

The Tumen River Delta Project and Northeast Asian Regional Economic Cooperation*

Yuchao Zhu

Department of Political Studies
Queen's University
Kingston, Ontario, Canada

This paper analyzes a regional economic development project—the Tumen River Area Development Project (TRADP). It examines how historical and structural conditions have informed new regionalist efforts to promote cooperation in the region, and emphasizes that this new regionalism is not only market-driven but also government-solicited. A unique pattern of cooperation has developed in the TRADP: economic cooperation but with different security concerns, political cooperation but with little common political interest, and subregional cooperation but with limited institutional establishment. The development of this project has been based on the regional division of labor and also constrained by the regional political-economic structure. In many ways, its development can indicate future prospects for regional economic cooperation.

Keywords: Tumen, PRC, Northeast Asia, Cooperation, Security

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In recent years, the global economic center of gravity has shifted from the Atlantic toward the Pacific region with the end of the Cold War and bipolarity order. Thus, attention has focused on regional development, as a new regionalism has emerged as a response to and a by-product of the globalization trend.¹ As a demonstration of this

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¹This can be understood to mean that production is being restructured along global lines, mainly in response to the West's so-called Fordism crisis and East Asia's dynamic economic growth. Regarding the term "post-Fordism," see, e.g., Alain Lipietz, *Mirage and Miracle: The Crisis in Global Fordism* (London: Verso Press, 1987), or

new regionalism,² Northeast Asia presents distinctive examples of regional cooperation. We will investigate an economic development project in Northeast Asia—the Tumen River Area Development Project (TRADP).³ This project is very significant for the following reasons:⁴ it represents current patterns of economic cooperation and can be seen as a benchmark for future economic relations in the region, and it has a potentially strong impact on regional security and may play a role in reshaping the regional political order. Through the examination of this project, especially its historical and structural conditions, initiatives, progress, and problems, the prevailing patterns of current regional cooperation can be better understood.

The TRADP is oriented toward and participated in by Northeast Asian countries; it is also sponsored and coordinated by the United Nations Development Program (UNDP).⁵ It is worth noting that the

Mitchell Bernard, "Post-Fordism, Transnational Production, and the Changing Global Political Economy," in *Political Economy and the Changing Global Order*, ed. Richard Stubbs and Geoffrey R. D. Underhill (Toronto: McClelland & Stewart, 1994), 216-27. In terms of "globalization," see, e.g., Robert W. Cox, "Global Restructuring: Making Sense of the Changing International Political Economy," *ibid.*, 45-57.

²See, for example, Richard Stubbs, "The Political Economy of the Asia-Pacific Region," in Stubbs and Underhill, *Political Economy and the Changing Global Order*, 374-75.

³The TRADP has five formal members: the PRC, North Korea, Mongolia, South Korea, and Russia, with Japan, the Asian Development Bank, United Nations Industrial Development Organization (UNIDO), the World Bank, and Finland as observers. It is worth noting that the TRADP is a kind of subregional project which mainly focuses on encouraging specific and limited linkages of complementary economic activities across borders. It can be seen as a pragmatic response to the practical problems of formal groupings which need fundamental changes in national institutional and administrative arrangements. Unlike formal groupings, this kind of cooperation only involves certain adjacent areas within nations that have matching capabilities and resources. In this sense, the TRADP is clearly not a case of formal economic integration like the European Union (EU) or North American Free Trade Agreement (NAFTA). Nor does it resemble the Association of Southeast Asian Nations' (ASEAN's) Free Trade Area plan. Examining the TRADP project at the various levels of economic integration, such as customs union, free trade, common market, and economic union, it remains at the lowest level of integration.

⁴For more descriptions and analyses of the TRADP, see *Northeast Asia: Take Off* [hereafter referred to as *Take Off*] (Changchun: Asia-Pacific Institute, China Ocean Press, 1992); Eui-kou Kim, "Political Economy of the Tumen River Basin Development: Problems and Prospects," *Journal of Northeast Asian Studies* 11, no. 2 (Summer 1992): 35-47; and Holly Ornstein Carter, "A Field of Dreams in Northeast Asia," *Choices* (UNDP), June 1993, 10-13. Regarding the recent development and difficulties of the TRADP, see "Tumen Teeters," *Far Eastern Economic Review*, November 10, 1994, 46-49.

⁵For more on the initiation and development of this project, see Ding Shicheng, "The Development of the Tumen River Region and Its Effects," in *Take Off*, 53-77. Ding is the most important contributor to the TRADP. See, for example, Zhou Changqing and Gao Shuhua, "Ding Shicheng: The Founding Father of the TRADP," *Liaowang zhoukan* (Outlook Weekly) (Overseas edition) (Beijing), 1993, no. 39:11-12. Also see

development of this project has paralleled a serious regional security issue: the North Korean nuclear weapons program. Obviously, the TRADP has more promising prospects and less of an ominous Cold War legacy. In other words, while Cold War-type security issues still haunt the region, economic cooperation is being steadfastly pursued by the same countries. In order to comprehend this unusual combination of confrontation and cooperation, historical reasons and structural settings which have motivated and encouraged regional cooperation must be analyzed. We need to know the important motivations for this cooperation, the different visions each participant harbors for this project, and why the current status of the project is much less than regional integration while its potential impact is well beyond the original plan of an economic development project. Rather than an economic survey, however, this study is more concerned with the interplay between political will and national policies as well as between security concerns and economic arrangements.

Genesis of the Project

In 1990, at a Changchun (China) conference sponsored by the Asia-Pacific Institute of Jilin Province and the East-West Center of Hawaii, an unprecedented agreement was reached among delegates from the People's Republic of China (PRC), North Korea, South Korea, the Soviet Union, Mongolia, Japan, and the United States that economic development and political stability should be a common goal for all countries in Northeast Asia. Certain specific suggestions for regional cooperation were raised, based on four favorable conditions for developing the Tumen River delta.⁶

The UNDP took part in this conference and found the idea of regional cooperation attractive; it therefore suggested that a Tumen River delta development project be included in its key projects. In 1991, the UNDP Regional Bureau for Asia and the Pacific held an-

Andrew Marton, Terry McGee, and Donald G. Paterson, "Northeast Asian Economic Cooperation and the Tumen River Area Development Project," *Pacific Affairs* 68, no. 1 (Spring 1995): 9-33.

