagrant local disregard for central directives evident in some localities. The corporatist deal struck between local government officials and local industry has lead to flourishing local economic and political power. While Oi argues that the devolution of economic decision-making power to the localities under the current revenue-sharing arrangement has enhanced subnational development, others, such as Susan Shirk, in *The Political Logic of Economic Reform*, have pointed to the potentially debilitating effects of economic power in the provinces, namely the impoverishment of the center, as well as the rent-seeking behavior which characterizes relations between local government and local enterprises, and between local and central government. Shirk argues that a more centralized tax system, such as "tax-for-profit," would alleviate the detrimental effects of economic decentralization. In any case, both schools of thought concur that the current tax system facilitates the devolution of economic power to the localities. In Northeast China, investment strategies favoring the developed coastal areas and free economic zones in the south, have accentuated subnational demands for autonomy and led to expressions of a "Northeast syndrome."32 Furthermore, the designation of fourteen coastal cities, including the ports of

Shanghai, Qingdao, Tianjin, and Dalian, as economic development zones, has led to the creation of "inter-regional economic zones."

In Russia, massive political and economic upheaval has lead to a movement of "regionalizatsiya," and the rise in the Russian Far East of organizations demanding economic and even political autonomy from Moscow's control. Over the past few years a host of subnational associations has arisen in the Far East, each professing to represent the political and economic interests of all or part of the area. Most tend to focus on issues of economic autonomy, and generally press for measures of radical economic reform, such as a freer pricing system, local control of foreign trade, and local administration of budgets. The number, organization, and vocality of the Far Eastern subnational associations have made the area the most active in Russia.

Demands for subnational autonomy in Russia's Far East derive largely from pent-up local discontent with central neglect of infrastructure development and exploitation of natural resources. Hopes for increased subnational autonomy, raised when Gorbachev introduced perestroika and made his famous "Vladivostok speech" in which he declared that the Soviet Union was "also an Asian and Pacific country," have been dashed, leading to increased frustration and demands for autonomy. Several key policies of the Gorbachev economic program, rather than promoting Far Eastern self-sufficiency, served to place Far Eastern industries at a disadvantage to those in European Russia. The basic principle of Gorbachev's economic decision-making stressed "intensification," or "scientific and technical progress, modernization of existing plant and equipment, resource-saving policies..." all boded ill for the Far East's underdeveloped industrial sector. Gorbachev also presided over a structural change in investment whereby "the share of funds going into reconstruction and modernization of existing industrial capacity is to increase to

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33 The most important of such organizations are the Far Eastern Regional Association and the Far Eastern Society. Other Far Eastern associations include The Far Eastern Association of Soviets, The Local Governments' Association of the Far East, The Party for the Liberty of the far eastern Republic, which advocates political independence and the reinstatement of the Republic of the far east, established by Lenin between 1920 and 1921. See Jean Radvanyi, "And What if Russia Breaks Up? Towards New Regional Divisions," Post-Soviet Geography, February 1992, p. 73.
34 Pravda and Izvestia, July 29 1986, pp.1-3.
36 Ibid. p. 256.
50% by 1990 from about 35% in 1985." Gorbachev prioritized the machine-building sector and promoted a resource-saving policy stressing multi-purpose use of raw materials, and greater use of scrap. These policies all operated to the detriment of far Eastern extractive industries. In effect, Gorbachev's economic policies presided over "a shift from ever-more ambitious development projects in the eastern regions to the need for more effective use of the industrial capacity that is already in place, predominantly in the European part of the USSR." Prominent laws and decrees passed under Gorbachev also militated against an enhanced economic position for Far Eastern industry. Among these was the Law on Enterprises passed in June 1987, which stated that all firms should be converted to self-financing by January 1992. The law further required that firms pay user fees for labor, capital, and natural resources, into local budgets. This served to accentuate the superior economic position of Western Russia. Moreover, a quota-retention system operated to promote more value-added goods, and although changes in early 1991 rewarded exports of raw materials and semi-finished goods, the impact of these changes was mitigated by the fact that oil, gas, gold, and diamond exports were exempt from the system, while 40% of revenue had to be paid into a presidential fund. Furthermore, investment cutbacks in energy, mineral and other primary industries, with prices for energy and electricity remaining uniform throughout the USSR, placed a severe strain on Siberian and Far Eastern industries. Without a more open foreign trade policy and more realistic pricing system, Far Eastern industries were at a loss for new investment and inevitably lagged under the new policies.

The rise to power of Boris Yeltsin, and the failed coup, in August 1991, represent in many ways the realization that the republics and regions of the former USSR must be involved in design and implementation of reform. In the Far East, the failed coup ushered in an era of regional cooperation with the military, an establishment which had hitherto hindered autonomous movement

37 Ibid. p. 257.
38 Ibid. p. 256.
41 Michael Bradshaw, "Siberia at a Time of Change: New Vistas for Western Investment," The Economist Intelligence Unit, Special Report No. 2171, p. 68.
in economic development. Indeed, Yeltsin's radical plans for economic reform advocated a substantial increase in regional autonomy. As he stated in his 1990 trip across Russia to the Far East, his emphasis was "denationalization of property, decentralization of everything—politics, economics, culture, everything," and his plan "a program that would surrender economic decision-making power to the provinces." Under Yeltsin, budgetary responsibility has shifted largely to the enterprise level, foreign trade has undergone rapid decentralization, and price structures have undergone radical liberalization. This had led to a rapid expansion of foreign trade ventures. The numbers of joint-ventures increased rapidly and by January 1, 1991, reached 61 in the territory of the Far East.

Similar development imbalances have led to subnational frustration and enhanced subnational awareness in areas of Mongolia and North Korea. In Mongolia, developmental disparities between Ulan Bator and East Mongolia have given rise to subnational awareness and led to consideration of a special economic zone in that area. In North Korea, the Rajin-Sonbong Free Economic Zone has been established in an effort to raise levels of development in a relatively neglected area.

1.2: Soft regionalism: the development of an informal network: As subnational regions gain greater autonomy from their centers, inter-regional interaction has expanded into what Robert Scalapino has termed, "soft regionalism." Border trade has increased among North Korea, China, and Russia, while in Japan, the area bordering the Japan Sea has expanded its participation in economic interaction in the area. The establishment of Free Economic Zones in the communist and post-communist countries has facilitated this trend, and the expansion of joint-venture activities provides further proof of increased cooperation in the region. Subnational authorities have conceived and developed the idea of multilateral cooperation in the Tumen River basin, catching the

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45The free economic zone was established by order no. 74 of the Administration Council on December 28, 1991. The zone covers a total area of 621 km(2) covering 14 dongs and ries of Rajin City, 10 ries and districts of Sonbong County, and North Hamyong Province. Paper delivered by Myong Rhee, "General Summary on Rajin-Sonbong Economic Trade Zone," at a conference sponsored by the East-West Center, Hawaii, May 2, 1992, in Pyongyang.
attention of western organizations and successfully garnering support from the East-West center in Hawaii and the United Nations Development Program.

