

Cooperation and Conflict among Provinces: The Three Northeastern Provinces of China, the Russian Far East, and Sinuiju, North Korea*

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The development of cooperative relations between provinces in Northeast Asia has been reinforced by the global trend toward localization and decentralization. The relationship between China's three northeastern provinces and the Russian Far East may be seen as a mixture of cooperation and conflict. China imports the natural resources necessary for its economic growth from neighboring Siberia and the Russian Far East, while these regions of Russia make up for their shortage of consumer goods, foodstuffs, and labor by importing from China. Cooperation and exchange are positive aspects of this relationship while controversy over the migration of Chinese labor to the Russian Far East is a negative aspect. The conflict has intensified due to Russia's fear of China's increasing power.

Relations between Sinuiju in North Korea and Dandong in China are a mixture of cooperation and subordination. The two areas function as gateways to their respective countries, but China disrupted North Korea's efforts to establish the Sinuiju special administrative region in 2002 because of the city's proximity to Dandong. However, since 2006, China has been mapping out a plan for the development of Sinuiju in connection with

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its plan to develop Dandong, and North Korea appears to assent to this. It seems that China is taking the lead in the development of Sinuiju.

KEYWORDS: provinces; three northeastern provinces of China; Russian Far East; Sinuiju, North Korea; decentralization.

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The global trend toward decentralization and localization has influenced not only domestic but also international relations. Local governments have emerged as important actors in international relations alongside central governments. Central governments have exclusive competence in the areas of diplomacy and national defense, but local governments exercise influence as well. Local governments carry out cross-border cooperation mainly in the economic sector. Domestically, local governments are setting up new frameworks for sharing responsibilities with central governments. This is the phenomenon of "decentralization" or "localization." This paper analyzes international relations among provinces in Northeast Asia.

Studying how regions in Northeast Asia are conducting cross-border cooperation and what their mutual issues are helps us to understand international relations in Northeast Asia. Inter-provincial cooperation is under way in fields such as politics, socioeconomics, diplomacy, and security.

Ever since the Chinese government adopted its policy of reform and opening-up, China's provinces have been exchanging goods and services with their foreign neighbors by such means as frontier trade and economic collaboration. In particular, the three northeastern provinces of China carry on active trade with neighboring regions of North Korea and Russia, thanks to geographical proximity and economic reciprocity.

In Russia, provincial voices began to be heard more strongly with the establishment of the Russian Federation after the breakup of the Soviet Union. Regionalism is prevalent in the Russian Far East, which is "a treasure trove of natural resources." Having received relatively little attention from the central government, the region has been able to establish relations with foreign countries as a functional component of federation. In particular, its relations with neighboring regions of China have become more intimate.

North Korea had not achieved much from its existing international ties, but conditions began to change slowly after the government adopted what it termed "measures to improve economic management." The country began to take an interest in provincial cross-border cooperation and enacted a basic law to designate Sinuiju (新義州) as a special administrative region (SAR). However, the initial failure of this initiative provoked a crisis for North Korea, although it has recently renewed its attempt to establish the Sinuiju SAR.

This paper examines cooperation among regions in Northeast Asia and issues centering on relations among the three northeastern provinces of China, the North Korean city of Sinuiju, and the Russian Far East. It takes specific interest in the progress of relations between China's three northeastern provinces and the Russian Far East from an economic point of view, as well as conflicts between the two regions. In addition, it examines relations between Sinuiju and the Dandong (丹東) area of China, and analyzes the competition between them which attracted attention in relation to the controversy surrounding Yang Bin (楊斌), the chief administrator of Sinuiju.

Many studies have been conducted on relations between central governments, but very few have dealt with relations between local governments in different countries.¹ By doing the latter, the present paper will contribute to an understanding of the new framework of international relations in its diverse manifestations.

¹G. John Ikenberry and Michael Mastanduno, *International Relations Theory and the Asia-Pacific* (New York: Columbia University Press, 2003); Uk Heo and Shale A. Horowitz, *Conflict in Asia: Korea, China-Taiwan, and India-Pakistan* (London: Praeger, 2003); Samuel S. Kim, *North Korean Foreign Relations in the Post-Cold War Era* (Hong Kong/New York: Oxford University Press, 1998); Alexander Lukin, *The Bear Watches the Dragon: Russia's Perceptions of China and the Evolution of Russian-Chinese Relations since the Eighteenth Century* (Armonk, N.Y.: M.E. Sharpe, 2003); Robert G. Sutter, *China's Rise in Asia: Promises and Perils* (Oxford: Rowman & Littlefield, 2005); and Michael Yahuda, *The International Politics of the Asia-Pacific* (New York: Routledge, 2004). These previous studies focus on international relations from the point of view of central governments, while this paper focuses on the analysis of international relations from the perspective of provinces.