⁶These are advantageous geographical locations for the development of intraregional and international transportation; complementary natural resources; the labor force and industrial structure of the region's countries; and the interests of neighboring countries in the region, especially Japan and South Korea, in international trade and investment. See Ding, "The Development of the Tumen River Region," 70.

other conference on Northeast Asian regional cooperation in Ulan Bator of Mongolia, in which the UNDP committed its full support to the Tumen River delta project. Since then, the UNDP has not only provided financial assistance in feasibility studies, but also played a coordinating role and become the project's principal organizer.⁷ One significant contribution the UNDP made to the TRADP was the mission report (hereafter referred to as the Miller Report).⁸ The Miller Report emphasized that given the resources and complementarity of the region, the Tumen River delta could become another Hong Kong, Singapore, or Rotterdam in the future. This very optimistic speculation was endorsed by all involved countries and became the keywords of the TRADP. The Miller Report also summarized three major alternative approaches to the project:⁹

1. Each of the riparian countries of the Tumen River, namely the PRC, the Soviet Union (Russia), and North Korea, establishes and develops one or more areas in their respective regions as special trade zones with some form of coordination in their policies, procedures, and administration;
2. The three countries establish and develop one zone within their territorial jurisdiction that would be contiguous to that of the others, thus continuing one special zone with, however, three separate administrative units that would be expected to be coordinated in their policies, procedures, and administrative practices; or
3. The three countries jointly designate an area in the region as part of a special economic zone with joint administrative arrangement for its development and management. The various countries would, in effect, create (or lease to) a jointly-owned and managed "enterprise" which would be responsible for ports, power, road and rail facilities, and adequate designated

⁷Ding, "The Development of the Tumen River Region," 55.

⁸See M. Miller, A. Holm, and T. Kelleher, *Mission Report: Tumen River Area Development* (New York: UNDP, 1991). This report was provided to the 1991 TRADP consultation conference in Pyongyang. The report was based on consultation with UNDP experts and investigation in concerned countries. However, the principal views expressed in the report mainly originated from Chinese experts. The significance was that the Miller Report provided an authoritative framework for the project that no single country in Northeast Asia had the authority to formulate. The report signified the UNDP's special status and central role in this project.

⁹These three approaches as well as the two-delta idea were first raised by Ding Shicheng.

areas, that may be required for the establishment of industrial parks, stand-alone manufacturing plants, office and housing complexes, etc.¹⁰

If one simplifies the three approaches, the former two seem to be more bilateral, while the third appears more multilateral. Not surprisingly, the Miller Report implicitly preferred the third approach, emphasizing the strong potential for regional industrialization and a strategically located global logistics hub. It hinted that such a project should be put into an international perspective and constructed through international cooperation. Reflecting this report, the UNDP's concerns stemmed not simply from a regional perspective, but also from the project's global meaning. Based on this framework, further consultation and discussion took place. At the 1991 Pyongyang conference, the TRADP was formally initiated and national working groups and a Program Management Committee (PMC) were established. In October 1991, the UNDP headquarters in New York held a press conference to unveil this ambitious project to the world.

Without the UNDP's intermediate and effective involvement, this project would have been much more difficult to start;¹¹ with its involvement, the project has a much more solid base and a better chance of success.¹² In the Miller Report, different viewpoints from the PRC, North Korea, Russia, and Mongolia were all summarized, indicating obvious disagreements regarding the TRADP's objectives among those countries. Thus, in order to achieve cooperation, some common ground had to be found. This has been mostly coordinated by the UNDP, as it can collaborate with countries for that purpose.

According to the UNDP, the best scenario for the TRADP will be to create a new Asia-Europe landbridge with transportation facilities, a complementary economic development area consisting of mining, manufacturing, agricultural products, and financial industries in the

¹⁰The Miller Report further suggested the overall size and the location of the project: a small delta zone of about 1,000 sq km stretching in an arc from North Korea's Rajin port to China's Jingxin or Hunchun to the Russian port of Posyet; or a large delta zone of about 10,000 sq km stretching in a triangular shape from North Korea's Chongjin port to China's Yanji City to the Russian port of Vladivostok.

¹¹For example, the initial start-up funds and the crucial feasibility studies were provided by the UNDP.

¹²Some say that UNDP's support provided a "shorter-term confidence building by giving the project the appearance of less risk than otherwise in the hope of stimulating some foreign investment." See Marton, McGee, and Paterson, "Northeast Asian Economic Cooperation," 25.

region, and a new pole for Asia-Pacific economic growth.¹³ However, the project is rife with problems. As mentioned above, at the beginning there were three proposals and two models among the participating countries. After intensive consultation, the current plan is a combination of the multilateral approach, with the second option of a Tumen River delta project. Since the preliminary stage, the project has concentrated on legal agreements, institutional arrangements, subsector feasibility studies, and infrastructure construction. Certain achievements have been made, but the project has moved slowly because of unresolved issues.¹⁴

Conditions Influencing the Project

Historical conditions relating to post-Cold War political change and global-regional economic restructuring have provided a general background for this project. It is commonly accepted among various Northeast Asian nations that economic development should be the ultimate goal and given the highest priority. Economic cooperation therefore is perceived as beneficial to Northeast Asia as a whole. Furthermore, increasing economic interdependence through rapid development of intraregional trade and investment has stimulated more interests in economic cooperation. The TRADP initiative is based on these conditions. In addition, the TRADP is developing within the current regional economic structure. The division of labor is the basic foundation for any regional or subregional cooperation, and within it, a hierarchical order still exists; the TRADP reflects this order. These structural conditions have shaped cooperation patterns in this particular project.

Before the TRADP, there were advocates of "regional economic circles" in Northeast Asia, such as the Sea of Japan Economic Circle and the Yellow Sea Economic Circle.¹⁵ While many people see these

¹³In the UNDP's words, the TRADP is "a subregional program aimed at promoting economic growth among the participating countries, initiated by China, Mongolia, North and South Korea, and Russia in 1991, estimated to cost US\$30 billion over a 20-year period." See UNDP *Press Release*, October 6, 1992.

¹⁴For example, "political squabbling and bad economics have derailed the United Nations' dream to turn the Tumen River delta into a free trade zone. Small-scale efforts look like a better bet." See "Tumen Teeters," 46.

¹⁵Ding, "The Development of the Tumen River Region," 55-57; Lee-Jay Cho and Mark Valencia, "International Conference on Cooperation in the Economic Development of the Coastal Zone of Northeast Asia," in *Take Off*, 21.

two circles and the TRADP as overlapping, only the latter has emerged as an actual project.¹⁶ Two other projects have also been mentioned: the "Greater Vladivostok Project" by the Russian Far East¹⁷ and the "Rajin-Songbong Project" by North Korea.¹⁸ However, both projects have received much less attention than the TRADP and have made very little progress. The reasons for these different results can be found in the TRADP's conditions.

There have been several favorable conditions for the TRADP compared with other projects. The first favorable condition has been the complementary nature and diversity of capital, resources, labor, geographical location, and level of economic development. This complementarity has allowed participants to pool their valuable resources, technology, capital, and markets to undertake projects for economies of scale benefits.¹⁹ The second favorable condition has been the huge potential for international trade, taking into account the TRADP's goal of establishing another Euro-Asia landbridge, and dynamic port traffic and maritime economic development in the region.²⁰ There is also a developmental imbalance in the Sea of Japan area, as South Korea's eastern region, Japan's northwest, mainland China's northeast, and Russia's Far East have all lagged in economic development compared with other regions of their countries. The assets in this area are underexploited; given this, the TRADP could have a significant impact on regional development and domestic economic growth. In the post-Cold War era, the trend toward regionalization or regional cooperation has provided a strong impetus for regional projects, and the TRADP therefore became a timely initiative.