Robert Scalapino's concept of "soft regionalism" correlates the emergence of the "superstructure" with a form of economic internationalization which he calls natural economic zones (NETs). Such unofficial arrangements evolve independent of official political jurisdictions and have particular potential in the emergence of close ties between the Far East's Maritime province and South Korea and Japan. "The rapid emergence of these NETs, involving capital flows, technology transfers and a horizontal division of labor, is one of the most fascinating developments in East Asia today. It has far reaching political implications. Influence will flow through these channels, issues of jurisdiction and control will mount, and the forces of autonomy as against those of centralization will gain ground. Not since the emergence of the nation-state and its 'inalienable sovereign rights', a development that was Western, not Asian in origin, has sovereignty in its traditional form come under such challenge."46

Scalapino's concept of "soft regionalism" is premised on the belief that the Northeast Asian region is composed of "complementary economies." It is because of this complementary nature that subnational regions gravitate towards regional cooperation. According to this analysis, each subnational region in Northeast Asia has a specific comparative advantage, and it is in the interest of all the subnational regions in the area to pursue their own comparative advantages through multilateral cooperation. The basic sources of comparative advantage are relative resource endowments, relative amounts of labor and of human and physical capital available, and the possibility of economies of scale.47 Broadly stated, Northeast China and North Korea have a comparative advantage in their cheap labor force, Mongolia and the Russian Far East in natural resources, South Korea and Japan in their technology and capital. Soft regionalism takes place as each subnational region moves to advance its own comparative advantage and exploit the comparative advantages of the other subnational regions.

46Ibid.
In a study of regional comparative advantage, Burnham Cambell, at the East-West Center, reached the conclusion that Mongolia, the Soviet Far East and Northeast China have a comparative advantage in agriculture and mineral resources. Under the TRADP, Russia's comparative advantage lies in the provision of resources and its potential as a site for joint ventures. The main industries of the Russian Far East are marine transport, fishing, marine construction, ship repairing, and ship building. China's comparative advantage in the TREZ scheme lies in its abundance of labor. However, Northeast China also possesses mineral resources, predominantly coal, gas, and oil. Until recently, oil from Heilongjiang province represented more than 25 percent of China's total export earnings, and may still represent 15 percent today. While the untapped resource potential of Siberia and Manchuria has been a well known fact for many years, the potential wealth in Mongolia is only now coming to light. In a report released in February 1993, the World Bank listed about half of the 500 known deposits, including 80 different minerals, that can be found in Mongolia. This potentially puts Mongolia on a par with resource-rich countries like Canada and Mexico. Mongolia's comparative advantage lies in its wealth of mineral resources, including substantial deposits of coal, oil copper, and gold. All the Northeast Asian countries, except Mongolia and Northeast China have marine resources in relatively large amounts. Japan has a clear advantage in terms of physical and human capital per worker, although South Korea and the Russian Far East also have a comparative advantage. The DPRK and Northeast China relatively abundant labor and a comparative advantage in labor-intensive production. South Korea and Japan have a comparative advantage in all aspects of capital-intensive production, from knowledge-intensive to physical-capital-intensive. Northeast China and the DPRK are currently inefficiently producing relatively large amounts of physical-capital-intensive products under highly protected circumstances. Even with more efficiency, however, they would not have a regional comparative advantage in physical-capital-intensive

49UNDP document, 10/92.
production, although capital inflows would speed their progress. Japan has a clear advantage in economic efficiency and the institutions bringing it about. All the other countries would have much to gain from improved efficiency. Economies of scale due to market size are present in Northeast China, Japan, and South Korea.

### Subnational Comparative Advantage

<table>
<thead>
<tr>
<th>Region</th>
<th>Comparative Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast China</td>
<td>Labor, agriculture, minerals, coal, gas, oil, labor-intensive production.</td>
</tr>
<tr>
<td>North Korea</td>
<td>Labor, marine resources, labor-intensive production.</td>
</tr>
<tr>
<td>Mongolia</td>
<td>Natural resources, agriculture, minerals, coal, oil, copper, gold.</td>
</tr>
<tr>
<td>Russian Far East</td>
<td>Natural resources, agriculture, minerals, fishing, timber, marine construction.</td>
</tr>
<tr>
<td>South Korea</td>
<td>Technology, capital, marine resources, capital-intensive production, knowledge-intensive production.</td>
</tr>
<tr>
<td>Japan</td>
<td>Technology, capital, marine resources, human capital, capital-intensive production, knowledge-intensive production, economic efficiency/institutions.</td>
</tr>
</tbody>
</table>

Based on the above analysis it is not difficult to surmise the direction of trade flows. In fact, border trade among the Northeast Asian countries has increased dramatically in recent years. Border trade between China and Russia resumed in 1983, and has focused on Heilongjiang province and Xinjiang Autonomous Region. Measured in Swiss francs, the value of border trade, generally conducted on a barter basis, increased between 1983 and 1989 from 196 million to 596 million. By 1990, the value of Northeast Asian exports to the CIS stood at US $66.8 million, and the value of imports from the CIS at US $33.3 million.\(^{51}\) Between 1988 and 1991, the trade

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\(^{51}\)The breakdown among the three Northeast Chinese provinces indicates that the greatest volume of trade took place in Heilongjiang province. This is not surprising, as Heilongjiang is the province which borders directly on the Russian Far East. The export figures in US$millions are: Liaoning-14.8; Jilin-16.1; Heilongjiang-35.9. The import figures are: Liaoning-1.9; Jilin-3.1; Heilongjiang-28.3. These figures cited in Tomio Shimokura, "Beginning of Northeast Asia
volume between Heilongjiang and the CIS totaled 2.57 billion Swiss francs and over 500 cooperation projects worth 890 million Swiss francs were signed. Two-way trade was estimated to reach 1.5 billion Swiss francs in 1992.\textsuperscript{52} The nature of trading relations has also evolved over this period. Although barter trade is still dominant, cooperation between Chinese and Russian enterprises is much closer, and a number of Russian-Chinese joint-ventures have been created.\textsuperscript{53} New forms of economic cooperation have arisen between Northeast China and the Russian Far East. One example of this phenomenon is processing trade, a process by which raw materials supplied by the Russian side are manufactured into finished products, such as leather goods, in China, and then exported to Russia. China has also exported labor services to Russia for such work as construction and logging. More than 200,000 Chinese workers are now employed in the Russian Far East under contract.\textsuperscript{54}

However, economic interaction between subnational units across national boundaries goes beyond the neofunctionalist logic suggested by Scalapino's soft regionalism. Subnational elites throughout Northeast Asia have engaged in development strategies to change and improve their comparative advantage. Departing from their initial comparative advantage (Scalapino's "compatible economies"), they have taken steps to enhance local development, which go beyond the simple exchange of goods and services suggested by neofunctionalist logic.