The National and International Background to Cooperation among Provinces in Northeast Asia

In the era of local autonomy, provinces in Northeast Asia have emerged as actors in international relations and are more actively engaging in economic cooperation. Such cooperation has been brought about through economic reciprocity and geographical proximity. Globalization is playing a positive role in promoting exchanges among provinces, but it is also causing conflict among regions as well. In China, the provinces have engaged in frontier trade and economic collaboration with their counterparts in neighboring countries ever since the initiation of the reform and opening-up policy. Local autonomy and decentralization began in earnest after the second session of the Fifth National People's Congress of June 1979 decided to dismantle the revolutionary committees. These committees were replaced by people's governments and at the same time the old positions and titles of local government were restored. These changes were written into the constitution of 1982.²

In Russia, the provinces began to play a leading role after the breakup of the Soviet Union, as the government in Moscow and the republics set up a new framework of federation under the federal treaty of February 1992. In December 1993, the federal constitution was adopted, which specified republics, territories, regions, two special cities (Moscow and St. Petersburg), the Jewish Autonomous Region, and autonomous areas as component parts of the federation.³ Thus a new political order was created in the form of Russian federalism. Provincial authority diminished under the Putin administration,⁴ but in contrast to their Chinese counterparts,

²The Constitution of the People's Republic of China; and Woo-Jun Kim, "Relations between China's Three Northeastern Provinces and the Russian Far East and Siberia: Current Situation and Issues," *Journal of Modern China Studies* 5, no. 1 (April 2003): 162.

³The Constitution of the Russian Federation (Ratified on December 12, 1993), Article 65, <http://www.constitution.ru/en/10003000-01.htm>. See also Woo-Jun Kim, "Russia's New Political Order: Relations between the Central Government and Siberia and the Far Eastern Region," *Korean Journal of International Relations* 40, no. 3 (September 2000): 192-93.

⁴Elena Chebankova, "Putin's Struggle for Federalism: Structures, Operation, and the Commitment Problem," *Europe-Asia Studies* 59, no. 2 (March 2007): 279-302.

Russia's provinces have attempted to exercise influence in politics, diplomacy, and security. Regionalism is also prevalent in the underdeveloped but natural resource-rich regions of Siberia and the Russian Far East. Since these regions are relatively free from central government influence and possess authority to establish relations with foreign counterparts, their relations with neighboring Chinese regions have become closer.

The very nature of the Pyongyang regime makes it unthinkable to discuss decentralization and localization in a North Korean context. However, the collapse of socialism in the Soviet Union and Eastern Europe, as well as China's experiment with market capitalism centered on special districts, did stimulate Pyongyang to attempt changes. North Korea established special economic zones in the Najin-Seonbong area and Mount Geumgang in the 1990s, in Gaeseong (開城) in 2002, and has made two attempts to establish a special zone in Sinuiju. These efforts have borne little fruit due to external factors and the regime's own limitations. However, since North Korea is desperate to overcome the crisis in its planned economy by attracting foreign capital and technology and engaging in trade in goods, it is persisting in its attempts to pursue external trade through the economic zones adjacent to China and Russia.

Relations between the Three Northeastern Provinces

of China and the Russian Far East:

Cooperation and Conflict

Economic Cooperation

The three northeastern provinces of China (Liaoning 遼寧省, Heilongjiang 黑龍江省, and Jilin 吉林省) seek to import raw materials from the Russian Far East while providing Russia with consumer goods, foodstuffs, and labor. Therefore, the two regions are complementary from an economic point of view.

The population in the three northeastern provinces stands at about one hundred million. Since Heilongjiang and Jilin are underdeveloped compared to other parts of China, some of their surplus labor is moving

to the Russian Far East. China also exports electronic and light industrial products and foodstuffs to the region. For this peripheral region, trade with China's three northeastern provinces, especially Heilongjiang, is particularly important. The number of joint ventures between the two regions is also increasing. Frontier trade dates back to 1983 and a law on trade between the regions was signed at central government level in 1988. In the beginning, the barter system prevailed and some trade involved peddlers.