However, there are also some special factors exerting influence on the TRADP. First, because this kind of multilateral project has

¹⁶The simple explanation is that the Tumen River area enjoys certain advantages; this golden delta can be seen as the core of the region, the core of the population, and the core of the economic circles. See Ding, "The Development of the Tumen River Region," 66; Cho and Valencia, "International Conference on Cooperation," 23-25.

¹⁷See Gaye Christoffersen, "The Greater Vladivostok Project: Transnational Linkages in Regional Economic Planning," *Pacific Affairs* 67, no. 4 (Winter 1994): 513-31.

¹⁸See An Husen, Hong Chunzi, and Han Wenzhe, "Korea's Rajin-Songbong Free Trade Zone," *Dongbeiyu luntan* (Northeast Asia Forum) (Changchun), 1993, no. 3:59-65.

¹⁹See M. Leann Brown, *Developing Countries and Regional Economic Cooperation* (Westport, Conn.: Praeger, 1994), 32; Ding, "The Development of the Tumen River Region," 62.

²⁰Cho and Valencia, "International Conference on Cooperation," 34-43; Hal F. Olson, "Maritime Traffic in the Sea of Japan," in *Take Off*, 198-211; Mark Valencia, "Sea of Japan: Transnational Maritime Resource Issues and Possible Cooperative Responses," *ibid.*, 115-25.

never occurred before, no specific formulae and mechanisms of co-operation exist. Hence, except for international institutions like the UNDP, it has been difficult, if not totally impossible, for any single country in the region to organize this type of huge cooperative project, especially considering that political-economic divisions left by the Cold War remain. In this sense, the involvement of international institutions has been a necessity for the project. Second, the participating countries are very diversified in their political systems, levels of economic development, ideological orientations, and perception of national interests. This has logically led to divergent objectives and visions for the project, and has also introduced factors which could undermine it. For instance, the three bordering countries of Russia, the PRC, and North Korea are more or less in periods of uncertain and unstable "transition." Hence, complicated and somewhat contradictory problems of high expectations for economic development, internal demand for social stability, and the requirement for openness may come into conflict. In other words, pressing demands for economic development do not necessarily lead to international cooperation. Certain constraints in the region must be removed, and the project therefore requires firm political commitment, flexible attitudes, and accommodating arrangements for participants. Moreover, although there is an economic complementarity in the region, the interdependence among those countries is a mix of "sensitivity" and "vulnerability." The regional division of labor can decide the organizational functions, financial resources, institutional arrangements, formulae of administration, and even the outcome of cooperative efforts in this project. While one cannot simply say that the project's outcome is predetermined, the historical and structural conditions are, to a large extent, beyond the control of the three countries. For example, if the two most important conditions for this project, capital investment and technology, are not well-established, the project's future could be very problematic.

The Objectives of the Project Participants

There have been strikingly different visions for the project;²¹ in

²¹See Yuan Shuren and Song Deqing, "An Analysis of State Strategic Countermeasures in the Tumen River Delta Area," *Renwen dili* (Human Geography) (Changchun) 8, no. 2 (1993): 13-19; Kim Soo Jin, "The Tumen River Area Development Project

the preliminary stages, there was no commonly accepted plan and each nation had its own objective and strategy.

There is no doubt that the PRC is at the core of this project because of its geographical location, rapid economic growth in recent years, and historical and demographic advantages.²² However, favorable conditions did not automatically guarantee the PRC's participation. Its active role in the TRADP actually was decided by several factors.²³ First, there were security considerations, namely the strategic importance of navigation rights in the Tumen River and access to the Sea of Japan.²⁴ This thinking underlies the PRC's commitment and was one of the most important determinants for its participation. The second principal reason for the PRC's initiatives has been its internal economic reform agenda. In terms of speed, scale, and market-oriented economic reform, the two northeast provinces, Heilongjiang and Jilin, are far behind southern coastal regions such as Guangdong, Fujian, and Shanghai.²⁵ The northern provinces

[TRADP] and Inter-Korean Economic Cooperation," *East Asian Review* 5, no. 2 (1993): 65-66.

²²However, some conditions are double-edged. For example, the central area of the TRADP, China's Hunchun area, is mainly populated by ethnic Koreans. This can be a positive factor for regional economic cooperation because it can attract South Korean investment, but can also be a negative factor in that it may cause ethnic relations problems for the PRC government. Nevertheless, the positive influence has outweighed the negative effects on the project so far.

²³Regarding the PRC's decisionmaking on the TRADP, see Kong Deyong and Zhou Yuan, "The Tumen River Area Development: Visions and Strategic Options," *Zhongguo ruan kexue* (China Soft Sciences), 1992, no. 3:25-28.

²⁴In retrospect, China once had access to the Sea of Japan. After China signed two unequal treaties with Russia in the nineteenth century, "The Treaty of Aihun" (1858) and "The Treaty of Peking" (1860), it lost huge amounts of territory to Russia and as a consequence had no land border with the Sea of Japan. However, China's rights to navigate in the Tumen River and access the Sea of Japan were confirmed by "The Treaty of Hunchun East Border" with Russia in 1886. When Japan occupied northeast China after the Japanese army was defeated by the Soviet Red Army in the battle of Zhanggu Hill in 1938, the Japanese army blocked Tumen River mouth with piles. Since then, China has lost its access to the Sea of Japan. China's navigation rights were reconfirmed in a treaty signed by Russia and the PRC during Russian President Boris Yeltsin's 1991 visit to Beijing. Legally speaking, this issue is settled, as North Korea did not openly challenge the treaty. But in practice, these rights have not materialized. It is worth noting that the PRC's responsible agency for this project from the beginning has been Jilin's Science and Technology Commission, and its State Oceanography Bureau was the first central agency to push this project forward, as it began its efforts to regain China's navigation rights in the Tumen River as early as 1987. See Ding Shicheng, "TRADP Overview," *Dongbeiyu luntan*, 1992, no. 1:54.