In Northeast China, the establishment of free economic zones (FEZs) has facilitated economic interaction between Manchuria and its Northeast Asian neighbors, and contributed to Northeast Chinese development schemes. Increased autonomy for local authorities, the provision of financial incentives, improvement of infrastructure, and the provision of loans for development projects have further enhanced this trend. FEZs have been established in three border areas: The Manzhouli economic zone, located near the border with Mongolia and Russia has established a trading community with about 70 trading companies, engaged in business to the tune of about 4

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\textsuperscript{53}Michael Bradshaw, "Siberia at a Time of Change: New Vistas for Western Investment," op. cit. p. 103-104.

million tons per years. The Amur free trade zone has facilitated trade between China and Japan through an agreement permitting Chinese access via the Amur River through Russia to the Sea of Japan. Several river ports were created in 1992, and trade in the zone, in commodities such as food, coal, wood, oil, and consumer goods is estimated at around 300,000 tons per year. Another zone, the Suifenhe economic zone is now under construction on the border between Heilongjiang province and Russia, near Ussuriysk. Finally, the Hunchun economic zone, located in the Tumen River delta, was designated a Class A FEZ in November 1991. The local government operates autonomously from the center and has incentives for foreign investors. Main manufacturing sectors include light industries such as textiles, food, construction materials, consumer products, and electronics.55

Local efforts in the Russian Far East have facilitated inter-regional interaction. In Primorye, in particular, new regulations facilitate foreign investment, Nakhodka has a free trade zone, and Grodekovo, the border town opposite Suifenhe, is to become a free customs zone.56 The implementation of a real free market in the area is underway as is the legal and planning independence of the Primorye region. In the coastal areas of the Russian Far East, the breakdown of inter-regional and inter-republican trade has drastically curtailed the availability of fuels for fishing operations and led local authorities to actively expand joint-ventures and joint organizations between Russian and Japanese partners.57

Consequently, economic relations between the Russian Far East and the coastal areas of Japan, facing the Japan Sea, have increased significantly in recent years. Indeed, cities in Hokkaido and Honshu have been enthusiastically pursuing coastal trade with the Russian Far East, despite the political chill between Tokyo and Moscow.58 The prefectures along Japan's west coast have been competing to become gateways for a new economic region known as the Japan Sea Rim. The largest trading prefectures, Niigata and Toyama, together make up more than 70% of

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56Valencia, op. cit.
total trade along the Japan Sea coast.\textsuperscript{59} Niigata's 1989 trade statistics indicated a 20% increase in imports from Northeast Asian countries over the previous year.\textsuperscript{60} Much of the cooperative endeavor has focused on fishing; the first Japanese-Soviet fishery joint-venture was established in July 1988. As of early July 1992, there were twenty such joint-ventures. Besides joint-ventures, fishery groups in Japan have developed private-level joint operation (JO) arrangements designed to increase Japanese access to marine resources within the 200-mile Russian "exclusive economic zone," off the coast of the Russian Far East. Under this type of arrangement, Japanese fishing operators pay fishing fees for their operation in the Russian zone. One or two Russian observers board each Japanese ship and receive what amounts to a daily salary and free meals.\textsuperscript{61} The important point is that JOs are locally developed initiatives. Interested Japanese partners must first submit their proposals to the Hokkaido Fisheries Association; they are then discussed at the Hokkaido Japan-Russian Fisheries Council, a private group of fisheries in Hokkaido. The selected proposals are submitted to the Hokkaido government and then to the Japanese government for approval. Cooperative efforts between Niigata and the Russian Far East have at times assumed a particularly political bent, as they did in the early 1980s when some fishermen in Hokkaido supported abandoning Japanese territorial claims in the Northern territories in exchange for special fishing privileges.\textsuperscript{62}

Other innovative attempts at regional cooperation between the coastal area of Japan and the Russian Far East are also under way. In May 1992, Niigata hosted a "Vladivostok fair" to commemorate the establishment of sister-city relations between Niigata and Vladivostok.\textsuperscript{63} In Tohoku and Hokkaido, a number of banks have begun personnel exchanges with Russian banks. In 1991, the Niigata-based Daishi Bank received five trainees from the Vladivostok branch of

Vneshekonombank, and the Niigata Chuo Bank took trainees from Perm Commercial bank and Kilghistan Commercial Bank. As Hisao Kanamori, of the Japan center for Economic Research, explains: "Prefectural governors and mayors visited their counterparts all along the rim of the sea; sister-city relationships were formed; seminars were held in Niigata, Hyogo and Ishikawa prefectures; an organization was established to promote the idea of the Hokuiku (Japan Sea) region and a federation of concerned local assembly members was set up."

Both North and South Korea have actively been increasing their activity in Northeast Asia, although a paucity of information from North Korea makes it difficult to differentiate subnational from central interests. Nonetheless, the establishment of a FEZ in the Rajin-Sonbong area, adjacent to the Chinese and Russian borders, does indicate some level of differentiation. Both Koreas maintain a special interest in forging economic ties with Northeast China due to the large ethnic Korean population in Heilongjiang and Yanbian, China's autonomous prefecture. The value of exports from Northeast China to North Korea was valued at US$1.7 million in 1990, with 1.3 million emanating from Jilin province. South Korean interest in regional economic cooperation has also been on the rise, with investment levels in Northeast China increasing rapidly and a significant growth in South Korean joint ventures in the Russian Far East.

Mongolia has also been expanding its trade with the other Northeast Asian countries, in the areas of construction, science and technology, communications, and transport, and has been considering establishing a special economic zone in Eastern Mongolia to attract foreign investment.

The rise in inter-regional economic interaction has been accompanied by enhanced subnational interest in multi-lateral development schemes, most notably, the Tumen Project. The project was initially conceived in Jilin province, where professor Ding Shicheng, of the Asia-Pacific Institute, first proposed his ideas at the International Conference on Cooperation in Asia-Pacific Institute, first proposed his ideas at the International Conference on Cooperation in

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67 Shoichi Kobayashi, op. cit.
Economic Development in the Coastal Area of Northeast Asia. Professor Ding has since vigorously promoted economic cooperation in the Tumen River basin, and has been joined by other influential leaders in Jilin province. A perusal of the academic papers presented at numerous conferences, and an examination of the participants in UNDP-sponsored negotiations on the TRADP, indicates that the overwhelmingly majority of Chinese actors come from the Northeastern provinces. In Jilin, as well as in the other Manchurian provinces of Heilongjiang and Lioaning, professor Ding has found many supporters willing to press his cause at home and abroad. Support for the Tumen project has come overwhelmingly from Jilin, reflecting the province's desire to increase its trade in the area, and the fact the other two Northeast Chinese provinces are able trade either across the Russian border, in the case of Heilongjiang, or through the port of Dalian, in Liaoning. Trade figures reflect Jilin's comparatively disadvantaged geographical position: Liaoning's exports to Northeast Asian countries amounted to US$29.3 million (US$27.3 million to Japan and US$1.9 million to the CIS) in 1990, Heilongjiang's to US$32.4 million (US$28.3 million to the CIS and US$4.1 million to Japan), while Jilin's stood at a measly US$5.6 million (US$2.5 million to Japan and US$3.1 million to the CIS).