After South Korea and Russia set up diplomatic ties in the 1990s, South Korean consumer goods began to be exported to the Russian Far East, replacing inferior-quality Chinese goods. China has been competing with emerging competitors such as South Korea and existing ones such as Japan for the Far Eastern market in Russia ever since. China has made strenuous efforts to improve its relations with Khabarovsk Krai (Region), the most important area in the Russian Far East, and has come to hold a dominant position there, with as many as 188 joint ventures.⁵ A large delegation from Khabarovsk Krai participates in the annual Harbin (哈爾濱) international exposition, and cooperation in the aeronautical components industry has made progress. Regular flights between the two regions have contributed to tourism, and cooperation between the two regions is expanding into sectors such as construction. Khabarovsk Krai has provided Heilongjiang with the technology to develop a gold mine, while small autonomous areas within the two regions have been actively engaging in trade. As the deputy mayor of Khabarovsk has noted, the region is more actively engaged in exchanges with the countries of Northeast Asia than with Moscow.⁶ Heilongjiang has concluded more than two thousand agreements for collaborative projects with Russia worth about US\$2.9 billion, and Russia is Heilongjiang's largest trading partner (see table 1). In 2005, exports and imports between the two were worth US\$6.69 billion, a 17.8 percent increase over the previous year.⁷ It is notable that barter trade

⁵Kim, "Relations between China's Three Northeastern Provinces," 165.

⁶*Northern Business* (Seoul), no. 6 (June 1994): 50.

⁷Heilongjiang Province's trade with Russia, <http://www.hlj.gov.cn>.

Table 1

Changes in the External Trade of Heilongjiang Province, 2003-04

Country	(US\$ million)					
	Total exports & imports		Total exports		Total imports	
	2003	2004	2003	2004	2003	2004
Japan	445.57	479.91	197.14	262.70	248.43	217.21
North Korea	27.96	55.91	25.76	53.34	2.20	2.57
South Korea	446.96	392.18	288.99	215.44	157.97	176.74
Russia	2,955	3,823	1,638	2,154	1,317	1,669
India	25.35	16.48	13.39	13.53	11.96	2.95

Source: 2005 nian Heilongjiangsheng tongji nianjian (2005 年黑龍江省統計年鑒, Statistical yearbook of Heilongjiang Province, 2005).

Table 2

Changes in the External Trade of Heilongjiang Province by Year

External trade	(US\$ million)			
	1995	2000	2001	2002
Total amount	2,386	2,986	3,385	4,349
General trade	1,003	1,286	1,366	1,762
OEM trade	29	66	121	175
Frontier trade		1,014	1,092	1,854
Barter trade	637	0.52	0.47	0.42

Source: 2003 nian Heilongjiangsheng tongji nianjian (2003 年黑龍江省統計年鑒, Statistical yearbook of Heilongjiang Province, 2003).

has been decreasing since 2000, indicating that trade methods between the regions are developing over time (see table 2).

There are four customs-gates for frontier trade in Heilongjiang: Suifenhe (綏芬河市), Heihe (黑河市), Tongjiang (同江市), and Hulin (虎林市).⁸ Other customs-gates are Huichun city (琿春) in Jilin and Manzhouli (滿洲里) in Neimenggu (內蒙古). There is also a gateway for cross-border trade with Russia in Huichun city that was established in 1988.

⁸<http://www.e-russia.com.cn>.

Table 3
Changes in the External Trade of Jilin Province, 2005

(US\$ million)					
Country	Volume of exports	Growth (%)	Country	Volume of imports	Growth (%)
Total volume	2,467	43.9	Total volume	4,061	-20.0
South Korea	539	54.5	Germany	1,899	31.6
Japan	372	2.3	Japan	876	-16.5
United States	193	35.5	United States	189	74.9
North Korea	189	44.7	North Korea	164	8.0
Russia	143	93.9	Brazil	138	5.0

Source: 2005 nian Jilinsheng maoyi tongji (2005 年吉林省貿易統計, Trade data of Jilin Province, 2005).

In the case of Heihe city, a traditional customs-gate in Heilongjiang, small volume border trade was worth US\$160 million in 2005, an increase of 40.9 percent over the previous year. The total amount of trade was worth US\$582 million, an increase of 101.7 percent.⁹ The city of Suifenhe, another customs-gate, conducted US\$2.8 billion-worth of trade with the Russian Far East in 2005.¹⁰ Suifenhe imports wood pulp, lumber, chemical industry materials, and kalium chloride while exporting clothes, shoes, vegetables, and electronic appliances. The majority of the export items are light industrial goods such as clothes and shoes.¹¹

The center of Jilin's trade and cooperation with the Russian Far East is the city of Huichun. The Huichun Sino-Russian free trade market was established in 2001. There are about 150 stores in that market, and a commodity market has been set up across the border in Vladivostok.¹² Jilin's trade with Russia is relatively small compared with that of Heilongjiang, but it increased by 93.9 percent in 2005 (see table 3). Small volume

⁹External Trade of Heilongjiang Province, <http://www.heihe.gov.cn>.