²⁵See Li Wei and Wang Rongfen, "The Development of the Tumen River and Economic Development and Distribution in Northeast China," in *Take Off*, 101-4; Li Beiwei, "The TRADP and Economic Development in Northeast China," *Dongbeiyu luntan*, 1992, no. 2:9-12; and Wang Xinghua, "Heilongjiang Province: A Treasure Land of Northeast Asia Economic Strategy," in *Take Off*, 246-56.

possess most of the PRC's heavy industries, including its biggest oil field, biggest automaker, and biggest steel complex—all prototypical state-managed heavy industries. In the PRC's economic reform, this sector has been the most difficult to upgrade. Encouraged by the southern provinces' impressive economic growth, the northern provinces are very anxious to expand reform and catch up. In order to revitalize the economy in northeast China, Jilin Province has enthusiastically supported the TRADP initiative and actively coordinated the construction of infrastructure. Third, the PRC's participation in the TRADP has also reflected its policy shift in international economic relations. The PRC is downplaying its old thinking of "South-South" cooperation; it is now turning toward promoting more economic cooperation with the "North."²⁶ In this regard, the project is an interesting experiment in this new effort. Nevertheless, security concerns remain crucial in the PRC's policies. According to its plan, China's Hunchun should be the starting point of the Asia-Europe landbridge. That plan emphasizes the importance of China's navigation rights in the Tumen River and its access to the Sea of Japan.²⁷ In sum, the PRC's vision for the TRADP is a combination of security concerns and economic goals. Taking advantage of its central location in the Tumen River delta and relatively advanced economic reform, the PRC certainly hopes to grasp the largest piece of economic-political pie from this multilateral project.

Russia is not very active in the TRADP,²⁸ although its recent foreign economic policy has leaned toward the Asia-Pacific region.²⁹ Some important factors have contributed to Russia's uncertain policies, including structural and historical problems. In the Russian Federation, western Siberia is the richest area with its Tyumen oil field and large-scale industrial activities. Eastern Siberia, and especially the Russian Far East, is more peripheral to Russia's economy. Since the early years of the Soviet Union, security concerns have dominated

²⁶Jin Fengde, "The New International Economic Order and Northeast Asian Economic Order," *Dongbeiyu luntan*, 1992, no. 2:45-48.

²⁷However, North Korea claims that its Rajin port is the starting point. Thus, the PRC's insistence on constructing its own ports and developing Tumen River transportation has become an important issue.

²⁸For more on the PRC's investigative report about Russia's positions, see Zhang Ying, "Northeast Asian Countries' Different Policies Toward the TRADP and China's Policy Options" (Confidential report, September 1992), 249.

²⁹Christoffersen, "The Greater Vladivostok Project," 514-15.

policy in the region, and this pattern has not yet shifted.³⁰ Secondly, Russia's involvement in the Asia-Pacific regional economy has traditionally been through bilateral arrangements,³¹ but in the TRADP, multilateral arrangements must be pursued.³² While these two factors can have positive or negative effects on Russia's involvement, there are two clearly unfavorable factors related to security and political concerns.³³ First, there has been a breakdown between Russia's central government and the Far East local governments over many issues.³⁴ The key dispute is over the Russian central government's 1991 border treaty with the PRC.³⁵ Second, Russia has not yet resolved its dispute over "Northern Territories" with Japan.³⁶ Russia's central government is facing considerable pressure from Far Eastern local authorities and nationalist forces against any possible concession to Japan on this issue. However, Japan is also the most important supplier of capital for the TRADP; internal political and external security factors may therefore have an unfavorable impact on Russia's participation. On the other hand, Russia intends to use this high-profile project to attract foreign capital and technologies for its own Far East, such as the free trade zone in Vladivostok and the whole Khasan region.³⁷ Russia is also eager to exploit its comparatively better, albeit underused

³⁰See Charles E. Ziegler, "Russia and the Emerging Asia-Pacific Economic Order," in *Reshaping Regional Relations: Asia-Pacific and the Former Soviet Union*, ed. Ramesh Thakur and Carlyle A. Thayer (Boulder, Colo.: Westview Press, 1993), 87.

³¹The only exception is the multinational transportation arrangement among the Soviet Union, the PRC, Mongolia, and North Korea, which remained functional even in the worst period of Sino-Soviet relations. It should therefore be no surprise that the TRADP mainly involves these four countries. Source: interview conducted in the PRC's State Council in December 1993, Beijing.

³²Ziegler, "Russia and the Emerging Asia-Pacific Economic Order," 98.

³³For more on unfavorable factors affecting Russia's participation, including domestic policies, nationalism, and local-central conflict, see *ibid.*, 100.

³⁴In recent TRADP meetings, Russian delegates have expressed local governments' concerns about the recent Chinese immigrant wave and Chinese capital (though still on a small scale) taking control of many local enterprises. See Yuan Shuren, "On the TRADP Seoul Meeting" (Confidential report, August 1994). Also see "Tumen Teeters," 47.

³⁵Russia's Primorskiy (Maritime) Kray has strong disagreements with Russia's central government over the Russia-PRC 1991 border agreement which will shift 1,600 hectares of land from Primorye to the PRC. Some leaders have even called for canceling the agreement, causing serious problems between the central and local governments. See *Shijie ribao* (World Journal), May 28, 1994; also see Christoffersen, "The Greater Vladivostok Project," 519-20.

³⁶For more on Russia's dispute with Japan over the North Territories, see Tsuyoshi Hasegawa, "Japan," in Thakur and Thayer, *Reshaping Regional Relations*, 101-23.

³⁷Ziegler, "Russia and the Emerging Asia-Pacific Economic Order," 98-99.

port facilities because it assumes that the PRC will have to utilize Russia's transportation system. It realizes that expanded railway links between the PRC and North Korea may hurt its economic interests in transportation revenues, and hence wishes to be included in the project. Therefore, it has taken cautious steps in joining, while emphasizing its own goals in Far East development.³⁸ Moreover, the dispute between Russia's Far East region and the central government over border issues with the PRC and the autonomous powers of the region have been serious problems. In short, constrained by its internal political crises and its broader economic problems, Russia's actions have been elusive. It does not seem to have a well-defined vision for the project; it simply takes advantage of whatever meets its own interests.³⁹

As a landlocked country, Mongolia is a geographically isolated player in the project. It has been more concerned with the transportation benefits, as the proposed landbridge between Asia and Europe can stimulate its inland economy.⁴⁰ However, Mongolia is the weakest member of the team, and as such, its leverage is minimal—no capital, no suitable technology, and no immediate involvement. Consequently, Mongolia's attitude toward the project has been very enthusiastic and rhetorically active, but it has had very limited influence.⁴¹ Its changing strategic concerns in terms of promoting more cooperation with the PRC have also played a role in its TRADP involvement.⁴²

North Korea's vision for this project is very different from other participating countries. As it remains a very closed country, the project would have a much more serious impact on it than on anyone else; thus, it has been the most sensitive actor. North Korea does have certain advantageous conditions, such as cheap land, natural resources, and a hardworking and highly disciplined labor force with

³⁸Yuan and Song, "An Analysis of State Strategic Countermeasures," 15.

³⁹It is worth mentioning that Russia has differentiated itself from other nations through its concerns about the ecological consequences of the PRC's proposed Tumen River dredging work. See note 28 above.

⁴⁰Yuan Shuren, "The Vladivostok Conference on Northeast Asian Economic Development and International Cooperation" (Confidential report, September 1992), 265.