Interest in the Tumen project has been taken up by subnational leaders in the other Northeast Asian countries, most notably in the Russian Far East and in Niigata prefecture on the Japan Sea. The idea has been espoused by such influential subnational leaders as Pavel Minakir, formerly the head of the Institute of Economic Research in Khabarovsk, now director of the Institute of Comprehensive Analysis of Regional Problems in Birbijan, and an active proponent of

Participants from Jilin (this is not a complete list) include An Qingchang, of the Economic Institute Center, professor Chen Cai, of Northeast Normal University, Chen Luzhi, vice-president of the China National Committee for Pacific Economic Cooperation, Cui Yuangen, a senior economist at the Yanbian Prefecture Development office, Gong Huiping, director of the International Science and Technology Institute of China, He Hongshi, Kong Deyong, Li Fengming, Ma Bing, Sun Jiangyou, and Huang Ying, at the Asian-Pacific Institute of China, Jiang Xincheng, director of the Jilin Communications Institute, Li Beiwui, deputy director of the Soft Sciences Institute, Li Chaojin, director of the Water Conservancy Institute, Li Wei, professor at the College for Economic Administrative Cadres, Li Yingde, an engineer at the Foreign Economic Relations and Trade Association, Ma Longying, at the National Territory Institute, Ren Wenxia, at Jilin University, Sun Xuei and Sun Yongjian, at the Asian-Pacific Institute of China, Tang Yumin, at the Aquatic Product Institute, Yu Guozheng, at the Jilin Academy of Social Sciences. In Heilongjiang, supporters of Northeast Asian cooperation include Li Wenyin, senior engineer at the Science and Technology Commission, Zhao Yancheng, at the People's Government of Hunchun City, Zhu Dianming at the Science and Technology Commission. In Liaoning, support has come from Bing Li, senior engineer at the Information Center of Liaoning Province, Sun Xi vice-president of the Science and Technology Commission, Yang Jianzhang, senior engineer at the Science and Technology Commission.

regional economic autonomy in the Russian Far East. Other important proponents include Evgeny Nazdratenko, the governor of Primorye, and Rafiq Aliev, at the Far Eastern Branch of the Russian Academy of Sciences. As in the Chinese case, the vast majority of Russian participants in academic and UNDP-sponsored conferences come from the Far Eastern administrative units, especially Primorye, the krai which borders China, North Korea, and the Japan Sea. In Japan, interest in Tumen developed initially in Niigata, in conjunction with the "Japan Sea Concept," a Japanese plan for regional development around the sea of Japan, first introduced at the Sea of Japan Symposium, held in Niigata in September 1988. As in the Russian and Chinese cases, proponents of the Tumen project have been concentrated in the subnational regions geographically adjacent to Japan's Northeast Asian neighbors, and have been dominated by subnational officials from Niigata.

2.1: Subnational Bargaining: the centers are drawn in: As interest in the Tumen project has grown in the Northeast Asian subnational regions, subnational leaders have brought their case to their central governments, in a bargaining process whereby subnational regions and centers have striven to reconcile their goals. Subnational regions have achieved varying degrees of success. In some cases, such as that of Japan, they have engendered substantial central interest in their initiatives, in others, such as China, they have been forced to modify their initial goals, and in yet others, such as that of Russia, they have encountered central indifference and even local resistance. Despite cross-national political and economic variation, and often with different motivations, subnational elites have been successful in pulling their central leaders to the negotiating table, thereby initiating a pattern of Northeast Asian cooperation at the level of international discussion.

In Japan, the process might best be described as "subnational regions leading the center": "While the Sea of Japan economic zone was initially promoted by local governments, it has

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71 Russian participants from the Far East include Mr. Akulin, director of TINRO (Fisheries Institute), Arkady Alekseev, the at Far Eastern Science Center of the Russian Academy of Social Sciences, Nikolai Pimenov, head of the Economics Department in the Primorye Administration, Peter Baklanov, director of the Pacific Geographic Institute, Victor Ilyichev, at the Academy of Technological Sciences Pacific Branch, Mr. Yakimenko, head of Mining Industry in Primorye, Yuri Basharov, head of Energy System in Primorye.

72 Japanese proponents of Tumen include Teruji Sakiyama and Hiroshi Kakazu at the International University of Japan, Akira Aoki and Yasuhiro Kawashima at the Niigata Prefectural Government, Michihiko Machida at the Niigata branch of C. Itoh & Co. Ltd., Tadashi Amada and Takashi Kojima, at the Niigata branch of the Japan Travel Bureau, Joji Nakao, at the Toyama Prefecture Government, Shigehiro Ina, at the Institute for the Japan Sea Rim, Takao Touma at the Economic Research Institute for the Japan Sea Rim.
recently received increased central government interest...the idea of a Sea of Japan economic zone has steadily progressed from discussion to action, and from local level to national."73 Indeed, at ROTOBO, the Japan Association for Trade with Russia and Central-Eastern Europe, Kazuo Ogawa, (a former MITI official and director of ROTOBO), has become an active proponent of Japan Sea Rim development, and the Tumen project.74 This explanation would seem to indicate little friction between subnational and central interests, however, while central interest has been forthcoming in Japan, investment has not. In light of the subnational development goals, subnational aspirations to compete with the favored Pacific ports have been frustrated. Nonetheless, increased activity in the Northeast Asian region, on the part of major Japanese firms75 does indicate that subnational efforts to promote economic activity in the Sea of Japan have had some impact on central policy. In Japan's case, the evidence suggests that while Tokyo has heeded Niigata's plea for increased economic activity in the Japan Sea, central policies have not included development of the Japanese subnational regions facing the Japan Sea.