¹⁰*Herald News* (Seoul), February 17, 2006.

¹¹<http://www.e-russia.com.cn>.

¹²Recent market information from the Gangwon-do Provincial Office of Economy and Trade in Jilin Province.

Table 4
Changes in the External Trade Methods of Jilin Province, 2005

Trade method	(US\$ million)			
	Volume of exports	Growth (%)	Volume of imports	Growth (%)
Total amount	2,467	43.9	4,061	-20.0
General trade	1,665	43.7	3,155	-22.7
Processing trade	509	31.7	209	7.0
OEM trade	84	3.9	56	-18.9
Import processing trade	425	39.1	152	21.4
Other trade	292	72.6	697	-12.5
Frontier trade	169	25.3	118	-1.1

Source: Same as table 3.

border trade with the Russian Far East increased by 25.3 percent that year (see table 4).

Liaoning Province trades consumer goods and daily necessities in return for the natural resources of Khabarovsk Krai. Recently, the two regions concluded a cooperation agreement, under which they will promote cooperation in such fields as electronics, machinery production, resource development, the metallurgy industry, the lumber industry, and agriculture. They have also launched direct flights between Shenyang (瀋陽) and Khabarovsk, and established a sea route between Dalian (大連) and Vanino, further promoting exchanges between the two regions. As a result, trade volume with Russia has shown a year-on-year increase in both exports and imports (see table 5).

Primorski Krai, located in the Russian Far East and adjacent to Heilongjiang and Jilin provinces, used to buy foodstuffs from central Russia, but today imports 90 percent of its foodstuffs and 60 percent of its daily necessities from China.¹³ China accounts for the highest number of foreign companies registered with the local government of Primorski Krai.¹⁴

¹³<http://www.hcbeez.com>.

¹⁴According to 2004 statistics, there were 573 Chinese companies.

Table 5
Changes in the External Trade of Liaoning Province

Country	Volume of exports and imports			Volume of imports			Volume of exports		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
Hong Kong	694	1,009	998	86	115	137	608	895	860
North Korea	622	786	823	307	375	229	315	421	594
Japan	8,888	9,613	10,499	3,718	4,151	4,189	5,169	5,463	6,311
South Korea	3,392	4,279	4,940	1,831	1,965	2,057	1,560	2,314	2,883
Thailand	286	417	509	186	163	169	99	254	339
Malaysia	426	490	458	242	301	199	184	189	258
Russia	373	532	805	208	318	466	165	214	339

Sources: 2005 nian Liaoningsheng tongji nianjian (2005 年遼寧省統計年鑒, Statistical yearbook of Liaoning Province, 2005); and "2005 nian Liaoningsheng guomin jingji he shehui fazhan tongji gongbao" (2005 年遼寧省國民經濟和社會發展統計公報, Statistical report on the economic and social development of Liaoning Province in 2005).

Table 6
Major Trading Partners of Primorski Krai

Major trading partners	Export		Import		Total	
	2006 (US\$ million)	Year-on-year increase %	2006 (US\$ million)	Year-on-year increase %	2006 (US\$ million)	Year-on-year increase %
China	758.8	116.1	978.9	126.7	1,737.7	121.8
Korea	260.9	96.9	401.8	107.3	662.7	103.0
Japan	159.2	96.1	1,202.9	119.2	1,362.1	115.9
United States	47.1	64.1	89.5	208.5	136.6	117.4
Other	256.4	103.4	425.0	208.6	681.4	150.8
Total amount	1,482.3	105.1	3,098.2	128.9	4,580.5	120.1

Source: Primorski Krai Economic Development Committee, *Primorski Krai Social Development Overview* (2006).

The Chinese trade center built in the southern city of Ussuriysk reflects China's strong desire to advance into this region of Russia. Primorski Krai has also started construction of a trade and industry district adjacent

to the Chinese border.¹⁵

However, there are some points of conflict between the two regions. For instance, the Tumen River Area Development Program (TRADP, 圖們江流域開發計劃) will benefit China, while Primorski Krai is taking a passive attitude toward the multilateral development effort, as it believes the program will put the region at a disadvantage. The Russian side argues that if the Tumen valley region of China is developed in earnest, it will become the quickest route from Northeast Asia to Europe. This would weaken the position of port cities like Vladivostok and Nakhodka and cause a decline in traffic on the Trans-Siberian Railway. Russians also argue that even if port cities in Primorski Krai such as Posyet and Zarubino are developed as part of the program, this would still benefit China rather than the Russian regions. Leaders in Vladivostok insist on developing the city regardless of the Tumen River program. The government of Primorski Krai argues that foreign investment is flowing into the Tumen valley rather than Vladivostok and Nakhodka. In addition, the Russian government is afraid that if unemployed Chinese laborers migrate over the border, the economy of that region of Russia will come under the influence of China.¹⁶