⁴¹Ding Shicheng, "The Key for Mongolia Really Becoming a Member of the TRADP" (Confidential report, September 1992); also see Yuan, "On the TRADP Seoul Meeting," 7.

⁴²Regarding Mongolia's strategic concerns, see Mohan Malik, "Mongolia's Policy Options in the Post-Soviet World," *The Korean Journal of Defense Analysis* 7, no. 1 (1995): 275-301.

low personal expectations. However, some unfavorable factors appear to outweigh these advantages. Political uncertainties, a closed economic structure, and a serious economic crisis currently exist, and the post-Cold War external environment has forced it to make policy adjustments.⁴³ It is understandable that North Korea intends to take this opportunity to maximize benefits; during the process of consultation and discussion, it consistently emphasized its advantageous conditions, especially its Songbong and Rajin ports, which have been used far below their designed capacity.⁴⁴ It has stressed the high economic cost of other arrangements for transportation, particularly the PRC's plan to construct and use ports on the Tumen River.⁴⁵

Before 1994, North Korea showed little flexibility and made few policy coordinations,⁴⁶ as it emphasized that its participation was by no means a commitment to change its political system and economic structure, particularly the dominant "*juche*" ideology.⁴⁷ Its original vision for the project could be defined as unilateral and self-centered. However, there was a deep incompatibility between its position and the principal theme of this multilateral cooperation project. After realizing this, North Korea imitated the PRC by setting up free trade zones and instated favorable tax exemption policies to lure foreign capital and technology.⁴⁸ However, its political concern for the survival of its regime is still very dominant in its decisionmaking. In brief, North Korea's vision and reluctance to cooperate are relatively less compatible with the principles of the TRADP compared with other countries.

South Korea's most noticeable attitude toward this project has been an emphasis on the linkage between economic cooperation and political relations with North Korea.⁴⁹ This attitude exhibits its two

⁴³For example, North Korea approved the Joint Venture Program as early as 1984, even though it was mostly targeted at Japan-based Koreans loyal to Pyongyang who wanted to increase their investment in North Korea. Other measures taken in the 1980s also reflected North Korea's effort to gradually change its policy, such as "The International Tourism Development Program" and the "People's Consumer Goods Program." See Hy-Sang Lee, "Inter-Korean Economic Cooperation: Reality and Possibility," in *Korea in the 1990s: Prospects for Unification*, ed. Steven W. Mosher (New Brunswick, N.J.: Transaction Publishers, 1992), 16-22.

⁴⁴Yuan Shuren, "On the TRADP Pyongyang Meeting" (Confidential report, May 1992), 157.

⁴⁵See note 28 above.

⁴⁶Yuan, "The Vladivostok Conference," 266.

⁴⁷Yuan and Song, "An Analysis of State Strategic Countermeasures," 15-16.

⁴⁸"Tumen Teeters," 48

⁴⁹Kim, "The TRADP and Inter-Korean Economic Cooperation," 83.

main policy concerns: the prospects for trade, investment, and economic restructuring in its national policies and the goal of national unification. By participating in this project and pursuing economic cooperation with North Korea, South Korea's bid for reunification would certainly be bolstered. In other words, it would have a positive effect in opening North Korea's economy and society, and could help achieve reunification in the long run.⁵⁰ However, the objectives of economic restructuring and inducing change in North Korea are delicate issues and have been separately pursued by the government and the business community. After the tentative settlement of the North Korean nuclear problem, South Korean businesses have made overtures to North Korea, with the government's blessing. It seems that a new unification doctrine has emerged: "if you can't beat 'em, buy 'em."⁵¹ As a newly industrialized economy (NIE), South Korea can play a very important role in this project. It has its own vision of a "Yellow Sea Economic Zone" which is compatible with the TRADP's goals, and thus may become the most important investor in this project.⁵² While uncertainty about the North Korea-United States nuclear pact still exists, the growing economic cooperation between the two Koreas may focus on the development of North Korea's Rajin-Songbong economic zone.⁵³

Finally, though it is currently only an observer in the TRADP, Japan might be the most important participant because of its financial power and technological capacity.⁵⁴ But why did Japan not actively

⁵⁰See Kim Kihwan, "North-South Economic Cooperation: Past Experiences and Future Possibilities," in Mosher, *Korea in the 1990s*, 27-35; Euikou Kim, "North-South Korean Economic Cooperation in the Post-nuclear Era: Problems and Prospects" (Paper for the annual conference of the International Studies Association, Chicago, February 1995).

⁵¹"Let the Moneymaking Begin," *Newsweek*, October 31, 1994, 44. However, North Korea has thus far still taken a negative position toward official approval of direct economic cooperation with South Korea. Also see Samuel S. Kim, "North Korea in 1994," *Asian Survey* 35, no. 1 (January 1995): 26.

⁵²It is worth noting that South Korea has rapidly increased investment in the PRC and lessened direct investment in ASEAN countries, especially after 1992, when the PRC and South Korea established diplomatic relations. See Jang Won Suh, "South Korea-China Economic Relations: Trends and Prospects," *Journal of Northeast Asian Studies* 13, no. 4 (Winter 1994): 25. Moreover, South Korea's investment in the PRC has also mostly (60 percent) focused on two provinces, Shandong and Liaoning, which are also located in the Bohai rim region; geographical proximity and ethnic relations seem to be important factors for South Korea's investment in the PRC. In this sense, the TRADP's China core area, Hunchun, would certainly be a favorable location.

⁵³"Tumen Teeters," 48.

⁵⁴"Japanese Experts on Northeast Asian Cooperation," *Dongbeiyu luntan*, 1992, no. 2:60-64.

participate in this project and what are the main concerns that led to its inactivity? Japan's reservations illustrate the region's political uncertainties: the unresolved Northern Territories problem with Russia,⁵⁵ a troublesome relationship with North Korea, and shifting investment patterns in Southeast Asia have made Japan a very cautious player.⁵⁶ The historical legacy of Japan's imperialist colonial rule in the region has also fostered distrust from others.⁵⁷ Thus, Japan has to be cautious, and has repeatedly claimed that the most important precondition for Northeast Asian cooperation is the improvement of political relations in the region.⁵⁸ In this sense, Japan has taken a "wait-and-see" position.⁵⁹ On the other hand, it has selectively involved itself based on its own interest-based calculations; for example, it is interested in pursuing bilateral cooperation with the PRC.⁶⁰ However, the extent of its participation has been very limited. Most of Japan's big companies have shown little interest in investing in the TRADP; only some smaller Japanese enterprises have participated.

In sum, the various visions of different countries toward the TRADP are crucial to the project. These visions reflect divergent perceptions and policy goals regarding new regionalism in general. In the political field, North Korea is highly sensitive about the political impact of the TRADP and resists any "political subversion" by capitalist countries. The PRC has its own political and security thinking which goes beyond the economic rationale for its policy. Russia's internal political problems, especially between the central and local governments, have resulted in inactive or even contradictory policies toward the project (to a certain extent, Russia's Far East is trying to forestall the project). South Korea has its own political purpose for its involvement, specifically influencing and changing North Korea

⁵⁵See note 36 above.