In Russia, subnational interest in Northeast Asian cooperation and the TRADP have not readily translated into support from Moscow. This may account for Russia's late involvement in the TRADP: Russia became a formal member of the project only in October 1992. The initial reaction from Moscow has not been so much one of resistance, as one of indifference, although Moscow has expressed concerns over environmental consequences of Tumen development. Recently, however, Moscow has expressed a greater interest in the project. Yeltsin discussed the Tumen initiative with President Roh Tae Woo, during his November 1992 visit to Seoul, the Ministry of Foreign Economic Relations has been put in charge of coordinating the Russian side of the project.76 The Russian Far East favors development at the level of TEDA or NEARDA, and has emphasized development of existing port facilities in Russia, over construction of a new port, or exclusive focus on a Chinese inland port. Furthermore, the Far East has placed its hopes in a

73 Hisao Kanamori, *op. cit.*, p.3.
75 This is discussed in greater detail in section 2.2.
"Greater Vladivostok Economic Region," a plan for Russian Far Eastern development formulated in 1991 under UNIDO auspices. There has, however, been some movement towards acceptance of the Tumen alternative: one Far Eastern newspaper carried a report stating that "in the opinion of several Primorye specialists, the concept of a Japan Sea Economic Zone could become a serious alternative to the Greater Vladivostok program." In the Russian case, it would seem, official involvement in the TRADP is more a product of central disarray and increasing subnational assertiveness at a time of national upheaval, than an indication of central benevolence or serious involvement in Tumen River development. Clearly, Moscow is incapable of supporting infrastructure development in the Far East, leaving Far Easterners to seek out new sources of investment, and heightening subnational interest in the Tumen project.

Provincial leaders and academics in Jilin province have supported multilateral development plans since 1984. Jilin's perspective on Tumen development has clashed with those of the other participant countries, as well as that of the UNDP, and has encountered resistance from Beijing and other areas in China. Disagreements have centered on Jilin's concept of an "inland port," constituting, in effect, an effort to rebuild the port of Hunchun. The plan involved staged reconstruction of Hunchun, dredging the Tumen River to accommodate ships of 2000 to 3000 tons, and extending the Tumen-Hunchun railway to Kraskino and the Hunchun-Fangchuan railway to Khasan. Jilin's grandiose plans have clearly been scaled down in the process of garnering support from Beijing. While Jilin initially envisioned Hunchun as the centerpiece of Tumen River development, the current UNDP program focuses on tri-state development of an internationally administered zone crossing three borders. Accounts from participants in the Changchun conferences indicate considerable friction between Jilin and Beijing on this issue: Tsuneo Akaha has spoken of strong disagreements between Changchun and Beijing on the issue of

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77 Far East support for this plan focuses on development of Vladivostok and Khabarovsk. Eketerina Lymaeva, "Greater Vladivostok--Hopeful Perspectives," Utro Rossi, March 17, 1992; and Ranca Eldashova, "We also will not forget you, Khabarovsk," Tihookeanskaya Zvezda, April 4, 1992. I am indebted to Bob Valliant, at the Center for Russia in Asia, University of Hawaii, who so kindly provided me with this material.
78 "An Alternative to 'Greater Vladivostok,'" Krasnoe Znamya. This material provided by Bob Valliant.
Tumen development, and Mark Valencia discussed the "contradictory attitudes of Jilin Province and some quarters in Beijing regarding the Tumen River project." The Chinese split has been reflected within the UNDP, where reports by Morris Miller, one of the co-authors of the 1991 UNDP "Mission Report," claiming that the Changchun position was untenable, led to his dismissal from the project. Initial central resistance is understandable in light of Beijing’s policy on free economic zones which concentrates investment on the southern areas; subnational resistance has largely come from port cities such as Shanghai, Tianjin, and in particular, Dalian, where expansion plans could be directly undercut by expansion of new port facilities at Tumen.

Nonetheless, China has emerged as the strongest Northeast Asian advocate of the TRADP, and Northeast Asian cooperative development in general. Since 1988, China has earmarked 1 billion yuan for infrastructure in Hunchun. In March 1992, Hunchun was officially opened to foreign enterprises, and joint Chinese and Russian construction of road and rail links is under way. According to one recent observer, advances along the Tumen River, on the Chinese side are impressive: "A paved two-lane road has already been completed between Tumen and Hunchun, and a rail line will be finished by the first half of 1993. The area along the river is now being developed actively, with construction of hotels and houses proceeding." The current Beijing position consists of a compromise between central and local interests. In the Chinese case, therefore, subnational initiatives were successful in wooing central support, but also required a shift in position on the part of the subnational leaders.

2.2: International Negotiation: the beginning of formal regional cooperation: Once the centers have been pulled into the process of regional cooperation, the formal process of regional cooperation begins. This section discusses international factors which bear on national

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82 Interview with Morris Miller, November 11, 1992.
84 South China Morning Post, 22 September 1992, p. 11.
86 Ibid.
governments' interest in Northeast Asian cooperation and the perspectives of the national
governments involved in the TRADP.

International Factors

The end of the Cold War order has brought enormous change to Northeast Asia, as
relations move from ideological confrontation, to pragmatic judgments regarding economic gains. In May 1989, Gorbachev attended a summit in Beijing in an effort to normalize Sino-Soviet relations after a 30 year hiatus. In December 1990 Gorbachev and Roh Tae Woo cemented Soviet-ROK relations at a summit in Moscow. On October 20, 1990, the PRC and ROK established trade offices in their respective capitals which operate as *de facto* embassies. In 1991, North and South Korea began talks regarding the establishment of diplomatic relations. The trend away from ideological confrontation received further impetus from the Soviet Union's January 1991 decision to demand hard currency payments at world prices from North Korea. Despite the rapid pace of change, the region still bares the marks of Cold War rivalry. Most notable of these are the division of Korea, and the protracted struggle between Russia and Japan over the "northern territories."

Two developments at the global level have lent substantial impetus to regional tendencies in Northeast Asia: the demise of the Soviet Union and consequent shifts in security relations; and the emergence of powerful regional entities, namely the EC and the NAFTA, together with the inability of the EC, the United States, and Japan to bring the Uruguay Round of GATT negotiations to a successful conclusion. The end of the Cold War brought with it the end of the superpower struggle which characterized the post-War years. With diminished security threats due to the demise of the Soviet Union, the need for new security arrangements, and for a new conceptualization of notions of "security" and "threat" is critical. With the rapid devolution of communist "threat" in the Pacific, the search for a new order, (if not for new threats) has begun.

For Northeast Asia the most immediate impact of these developments has been the reduction (if not elimination) of the Soviet threat and the gradual withdrawal of the United States from participation in Asian security. The end of Cold War hostilities calls for a redefinition of the U. S. role in Asian security. Although it is clear the U. S. considers it vital to maintain a powerful
presence in the area, the precise nature of US engagement is as yet unclear. Clearly, however, the "folding fan" approach can no longer be sustained. As Cronin indicates, such bilateralism is flawed in two respects: "first, its United States-centric, cold war approach to Asian security is inadequate for a region that is leading the world in economic growth; second, it is highly vulnerable to a breakdown, because of a resurgence in American isolationism and a rupture in the United States-Japan alliance which would leave many Asian nations feeling exposed."87 Indeed, the region's nations have realized the urgent need to develop regional forums for dialogue over security and political issues.88

Russian leaders have begun to discuss Russian-American partnership, while Japanese leaders talk openly about the contribution of its alliance with the United States not only to its own security, but to the peace and security of the entire Asia-Pacific area. Japanese leaders such as the influential former prime minister Nakasone have called for multilateral Asian security forums, or an "Asian common house" to supplement, not replace the US-Japan treaty.89

Perhaps of even greater impact on the movement towards multilateralism in Northeast Asia, have been concerns for economic cooperation. The emergence on the world theater of regional entities, such as the European Community and the North American Free Trade Area, has contributed to a growing feeling in Asia that some form of regional organization is necessary if the area is to compete effectively in the post-Cold War World. Moreover, the impasse at the Uruguay round of GATT negotiations has encouraged the establishment of a regional or subregional mechanism for economic cooperation. Largely as a result of these circumstances, and facilitated by regional openness in the wake of the Cold War, regional economic ties have come to play an increasingly important role in facilitating cooperation.