A second point of conflict is Russia's claim that China's northeastern region is making huge profits out of frontier trade, while most of the profits on the Russian side are going to the Russian mafia. The Russians also claim that the region's strategic natural resources are flooding out into China.¹⁷

Conflicts have also arisen between the two regions over environmental issues. On November 13, 2005, the explosion of a chemical plant in Jilin city (吉林市) caused a spill of poisonous benzene into the Songhua River (松花江). Several days later, a hundred tons or more of benzene reached the Amur River (黑龍江), of which the Songhua is a tributary, causing an unbearable stench and polluting the drinking water of the

¹⁵<http://www.e-russia.com.cn>.

¹⁶Kim, "Relations between China's Three Northeastern Provinces," 168.

¹⁷*Ibid.*, 169.

Russian city of Khabarovsk. The city was in chaos as water supplies were interrupted, with residents panic-buying bottled water or being evacuated to adjacent cities or farms with their own wells. Benzene pollution re-occurred the following year, when toxic chemicals that had been frozen during the winter began to melt. The Russians warned that dangerous levels of toxic chemicals had been detected in the Amur River and recommended that local tap water not be used for drinking or cooking.¹⁸

The Russian media referred to these pollution incidents as the "China threat" or a "Chernobyl-style accident at regional level." They also accused the Chinese government of trying to cover up the incidents.¹⁹ Russia was not happy that the Chinese had advanced into the Russian Far East and were becoming commercially dominant there. Russia tried to use the opportunity of the pollution incidents to keep them out in earnest.²⁰

Issues over Chinese Migration into the Russian Far East

There are between one and two million Chinese living legally or illegally in the Russian Far East. These migrants are establishing "China-towns" by purchasing land and marrying Russians. The governor of Khabarovsk, Viktor Ishaev, has argued strenuously for a change in the law to prevent foreigners from purchasing land in Russia, warning that otherwise, the whole Far Eastern region will eventually be sold to the Chinese.²¹ Sergei Shahrail, former deputy prime minister of the Russian Federation, has claimed that Chinese will account for 75 percent of the population of Siberia and the Russian Far East by 2010.²²

The total population of Siberia and the Russian Far East is 30 million, but the population of the latter is in decline, and stood at only 6.69 million in 2002. It is expected to fall to 4.5 million by 2015 if the current trend

¹⁸*The Segye Times* (Seoul), May 1, 2006.

¹⁹Vladimir Shlapentokh, "China in the Russian Mind Today," *Europe-Asia Studies* 59, no. 1 (January 2007): 16.

²⁰*Kyunghyang Shinmun* (Seoul), December 2, 2005.

²¹<http://www.rferl.org/russianreport/1999/07/20-140799.html>.

²²*Izvestia*, May 20, 1994.

continues. The reason for the decrease is that replacement workers from European Russia are not migrating into the region, due to its low standard of living. Only Siberia, with its wealth of natural resources, is attracting some migrant workers thanks to an increase in demand for energy and high oil prices.²³ The population of China's northeastern region is about one hundred million.

Farmers make up the largest percentage of Chinese workers migrating into the Russian region. These workers come to the region on long-term contracts. For example, there are more than three hundred farms run jointly by Chinese and Russians in the Amur region. On such farms, Chinese laborers work on a thirty-year contract and live there with their families. Merchants who come to set up joint ventures or stores make up the second largest group. Another group consists of temporary construction workers. Each year, during the harvest season, about forty thousand Chinese workers migrate into southern Siberia.²⁴ The rate of alcohol addiction among Russian workers in these regions is about twice the national average, and the quality of the Russian workforce is considered to be lower than that of the Chinese workforce that replaces it.²⁵

The Russian authorities are anxious about the decline in the Russian population of the region and the entry, either legally or illegally, of Chinese workers. Every year, sixty thousand Chinese in Russia breach the conditions of their residence permits and thousands are deported. Indeed, the Russian authorities see the migration of Chinese workers as nothing short of an unarmed conquest. They even use the term "Yellow peril."²⁶ It is a bit far-fetched to doubt Russia's ability to hold on to Siberia and the Russian Far East, but it is true that there is some uneasiness. There is, for example, a large amount of published evidence to support the view that

²³In my opinion, if energy resources in the northeast region of Russia are developed like those in Siberia, Russian workers will migrate into the region and its birth rate will increase.