⁵⁶Yuan and Song, "An Analysis of State Strategic Countermeasures," 17.

⁵⁷South Korea's former prime minister Nan Deyou made this statement in the TRADP's 1994 conference. See Yuan, "On the TRADP Seoul Meeting," 9.

⁵⁸Yuan, "The Vladivostok Conference," 264.

⁵⁹Yuan, "On the TRADP Pyongyang Meeting," 157.

⁶⁰It is worth mentioning that in the last two years, the PRC (and Hong Kong) has become Japan's second largest FDI (foreign direct investment) destination. For example, in 1993, the PRC absorbed US\$1.7 billion of Japan's FDI (4.7 percent of Japan's total FDI that year), which was second only to the United States. It is very notable that Japan's FDI in the PRC is concentrated on Dalian (one-third of Japan's 1993 total FDI in the PRC) which may also defuse Japan's possible FDI in the TRADP. See "Opportunity Knocks," *Far Eastern Economic Review*, December 8, 1994, 56-57.

in the short term and achieving Korean unification in the long run. Japan, though keeping a low profile, also intends to use its participation as a political card in dealing with Russia over the Northern Territories problem. In sum, there is no shared political vision for the project among the participants other than general acceptance of the principle of cooperation. In the security field, divergent visions are even more significant. The various countries all have their own national security concerns which influence their policies toward the TRADP. The PRC's focus on navigation rights, North Korea's concerns about its national sovereignty and state survival, and Russia's fears relating to Far Eastern security are all critical. Though these different security concerns may not necessarily be in conflict, accommodating them is essential for the success of this project. In the economic field, the objectives have more common ground and will be easier to accommodate. However, many issues such as leasing land, financing arrangements, administration, infrastructure, and transportation still need to be coordinated and resolved. In short, this project is taking place under difficult and complicated conditions.

The Project's Progress and Problems

Progress has been made in institutional arrangements and infrastructure construction, as an intergovernmental organization, the PMC, has been established to direct and manage regional economic cooperation. Some bilateral corporations (such as the Sino-Japan Tumen River Development Corporation and the Sino-Russia Tumen River Development Corporation) have also been founded. According to the UNDP's 1993 and 1994 reports, the TRADP's infrastructure construction has also made impressive progress, especially on the PRC side. The Tumen-Hunchun railway has already been completed, and the PRC has reached an agreement with Russia for the construction of four terminals in Zarubino and leasing them for seventy years.⁶¹ At the commercial level, although the development of new trade is key to the TRADP's success, progress has been slow. This is partially

⁶¹It should be pointed out that Zarubino port is becoming the central port of the project. The UNDP has apparently made this compromise in order to balance the PRC's insistence on Tumen River port construction and North Korea's effort to install Rajin-Chongjin as the central port. North Korea was very disappointed at this result. See Zhang, "Northeast Asian Countries' Different Policies," 252.

because of undeveloped local market and trade networks, partially because of the TRADP's overall lag in development, and partially because the project is in its early stage. The entire area has already been declared a special economic zone by all three riparian countries, and the PRC has also implemented some new policies to encourage foreign investment. The State Council established the Hunchun Border Economic Cooperation Zone, which will concentrate on export processing and high-tech industries.⁶² In 1993, there were decisions on over two hundred new joint ventures in the Hunchun area, enlarged airport facilities in the Vladivostok area, and improving port and road facilities in Rajin and related areas of North Korea.⁶³ In May 1993, a tentative agreement was reached in the Pyongyang meeting to establish a joint corporation in the Tumen River border area. That corporation was established as an independent unit operated by international management. The land leasing arrangement was also agreed to in principle by the three bordering countries.⁶⁴ In 1994, North Korea made some noticeable policy changes, such as dropping visa requirements for foreign business people entering North Korea's special TRADP zone. North Korea also hinted that it would follow the PRC and other East Asian countries' special economic zone formulae.⁶⁵ These events occurred at the same time as North Korea suffered serious food shortages;⁶⁶ these might have partially contributed to its final decision to sign the agreement.⁶⁷ In the most recent development, the crucial and final agreement was signed in May 1995, but the institutional framework of this project is still in limbo; the internal structure of the TRADP's decisionmaking and administration is undefined and in the process of organization.⁶⁸ Some progress has been made in the PRC's Hunchun area in attracting foreign investment,⁶⁹ and Hunchun's infrastructure construction and the PRC's

⁶²*People's Daily* (Overseas edition), February 21, 1994.

⁶³Statement made by the UNDP Resident Representative Arthur N. Holcombe, July 1993.

⁶⁴UNDP *Press Release*, May 11, 1993.

⁶⁵North Korea also showed great interest in attracting FDI from Taiwan, with which it traditionally has had very little economic contact. See *Zhongyang ribao* (Central Daily News) (Overseas edition) (Taipei), March 5, 1995.

⁶⁶*Shijie ribao*, May 29, June 17, and June 26, 1995.

⁶⁷*Ibid.*, May 31, 1995.

⁶⁸See Marton, McGee, and Paterson, "Northeast Asian Economic Cooperation," 27-29.

⁶⁹Zhou Yuan and Kong Deyong, "The Development Process for the Inducement of Foreign Capital: Policies to Induce the Flow of Capital to the Tumen River Area," *Zhongguo ruan kexue*, 1993, no. 3:8-11.

joint railway and port construction with Russia and North Korea have all made impressive progress. However, on both the Russian and North Korean sides, especially in Zarubino, construction is at a halt because money is running out.⁷⁰ The backward economic conditions in both Russia and North Korea also pose a very serious problem. In addition to political obstacles and economic conditions, financing has contributed to the project's misfortunes. Loans from the World Bank and the Asian Development Bank (ADB) are crucially important; however, these two institutions only lend money to individual countries, not to projects. Russia is not a member of the ADB, North Korea is not a member of either of these two institutions,⁷¹ and both nations have also had default problems with their foreign debt. As a result, foreign investment has been far short of anticipated numbers and the project's US\$30 billion investment target looks unachievable.⁷² As the UNDP's TRADP program manager John Whalen acknowledged, the investment figure should not be mentioned because "you couldn't commit anything up front until you see the demand."⁷³ Against this backdrop, the UNDP closed its TRADP office in New York in May 1994 and even hinted that it might withdraw its support.⁷⁴

In hindsight, one of the most important unresolved issues appears to be the participating countries' different visions of cooperation. In the process of project development, every participant has emphasized its own interests. In examining the two tiers of participants, the three major players who offered territories belong to one category, while Mongolia and South Korea are the respective major beneficiary and main capital and technology contributor, and Japan is seen as a not-so-enthusiastic partner. It comes as no surprise that there have been controversies among the three main players. North Korea is reluctant to recognize the PRC's navigation rights on the Tumen River.⁷⁵

⁷⁰"Tumen Teeters," 48-49.