National interests

Japan: Japan's policies are central to Northeast Asian cooperation. Commercially and technically, Japan has the most to contribute to regional development and cooperation. Particularly important is Japan's role as the facilitator and catalyst of intraregional trade, especially through intrafirm trade.

88 Tsuneo Akaha, op. cit. p. 3.
89 Remarks made by Nakasone at a talk given at the Japan Society, Boston, February 28, 1993.
Japan recognizes that its extensive economic interests in the region require that it assume a leadership role, but its desire to lead is complicated by the precarious level of trust among its neighbors. In order to effectively carry out this role, Japan must cooperate with the United States. The Tokyo declaration on Japan-US global partnership, issued by Prime Minister Miyazawa and President Bush in December 1991, clearly recognizes this need, but the two countries have yet to translate the common understanding into action. A major obstacle to Japan's regional role is its strained relations with Russia. Japan has successfully developed politically favorable and commercially beneficial relations with all the other regional powers except North Korea.

To date, Japan's involvement in the Tumen project has been at the level of an observer only. Nonetheless, Japan's involvement in the project is crucial to success. As is the case of South Korea, the Tumen project hopes to garner financial support from Japan's developed economy. While Japan has yet to officially commit to the scheme, involvement in Tumen at the firm level has proceeded, and informal UNDP contact has been established. Japanese firms have, however, made private overtures to the UNDP and invited UN representative to Tokyo for unofficial discussion of the Tumen initiative. These firms are concerned that Japan may be "left behind" should the plan proceed without their support.\(^9\) Increasing South Korean interest in Tumen can only heighten these fears.

Despite the lack of official recognition, Japanese businesses have been investigating development possibilities in the Tumen area. In 1991, a research panel was established in Osaka to study the feasibility of a "Japan Sea Economic Sphere." In January 1992, the Osaka Chamber of Commerce and Industry sent an economic survey mission to Russia's Far East to study the feasibility of the proposed sphere, and visit Vladivostok, Nakhodka, Khabarovsk, Yuzhno-Sakhalin, and areas along the Tumen River.\(^9\) By July 1992, the Japanese Economic Planning Agency submitted a report examining the "possibility of forming a new economic zone around the Sea of Japan that would act as a bridge between the Pacific Rim economies and the EC."\(^2\) The

\(^9\)Interview with Mr. Fan Jiang, Assistant Director of TRADP, New York Office, November 30, 1992.  
\(^2\)Nikkei Weekly, 18 July, 1992, p. 3.
report represented a markedly optimistic approach to Northeast Asian development: "With the ending of the Cold War, the government sees more promise in the region: Russian natural resources, a Chinese labor supply, technology in South Korea, and capital and high tech know-how in Japan....The report proposes a regular forum of officials, industry leaders and academics from the region, perhaps along the lines of PECC."

By August, Japanese firms began active participation in the Tumen project. Seven Japanese companies set up a committee to develop the Tumen River Basin; they are Nomura Securities Co., Bank of Tokyo, Marubeni Corp., Nissho Iwai Corp., Tokyo Maruichi Shoji Co., Nippon Yusen KK and Komatsu Ltd. Nine other organizations are also participating. The Toshiba Corp. has also unveiled plans for major construction projects in the Wakasa Bay area of western Japan and in the Chinese area of the Tumen Delta. The company plans to build a 10 km canal from the mouth of the river to carry food and raw materials from northeast China. Company officials estimate a cost of 11 trillion yen and a development period of 10 years. In a recent move to participate in cooperative development in the Tumen Delta, some 20 Japanese organizations and companies, including Keidanren, Nomura Securities Co., Nissho Iwai Corp. and Bank of Tokyo, have committed to participation in the joint Russian and Chinese construction of the Hunchun-Zarubino railway, and expansion of the Russian port facilities. The Japanese side will cooperate with the two countries through a coordinating committee. The Japan Center for Economic Research and the Japan-China association on Economy and Trade will also participate. The course of Japanese involvement in the Tumen area parallels the UNDP strategy of incremental development and cooperation, which favors a grassroots approach involving developing inter-country connections at the firm level and building up gradually to the governmental level. Furthermore, Japanese analysts have called on Japan to participate in the project claiming that it is time Japan took the leadership role in Asia "that has come to be expected of it." Furthermore, they point out, "this

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93Ibid.
97Interview with Fan Jiang, November 30, 1992.
would be a totally new fashion of leadership, unlike the methods of external cooperation Japan
displayed prior to the war."98

China: Chinese economic needs are perhaps the greatest and most urgent of any country in
Northeast Asia. China is rapidly developing its manufacturing base and therefore needs new
markets for its exports. This explains Chinese enthusiasm for economic cooperation in the region.
Indeed, China probably stands to gain the most from any multilateral regional cooperation. In an
active endorsement of regional integration, Shi Min, the Vice-Director of the Asian-Pacific Division
of the Chinese Academy of Social Sciences, has indicated that a "Northeast Asia Economic Sphere
would be conducive to "the achievement of mutual complementary combination in resources,
capital fund, technology, and labor force by the countries within the sphere and to obtaining better
economic results."99

Compared with North Korea and the Russian Far East, Northeast China's industrial
structure is relatively integrated, and its agriculture and light industries relatively advanced. China's
Eighth Five-Year Plan provides for opening Northeast China to the outside world. The plan is to
create a Northeast China Economic Area which will become the base in North China for importing
and absorbing foreign advanced technology, and managerial expertise, and for implementing
import substitution and expanding export earnings. The total export volume of the three provinces
in the Northeast China Economic Area is targeted to reach US$6.05 billion by 1995. Of the total,
40 percent is supposed to come from exports of industrial products and 10 percent from exports of
manufactured goods.100

For Beijing, Tumen offers an opportunity for Northeast China to regain access to the Sea
of Japan, and adjust development imbalances between northern and southern China. Tumen has
been conceived as the centerpiece of China's economic development plans for its northeast.
Beijing has been reluctant to agree to the construction of ports in Russian and Korean territory, due

98 Takashi Sugimoto, op. cit.
99 Shi Min, "Northeast Asia's Economic Development and the Trend toward Regionalism," paper delivered at the
100 Mark Valencia, "The Proposed Tumen River Scheme," Institute for Economic Development and Policy, East-West
center, Honolulu, Hawaii, unpublished paper. 1/14/92.
to past bad experiences. Several years ago, a scheme to export Chinese goods via North Korea's port of Chongjin successfully completed the export procedures, but the railcars in which the goods were shipped to North Korea never made it back to China.101

**South Korea**: South Korea probably stands to gain less from regional cooperation than does China, but more than Japan. This is particularly true if cooperation helps to expand export markets for its intermediate-level manufacturers. It will bring South Koreans closer to the ethnic Koreans living in Northeast China, as well as to North Korea. Multilateral cooperation in the region will further expand South Korean interests as well as its ability to contribute to regional integration. Still, the Korean peninsula remains the most tense of the potential flash points left over from the Cold War, and South Korean anxiety has been exacerbated by concerns over North Korea's nuclear capability.