²⁴*Social Development Overview of Irkutsk Province* (in Russian), 1993.

²⁵Shlapentokh, "China in the Russian Mind Today," 14.

²⁶Viacheslav Karlusov and Andrei Kudin, "The Chinese Presence in the Russian Far East: A Historical and Economic Analysis," *Far Eastern Affairs* 30, no. 2 (2002): 62.

Table 7
Population Estimates for the Russian Far East and China's Three Northeastern Provinces

Region	Population (millions)		Change	
	2002	Late 2015	Million	%
Russian Far East	6.7	4.5	-2.2	-32.8
China's three northeastern provinces	106.6	120.0	13.4	12.5

Source: 2003 *nian Jilinsheng tongji nianjian* (2003 年吉林省統計年鑒, Statistical yearbook of Jilin Province, 2003); The Free Encyclopedia; Russian Far East (2006).

Russia seized 1.5 million square kilometers of Chinese territory during the nineteenth century.²⁷ As plants and military facilities in the east close down, thousands of Russians cross the Urals to European Russia annually. Economically, the Russian Far East is separate from European Russia,²⁸ and China, in contrast, has an enormous population and is achieving remarkable economic growth (see table 7).

The other Northeast Asian nations are also rapidly changing, shaping the international environment of the Russian Far East. As the then-president of Russia, Vladimir Putin, warned, "If we do not take any specific measures for the development of the far eastern region, the residents will speak in Chinese, Japanese, or Korean within a few decades."²⁹ With the population of the region reduced to 6.5 million in 2007, one Russian resident lamented that the region will become an uninhabited island in a hundred years.³⁰

Russia has adopted two measures to deal with the situation in its Far Eastern region. First, it revised the Law on the Legal Status of Foreign Citizens in the Russian Federation and issued a government decree re-

²⁷Vladimir Portiakov, "New Chinese Migrants in Russia: Summing Up," *Far Eastern Affairs* 32, no. 2 (2004): 18.

²⁸*Hankyoreh* 21 (Seoul), no. 636 (November 22, 2006).

²⁹*Far Eastern Economic Review*, August 10, 2000.

³⁰<http://news.chosun.com/site/data/html>.

garding foreign workers which was enforced from January 15, 2007.³¹ This was aimed at controlling the migration of Chinese and preventing them from gaining commercial power in the Russian Far East. From January 15 to April 1 that year, the proportion of foreign citizens occupying traditional outdoor market stalls or booths was reduced to less than 40 percent, and after that period, foreigners were banned from working in that sector. In addition, the businesses of foreign citizens who were in the country on tourist visas were suspended, and those with short-term business visas were required to cease trading by April 1 and leave the country. This was a disastrous blow for Chinese making their living as market traders in Russia. The majority of the 1.2 million Chinese engaged in business in the Russian Far East are known to be illegal immigrants.³²

Another measure adopted by the Russian government was the establishment of a national committee charged with devising a development strategy for the Russian Far East during the meeting of the Russian Security Council held on December 20, 2006, which was attended by representatives of the federal and regional governments. President Putin expressed his concern, saying, "Foreigners continue to flow in and the population of Russia is on the decline. Under these circumstances, the Far Eastern region, which continues to separate from other regions over time, emerges as the biggest threat to Russia." He also expressed his dissatisfaction that policies adopted by the federal government had not been delivered properly in the Russian Far East.³³ The issue of the development of the region has been raised several times in the past, but it has never come to fruition as the regions of European Russia have always taken priority.³⁴ It remains to be seen whether these measures will be implemented this time.

The Retail Market Law that sought to control the influx of Chinese and protect the regional commercial power has lost its effectiveness since

³¹http://news.chosun.com/site/data/html_dir/2006/12/30/2006123000042.html. See also <http://www.rferl.org/content/Article/1143847.html>.

³²*Maeil Business News* (Seoul), February 25, 2007.

³³*Chosun Ilbo* (Seoul), December 22, 2006.

³⁴President Putin ordered the preparation of a long-term development scheme for the region when he visited the Russian Far East in 2003.

the markets changed their name to "distribution marts," which are not subject to the law. As a result, the many Chinese merchants still dominate commerce in the region.³⁵

With regard to the migration of people of Korean descent from Central Asia to Primorski Krai and the establishment of a Korean autonomous district in the region, the Russian scholar Viktor Pavliatenko represented the viewpoint of Russia as follows: "If a Korean autonomous district is set up in southern Primorski Krai located close to North Korea and the Yanbian (延邊) Korean autonomous district, it will have a harmful effect on the national security of Russia in the future."³⁶ Some Russians worry that South Korea is envisioning a "Great Korea" encompassing those regions.