⁷¹*Ibid.*, 47.

⁷²Actually, this is why the PRC is planning to switch its focus mainly to overseas Chinese FDI, especially capital from Hong Kong and Taiwan. See Yuan, "On the TRADP Seoul Meeting," 14.

⁷³"Tumen Teeters," 47.

⁷⁴*Ibid.*

⁷⁵This is a central issue between the PRC and North Korea in the TRADP. North Korea is delaying its response to the PRC's demand on the issue, a delay which is upsetting. See Zhang, "Northeast Asian Countries' Different Policies," 249-50; see also Yuan, "The Vladivostok Conference," 268-69. Another reason is that North Korea currently is earning hard currency through reexports, mostly through shipping Japanese and South Korean cars and other consumer goods to the PRC. In 1993

Russia and North Korea also both intend to let the PRC use their ports rather than see the PRC expand its ports. Hence, certain competition exists between the PRC and Russia, the PRC and North Korea, and Russia and North Korea in transportation construction and related arrangements. Obviously, the PRC knows that using or leasing either Russian or North Korean ports is more rational in economic terms, as the cost of dredging the Tumen River to allow large ships to navigate it to the Sea of Japan would be much more expensive. This evaluation was convincingly given by the Miller Report.⁷⁶ However, even though the cost of construction and the use of its own river transportation is high, the PRC still intends to establish deep harbors at the river mouth and create a navigable course for its own large ships.⁷⁷ In its mind, even given the worst possible scenario of the project, such as a failure at a multilateral level, it would still benefit from the project's security achievements and infrastructure construction.⁷⁸ Moreover, it is clear that one of the key issues in the project is the location of its central port. The competition is mainly between Russia and North Korea, and the UNDP's position has been that the decision should be made based on economic rationale. However, this position has not been shared by others. The UNDP has stressed that it supports multilateral project development and urged participating countries to make necessary adjustments and concessions, especially to eliminate unhelpful, destructive competition and unnecessary, costly duplication of facilities.⁷⁹ It is true that this position could help the TRADP develop more rationally; however, some issues

alone, it was estimated that North Korea shipped 40,000 South Korean cars to the PRC. See "White Knights," *Far Eastern Economic Review*, March 3, 1994, 46.

⁷⁶ According to the Miller Report, the Tumen River is difficult at best to navigate and should be avoided if possible, since dredging the river deep enough for ship traffic would be very destructive to the river and very expensive. Such work also would need to be repeated as the river will be iced every winter. However, the report still endorsed inland port construction.

⁷⁷ Here, security concerns are very important. According to the PRC's internal policy paper based on detailed analysis of the UNDP's report and project situation, in order to exploit resources and utilize the Tumen River area infrastructure effectively, the PRC should insist on constructing its own Tumen River transportation facilities. This policy would secure the PRC's access to the Sea of Japan and Pacific through the Tumen River. If the PRC does not have its own ports on the Tumen River, it will reduce its leverage in future regional economic development. Therefore, from both political-economic and strategic views, the PRC certainly cannot and should not depend exclusively on other transportation facilities. See, for example, Yuan, "The Vladivostok Conference," 269-70.

⁷⁸ Source: interview conducted in the PRC's State Council, December 1993.

⁷⁹ UNDP: Miller Report, 1991.

cannot be simply resolved by economic rationality. The PRC's position on the construction of its own ports on the Tumen River is a good example.

Another serious obstacle is political problems. For example, Russian Far East leaders have refused to travel to the PRC to participate in regional cooperation activities and tried to block TRADP development as a protest against the 1991 Sino-Russian border treaty;⁸⁰ on the other hand, they have continued to raise their own counterproposal, the greater Vladivostok development project, which is specially targeted at Japanese MITI (Ministry of International Trade and Industry) participation as an alternative plan to the TRADP.⁸¹ As Gaye Christoffersen has noted:

While leaders in Moscow appear to support Sino-Russian transnational economic cooperation, security forces in Moscow and Primorye, and the new political leadership in Vladivostok and Primorye, uphold the border guard model of security. Rather than taking the lead on Tumen, the Maritime province was being pushed out ahead. Vladivostok residents, fearful that the preferences of the city will be sacrificed to the foreign policy strategies of Moscow, lean toward the border guard conception of security in the province's relations with China, thus undermining Yeltsin's China policy. Numerous side payments were needed from Moscow in domestic bargaining to align the province with Moscow's Asia-Pacific policy.⁸²

In late 1992, coinciding with the North Korean nuclear crisis and Russia's internal political turmoil, the TRADP entered a slow and rocky period. In 1993, Russia delayed signing the land leasing agreement and other legal papers to establish the project.⁸³ North Korea also continually refused an initial international agreement which would facilitate border crossings into the TRADP central zone,⁸⁴ maintaining that economic cooperation should be based on each country's own development priorities, and change or reform of Pyongyang's central planning economic system was absolutely out of the question.⁸⁵ To be sure, involvement in this kind of multilateral project must have had an unexpected impact on North Korea's internal sociopolitical situation. Taking this into account, North Korea's concerns and its

⁸⁰*Shijie ribao*, June 17, 1995.

⁸¹Christoffersen, "The Greater Vladivostok Project," 519-21.

⁸²*Ibid.*, 521.

⁸³Source: interview conducted in the UNDP Beijing Office in November 1993.

⁸⁴"Tumen Teeters," 48.

⁸⁵Yuan and Song, "An Analysis of State Strategic Countermeasures," 16.

emphasis on a unilateral rather than a multilateral position at the beginning are understandable. On the issue of port construction and use, North Korea has always stressed the port and transportation advantages in its Rajin area; however, its claim did not receive a favorable response.⁸⁶ Its internal political situation has also had a negative influence and its nuclear weapons program has remained a thorny issue in regional stability. It was not until the fourth TRADP-PMC meeting in July 1994 that the TRADP entered another development period.⁸⁷ The event coincided with the signing of the U.S.-North Korea nuclear pact, which reduced tensions about nuclear weapons. Since then, North Korea has made a commitment to leasing land and joining the multinational corporation which will coordinate and administer the TRADP. It has also mobilized 16,000 army and local labor forces to begin massive infrastructure construction in Rajin area.⁸⁸

Though the future of the TRADP is still uncertain, the successful development of its preliminary stage has proven that regional cooperation is possible, even among such divergent nations. Various issues caused by differing national interests and priorities have had to be resolved in order to move ahead with the project. In terms of the project's possible future, three factors will determine its success or failure: internal political stability in the three riparian countries; continued commitment of all countries, especially their leaders; and the economic interests of potential investors.⁸⁹ Political instability and uncertainty in all three bordering countries certainly cannot be written off, and as mentioned earlier, economic conditions and a difficult financing situation also make the project's future uncertain. For all of these reasons, some have claimed that "the countries involved are going their separate ways."⁹⁰ Finally, regional economic structures have placed constraints on this project. If the restructuring and regional division of labor goals of economic powers like Japan and South Korea are not fully satisfied, the TRADP's future will remain uncertain, no matter how the three bordering countries complete their infrastructure work.