The Cold war has long prevented South Korea from developing its potential as a regional power. Domestic political instability has also limited its international role. However, will the diminution of these problems, the prospects for a prominent South Korean role are good. Indeed, South Korea has the potential to play a very important role in the promotion of political and economic cooperation among the Northeast Asian countries. It has varying degrees of ties with all the other powers in the region, and no history of aggression against its neighbors. Furthermore, Seoul is clearly capable of taking bold policy initiatives, as in the case of *Nordpolitik*. South Korean has been actively participating in the Tumen project. South Korea needs new markets and new sources of raw materials. Furthermore, South Korea's labor intensive industries are facing increasing labor shortages and labor strife. As traditional Korean industries lose their competitiveness, they have been transferring funds, technology, and equipment to China and North Korea.102

South Korea's interest in Tumen is tied to its policy of *Nordpolitik*. The Tumen project offers an opportunity for North and South Korean interaction in the context of international

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102Valencia, *op. cit.*
negotiation, and could thus expedite movements towards unification. South Korea has another reason for expressing interest in the Tumen project. There are 1.1 million Koreans living in Heilongjiang and Yanbian, China's Autonomous Prefecture. Taiktusan (Changbaishan), the spiritual birthplace of the Korean people also lies in this area, and the region is thus a symbolic site for indirect economic cooperation between the two Koreas.\textsuperscript{103} Perhaps partly for this "spiritual reason," Hyundai group chairman, Chung Ju Yung, has committed his company to participate in the scheme.\textsuperscript{104} The Tumen project is designed to facilitate capital flow from South Korea and the return flow of goods to South Korea, or through South Korea to the world. It therefore offers South Korea increased access to the domestic markets of Northern China, the DPRK, the Soviet Far East, and Mongolia.

**North Korea:** North Korea remains the most politically and economically isolated of the Northeast Asian countries. Developments in recent years have, however, begun to force North Korea to undertake a limited opening to the outside world. Strained relations with China and the Former Soviet Union, resulting from the Soviets' requirement for hard currency payment, and Beijing's refusal to provide military assistance and demands that Pyongyang moderate its policies, have doubtless motivated Pyongyang's overtures to Tokyo and Washington. The end of the Cold War offers North Korea the opportunity for pragmatic cooperation and thus provides a possibility to diffuse tensions on the Korean peninsula through multilateral dialogue which will bring North and South Koreans into direct contact.

Initially skeptical of plans involving international cooperation, North Korea has been driven by economic hardship to embrace the Tumen endeavor. Since 1991, Pyongyang has made a concerted effort to participate in the proceedings, hosting both a UNDP conference and an academic conference sponsored by the East-West Center. North Korean plans focus on development of a free economic zone in the Rajin-Sonbong Area, and development of existing North Korean ports. Pyongyang has, however, clung to the idea of developing the port facilities

\textsuperscript{103}Ibid.  
\textsuperscript{104}Far Eastern Economic Review, 8 August 1991, p. 65.
independently, with the help of foreign capital and technology, thus favoring the concept of separate economic zones. At the August 1992 Vladivostok conference on Northeast Asian economic development, Cho Myong Suk, from North Korea's Institute of External Economy, rejected proposals to establish a joint economic zone in the Tumen River area. North Korea is the poorest and most politically isolated of the TRADP participants, and promises to cause the greatest disruption. North Korean refusal to grant Chinese passage to the Japan Sea, led China and Russia to begin cooperative work on a Hunchun-Zarubino rail and road link in May 1992. China has agreed to help develop the port, and work has already begun on the road. The new agreement should heighten North Korean isolation. Recent North Korean refusal to allow inspection of nuclear sites is also indicative of the problems posed by North Korean involvement.

**Russia:** Domestic political and economic turmoil have precluded decisive action from Moscow, and obfuscated Moscow's interests and intentions in Northeast Asia. Moscow's political position in Northeast Asia has been dominated by its unresolved dispute with Tokyo over the Kurile islands, which precludes serious Japanese involvement in the area. Japanese attempts at initiating a policy of "expanded equilibrium," aimed at disaggregating the territorial dispute from expanded relations between the two countries, have not been favorably received in Moscow. Clearly, however, Moscow has much to gain from successful cooperation in the Northeast Asia. Hampered by nationalist forces, Moscow is searching for any way to attract coveted Japanese investment, short of all-out concession of the Northern Territories. Tumen offers a forum in which Russian and Japanese officials can interact, and a possibility for Moscow to pursue its investment interests with Tokyo.

**Mongolia:** Mongolia clearly hopes to gain access to the sea. As a land-locked country, expansion of trade would be greatly enhanced by successful initiatives at Tumen. Although Mongolia has reached an agreement with China allowing access to the Chinese port of Tianjin, the facilities

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106 *South China Morning Post*, 28 August 1992, p.11.
available are limited compared to the potential at Tumen.\textsuperscript{108} Mongolia supports the UNDP plan for facilities that are jointly managed by the countries involved under an international agreement or treaty.\textsuperscript{109}

**The United States:** While the United States government is not officially involved in the Tumen project, it clearly holds important interests in the area. Concern in America over the development of a "third" trading bloc, and the division of the world into "competing blocs," has sparked considerable debate. While some American studies have concluded that steps must be taken to avoid the development of a "closed" Asian trading bloc, and insure American participation in any and all blocs,\textsuperscript{110} others have concluded that the already extensive American global involvement insures a system of "open" regions and multilateral cooperation.\textsuperscript{111}

Despite the rapid scale-down of American forces in the Pacific which has proceeded since 1990, America still perceives itself politically and economically as a superpower with global interests. Thus, while the countries of Northeast Asia seek to develop new security structures, the United States appears entrenched in an effort to maintain the status quo, even in the face of irrevocable change: "The current United States policy is often construed to be a system-preserving (i.e., status quo) approach, in that it attempts to work with existing institutions."\textsuperscript{112}