Relations between Sinuiju and Dandong: Cooperation or Subordination?

Background to the Collapse of the Sinuiju Special Administrative Region

Sinuiju and Dandong, located on either side of the Yalu River (鴨綠江), act as channels for exchanges between North Korea and China. Dandong is one of the most important cities in China's three northeastern provinces and Sinuiju is an important city in North Korea. Therefore, it is safe to say that the two areas are in a competitive position regardless of their level of development. This competition has had both positive and negative effects on the development of the two areas. The case of Hong Kong and Shenzhen (深圳) is a good example of two neighboring regions positively influencing each other. The example of Dandong and Sinuiju is more negative.

Encouraged by the success of special economic zones in China, North Korea set up its first special economic zone in the Najin-Seonbong area.³⁷

³⁵Chosun Ilbo, April 12, 2007.

³⁶Viktor Pavliatenko, "The Russian Far East in Russia's Relations with Northeast Asian Countries," *Far Eastern Affairs* (in Russian), no. 4 (December 1995): 20.

³⁷Gang-Taek Im and Seong-Hun Im, *North Korea's Special Economic Zone Development*

However, North Korea's efforts came to almost nothing due to a failure to attract foreign investment. Nevertheless, in 2002, Kim Jong Il, chairman of North Korea's National Defense Commission, designated Sinuiju as a special economic zone after a visit to Shanghai (上海) the previous year. A region designated as a special economic zone has considerable autonomy, and even though it is designated and supported by the central government to begin with, it does come to form its own external relations.

Sinuiju became a special administrative region (SAR) in September 2002, thereby gaining more autonomy than it had had as a special economic zone. According to its basic laws, the Sinuiju SAR has legislative, judicial, and administrative powers and foreigners can become members of its legislative committee. The basic laws also state that the SAR's legal system will remain the same for fifty years, as in the case of the Hong Kong SAR in China. The SAR has authority to develop, utilize, and manage land in the economic sector. Private ownership and inheritance of property is also guaranteed, and the SAR is permitted to implement its own monetary policy.³⁸

North Korea's efforts were disrupted, however, when in October that year the Chinese authorities arrested Yang Bin, a Chinese entrepreneur and the first chief administrator of the Sinuiju SAR, on charges of tax evasion. In August the following year, Yang was sentenced to an eighteen-year prison term and the development of the SAR was halted.³⁹

The disruption of the Sinuiju SAR by China was a deliberate action, the reasons for which were as follows. First, Sinuiju threatened to compete with Dandong for foreign investment, which is why China is reported to have said it would support the development of Gaeseong, close to the border with South Korea, rather than Sinuiju, just as Shenzhen was developed close to Hong Kong. Second, since North Korea was planning to develop Sinuiju on the Hong Kong model, China feared that foreign

and Strategies for Attracting Foreign Capital (Korea Institute for National Unification, 2004), 13.

³⁸ *Maeil Business News*, September 27, 2002.

³⁹ *Korea Economic Daily* (Seoul), March 27, 2006.

countries, including the United States, would advance into the region and thereby threaten the strategically important city of Dandong (Shinuiju is a military city built in 1906 after Japan invaded Manchuria via the Gyeongui Line (京義線) and the South Manchurian Railway, thus it serves as a gateway into China). With this in mind, China was unhappy about not having a leading role in the development of Sinuiju.⁴⁰ Likewise, the planned establishment of the Najin-Seonbong special economic zone collapsed because of China's diversionary moves and international indifference.

*New Initiatives for Dandong and Sinuiju:
"Joint Growth" or "Satellite City"*

China accounts for 77 percent of North Korea's external trade and 80 percent of its consumer imports.⁴¹ Most of North Korea's external trade (70 to 80 percent) is conducted through Dandong. Although it disrupted the development of the Sinuiju SAR in 2002, China has recently recommended that North Korea establish a free trade market there and proposed the building of a second bridge over the Yalu connecting Dandong and Sinuiju. Indeed, the two countries are now preparing to do this. Dandong has hinted at the possibility of economic integration between the two regions and pointed to the planned new bridge as a core project of such integration.⁴² There have also been reports of a conference in Dandong on the opening-up and development of Sinuiju.⁴³ In addition, several areas, including Wihwa Island located in the northern part of Sinuiju, as well as Bidan Island and Shindo (薪島) at the mouth of the Yalu River, are under consideration as new special districts.