⁸⁶Yuan, "On the TRADP Pyongyang Meeting," 159.

⁸⁷Yuan, "On the TRADP Seoul Meeting," 11-12.

⁸⁸Source: "The Yanbian Korean Autonomous Region's TRADP Office Report" (Confidential report, December 1994).

⁸⁹UNDP *Press Release*, April 28, 1992.

⁹⁰"Tumen Teeters," 46.

Conclusion: Patterns and Prospects

Although the project is still unfolding, and despite the fact that the UNDP has already reduced its involvement, certain observations can be made. We have found a unique pattern of cooperation in this project;⁹¹ as some have argued, this project indicates that geoeconomic patterns are replacing existing geopolitical alignments in the region.⁹² Furthermore, the TRADP's unique experience indicates that the new regionalism is both market-driven and government-solicited. Based on that, a generalized pattern of regional cooperation could be found. We can summarize three characteristics from TRADP development:

First of all, while this project is ostensibly one of economic co-operation, it also contains security concerns. The economic rationale definitely has not been the only reason for each country's decision in relation to this project. For example, the PRC's insistence on the construction of its own ports on the Tumen River and related transportation facilities, rather than depending on Russia or North Korea, is economically irrational, but very much consistent with its security concerns. By the same token, North Korea's concern about the implications of this project for its political stability and national sovereignty has overshadowed its economic needs in the project. In short, economic decisions in this project have been very much security-related. One major factor for why the various proposals which constitute the TRADP have not aggregated enough support is security uncertainties. Thus, security concerns must always be considered whenever this kind of multilateral project is pursued. In this sense, this project has revealed certain general rules for multilateral economic cooperation projects among diversified countries. Put differently, economic cooperation under these kinds of conditions must take into account various nations' security concerns and try to accommodate them. A project's success or failure will depend greatly on how well the concerns are addressed.

⁹¹As stated earlier in the paper, my focus is on the relations between political will and policy arrangement, between security thinking and economic rationales; thus the pattern I am going to generalize is from these perspectives only. In fact, there are some interesting discussions on the economic pattern of cooperation in this region that has displayed in this project. One of the most popular arguments is that this is a "complementary compound cooperation." See Li Wenzhe, "On the Objective Models of Northeast Asian Regional Economic Cooperation," *Dongbeiyi luntan*, 1992, no. 2:49-53.

⁹²See Cho and Valencia, "International Conference on Cooperation," 20.

Second, there has been some political cooperation, but too little common political interest. In other words, reducing tension and stabilizing the region was viewed and should be seen as one of the political goals of the TRADP. In meeting this objective, there should be a common ground for political cooperation; however, wide political gaps still exist. For example, the countries involved do not share similar political systems or ideological orientations. Thus, cooperation has been far less coherent and stable than political alliances in Europe. Internal political issues may have a strong impact on policymaking, such as the Russian Far East's objections to the bilateral border agreement between Russia and the PRC. Moreover, since this project is mostly perceived as economic cooperation, its political importance may be overlooked. The TRADP has proven that this type of cooperation is possible, but only to the extent that most members align their political commitments toward a common goal. If there is even one country who clashes with others in this respect, the project will be in jeopardy. One typical example is North Korea's nuclear weapons program and its political stand on the issues of sovereignty and internal political change. The settlement of this kind of sensitive political issue would help the project, though it may also influence its focus, i.e., what may transpire between the two Koreas.

Third, the project can also be seen from a regional perspective. This complicated cooperation among transitional countries, NIEs, and economic superpowers certainly indicates a possibility for a new form of regional cooperation. However, one striking characteristic of this project is the lack of any form of institutional arrangements. Nevertheless, its preliminary success at least illustrates that the lack of an institutional establishment does not mean cooperation is impossible. The important lesson is that there must be authoritative but neutral, well-received international institutions to coordinate and collaborate cooperation at the beginning; otherwise, cooperation is difficult to initiate. Following that, it is important to make solid regional institutional arrangements. The possibility of institution building is highly dependent on conditions such as the division of labor, the level of interdependence in the region, the legal system, and the establishment of common rules. It also requires a newfound acceptance and respect toward international institutions. Given that the division of labor is still very hierarchical in the region, interdependence levels are still low, internal legal systems are underdeveloped in some cases, and international institutions are very new, the TRADP will be hard pressed to resolve the "institutional establish-

ment problem” and the project remains in uncertainty.

Finally, one may be compelled to explain this project's development in larger conceptual terms. For example, this project is neither a European-type regional integration, nor a move toward advanced multilateral cooperation like the North American Free Trade Agreement (NAFTA). In contrast, it is limited in scale, allows for divergent interests, encourages different attitudes, and recognizes difficult and unique adjustments. This is, at best, a kind of “restricted integration.” Thus, one might ask, what kind of regional system would this project lead to? Is this project oriented toward “transitional” countries or NIE-dominated? Either way, one is left wondering about the relations among the transitional countries; their economic reform plans; and the NIE's de-industrialization and economic restructuring in its efforts to increase external resources, markets, and investment. What effect will this project have on each nation's internal development, and what are its implications for international relations and the regional system? For example, the so-called de-industrialization process can change economic structures, and market forces are driving Japan (and to a lesser degree, South Korea) to expand outside their borders toward reforming the division of labor in the region. However, sociopolitical factors have shaped and limited their expansion, and their participation in the project has not been overwhelming. For the transitional countries, the problem is that involving themselves in the global market and world system, no matter through voluntary means or not, makes their own control of policymaking much more difficult. So, how to respond to this new challenge? If we see the former regional system of Japan-South Korea-United States as one pole of economic growth and political alliance in the postwar era, is there another pole consisting of the PRC-Russia-North Korea emerging with the development of this project? Currently, this seems unlikely. On the other hand, some signs have recently surfaced which point toward more cooperation among the three transitional core countries, especially because of Russian's disappointment at its Far East's economic problems of high inflation, a slumping market, very limited foreign direct investment (FDI), and decreasing local manufacturing. North Korea has had similar recent economic difficulties.⁹³ All these may create more incentive for coordinated cooperation

⁹³Yuan, “On the TRADP Seoul Meeting,” 6.

among one former "socialist" country and two current socialist countries. This certainly indicates that there will be a further structural change in the region that might create new relations among Japan, NIEs, and transitional nations. Current efforts to diversify external economic relations in the region have been very obvious, and with this movement, the three major participating countries may pursue more special cooperation to decrease their dependence on Japan and form a core. The regional cooperation pattern remains very informal and uncertain; future evolution will still be based on regional political relations, economic structure, and division of labor.