Developments in Northeast Asia require a serious reconsideration of the US role in the region.\textsuperscript{113} First, the US must reduce the growing disparity between its self-image and the image held by regional powers. It must redefine its role in Northeast Asian affairs in terms of a facilitator of regional stability rather than a hegemonic enforcer. In this capacity, the United States is uniquely suited to playing the role of an "honest broker" as it alone has sufficient political capital to operate as an effective mediator. Moreover, as Tsueo Akaha points out, most Asian-Pacific countries

\textsuperscript{108}Takashi Sugimoto, *op. cit*.
\textsuperscript{109}This information from the Pyongyang UNDP *Mission Report*, 1991.
\textsuperscript{112}Ibid. p. 212.
\textsuperscript{113}The following discussion of implications is based on an unpublished paper by Tsueo Akaha, of the Monterey Institute of International Studies, entitled "Northeast Asian Economic Cooperation: National Factors and Future Prospects."
"prefer continued US. military presence in the region for fear of regional rivalry and competition."
Secondly, in order to effectively fulfill such a new role, the US. must curb its tendency toward unilateralism and demonstrate willingness to share global and regional leadership and power.
Thirdly, in light of domestic resource constraints, the United States must rely increasingly on international organizations such for example as the United Nations, the World Bank, the International Monetary Fund, the Asian Development Bank, and Asian Pacific Economic Cooperation (APEC). Finally, the US. government clearly considers the bilateral security arrangement with Japan to be vital to East Asian stability. As James Baker put it: "The key to our engagement in East Asia and the Pacific is our relationship with Japan. Nothing is more basic to the prosperity and security of the region, and indeed to the effectiveness of the whole system, than a harmonious and productive US.-Japan relationship." Such an arrangement clearly does not preclude multilateralism, however, for as James Baker indicated on another occasion, global stability relies more and more on "collective engagement...nations taking concerted action to pursue common interests and to solve common problems."  

Whatever the US position, some participating countries, notably Japan, suspect that US. government interests lie behind Hawaii's East-West center's initiatives in Tumen. Japanese sources claim that the East-West Center, "although it is a private body...because of its high standing in the American academic community, represents an unofficial voice of the US. government....Thus, the United States...has gained a decisive say in any economic development activity in the area. Their foresight and strategic activity should be noted."

As with the case of subnational interests, national interests can initially be understood in terms of neofunctionalist logic, (as shown in "comparative advantage" column of the below table), but also in terms of strategic development and political considerations. Thus, while Japan has a clear advantage in technology and capital, it is also motivated by the desire to match its economic

116Takashi Sugimoto, op. cit.
strength with political responsibility—to take a leading role in East Asian development. Similarly, while China's comparative advantage lies in labor and labor-intensive industries, Chinese interest in Northeast Asian cooperation can also be understood as a desire to redress the developmental imbalance between North and South. While South Korea's comparative advantage lies in technology and capital, the ROK is also motivated by investment competition with Japan, as well as by ethnic factors such as the Korean population in China's Yanbian region. In the North Korean case, fear of foreign political influence overshadows the development of the DPRK's comparative advantage. Russia's comparative advantage in natural resources accounts only in part for Russian interest in Northeast Asian cooperation; Russia is in the process of reforming and restructuring its industrial base, and cooperation with Northeast Asia can assist Russian reformist efforts. Mongolia is most clearly motivated by comparative advantage considerations. The below table summarized Northeast Asian country considerations, of comparative advantage as well as political and developmental.

### National Considerations

<table>
<thead>
<tr>
<th>State</th>
<th>Comparative Advantage</th>
<th>Incentive/ Disincentive to Cooperate</th>
<th>Gains from Cooperation</th>
<th>Enthusiasm for Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Technology, capital</td>
<td>Regional power</td>
<td>Regional economic/securi</td>
<td>Very low (other options are available) (6th)</td>
</tr>
<tr>
<td>China</td>
<td>Labor, labor-intensive industry</td>
<td>Access to Japan Sea</td>
<td>Increased trade, Northeastern development</td>
<td>Very High (1st)</td>
</tr>
<tr>
<td>South Korea</td>
<td>Technology, capital</td>
<td>Regional power, compete with Japan</td>
<td>Regional economic/security control</td>
<td>Low (5th)</td>
</tr>
</tbody>
</table>
Conclusion

This study of Northeast Asian regional cooperation in the Tumen River Delta has attempted to present a novel explanation for the process which leads to regional integration. The available literature's focus on the nation state as the unit of analysis has blinded social scientists to the subtleties of Northeast Asian regional integration. This study suggests a different explanation: Regional cooperation in Northeast Asia can be understood in terms of a regional "two-level game." At the first level, subnational actors gain autonomy from their respective centers (step 1.1) and initiate informal regional cooperation (step 1.2). With the expansion of border trade and the establishment of free economic zones, subnational actors seek central endorsement of their projects, through a bargaining process in which subnational and national interests coalesce to form each country's position at the international level (step 2.1). With the respective centers drawn into the ongoing process of regional cooperation, cooperative efforts rise to the level of international negotiation (step 2.2).

This process suggests a final stage, or "third step" in the Level 2 negotiation. This third step (2.3) feeds back into Level 1, in a process whereby international cooperation strengthens the hand of subnational actors and increases their bargaining power vis-a-vis the center. This step "completes the circle," as it feeds back into Level 1, and the process begins again. In this way, increasing levels of subnational autonomy enhance the process of regional cooperation, which in turn increases subnational autonomy in a continuing cycle which facilitates regional integration. It
is through an iterative process of international negotiation and increased sub-regional autonomy that regional integration in Northeast Asia can be achieved. Clearly, regional integration is the goal of proponents of the TRADP. ROK advocates have even promoted the establishment of institutions for financial cooperation, in effect a Northeast Asian Development Bank, which could assist Northeast Asia in developing an export base for manufactured goods, thereby propelling the region along the path of rapid economic growth so successfully pursued in South Korea. With successful regional integration and the pursuit of export-oriented growth, the possibilities for Northeast Asia are tremendous.

Evidence from other regions in East Asia suggests, moreover, that the phenomenon of subnationally driven regional integration may not be limited to Northeast Asia. An OECD Report on East Asia, for example, documents the rise of subnational power in Guangdong and links it to informal economic integration between South China, Hong Kong, and Taiwan. In Southeast Asia, analyses of two "growth triangles," Johor-Singapore-Riau and a "northern triangle" (encompassing portions of Malaysia, Thailand, and Indonesia), focus on cooperation between subnational actors. An analysis of "subregional economic zones" put forward by Chia Siow Yue at the National University of Singapore, and Lee Tsao Yuan at the Singapore Institute of Policy Studies, suggests that subregional economic zones are developing throughout East Asia. Such analyses hint at new avenues for research which could apply the framework of subnational actors to regional integrative processes underway throughout East Asia.
Source- UNDP Mission Report
FIGURE 2 Development with Contiguous Zones

Source -- UNDP Mission Report
Tumen River Delta Area

FIGURE 3 Development with Small/Large Delta Zone

Source: UNDP Mission Report