In contrast to the first attempt to establish the Sinuiju SAR in 2002, the two countries are now collaborating on the project in an unprecedented way, with China taking the lead. Now, the development project for the three northeastern provinces of China (which includes Dandong) and the

⁴⁰ *Sisa Journal* (Seoul), January 27, 2006.

⁴¹ *Dong-A Ilbo* (Seoul), March 22, 2006; and *Presian* (Korean journal), April 7, 2006.

⁴² *Hankook Ilbo* (Seoul), April 13, 2006.

⁴³ *Dong-A Ilbo*, March 20, 2006.

North Korean development project (which includes Sinuiju) are being pursued collaboratively under the leadership of China. This time, China is actively encouraging the renewed attempt to develop Sinuiju. In October 2003, the Central Committee of the Chinese Communist Party issued Document No. 11, setting out guidelines for the development of the three northeastern provinces. These guidelines, however, failed to break away from the old system of the planned economy. In 2005, the State Council issued Document No. 36 which demonstrated China's intention to develop the relatively underdeveloped northeastern region, especially the border area with North Korea.⁴⁴ This has formed the basis for the development of Dandong in conjunction with the plans for Sinuiju. As well as a second bridge connecting the two regions, the Northeast Frontier Railway, connecting Heilongjiang and Liaoning via Jilin, is due to be completed in 2008. This railway will pass through the border area and through Dandong in particular, while Dandong is connected with Sinuiju. In addition, China has taken over the rights to exploit the Musan (戊山) iron ore mines for fifty years and has concluded an agreement with North Korea on the collaborative development of offshore oil. China has participated in the construction of harbor and industrial facilities in Najin (羅津), North Korea, on condition that it retains the right to develop and use these facilities for fifty years. At the same time, China started construction of an expressway linking Najin with Huichun in Jilin Province,⁴⁵ thus securing a gateway from China to the East Sea/Sea of Japan.

North Korea has no choice but to accept China as its political guardian to support its economy. For its part, China needs to maintain its influence over North Korea, while North Korea needs China to help prop up its regime. That is why the two countries are maintaining unprecedentedly close relations.⁴⁶

Local officials in Dandong claim that the participation of the central and provincial governments in the Dandong development project is evi-

⁴⁴*Dong-A Ilbo*, March 21, 2006.

⁴⁵*Yonhap News* (Seoul), April 4, 2006.

⁴⁶*Ibid.*

dence of their willingness to undertake the joint development of Sinuiju.⁴⁷ However, if China continues to take the lead in the project and North Korea becomes more dependent on its neighbor to the extent that it practically becomes a province of China, Sinuiju will become a satellite city of Dandong.⁴⁸

Conclusion:

Prospects for Relations among Provinces

Due to their geographical proximity and economic reciprocity, the provinces of Northeast Asia have developed cooperative relations. In particular, these relations have been reinforced by the global trend toward localization and decentralization. The relationship between China's three northeastern provinces and the Russian Far East can be seen as a mixture of cooperation and conflict. China imports the natural resources necessary for its economic growth from neighboring Siberia and the Russian Far East, while the latter makes up for its shortages of consumer goods, foodstuffs, and labor by importing from China. In other words, the two regions are maintaining cooperative relations that are economically reciprocal. As provincial power has increased in the two countries and provinces have become actors in their own right in external trade and economic cooperation, provinces on the two sides of the border have been able to form cooperative relations. This cooperation takes a variety of forms, such as frontier trade, general trade, and joint investment. As long as the global trend toward decentralization continues, cooperation between provinces is likely to become more active.

⁴⁷ Dong-A Ilbo, March 21, 2006.

⁴⁸ China plans to build the Lingang Industrial Park (臨港產業園區) in Dandong (approximately 97 square kilometers). See Cong Zhiguo and Xing Shiwei, "Xue Heng, Secretary of the Dandong City Party Committee: Build Another New Dandong in Ten Years," *Huashang chenbao* (Chinese Commercial News), October 8, 2007, <http://leaders.people.com.cn/BIG5/6346501.html>. There is concern that, as a result, Sinuiju will be reduced to the status of a region of the complex. See *Hankook Ilbo*, June 13, 2007.

However, there are subtle differences in understanding between China and Russia over such issues as the Tumen River Area Development Program. This is because the three northeastern provinces of China and the Russian Far East are competing to provide the quickest route between Asia and Europe. Consequently, inter-provincial cooperation has not proceeded well in the case of the development of the Tumen valley.

Cooperation and exchange constitute the positive aspects of inter-provincial relations, while the controversy over the migration of Chinese workers to the Russian Far East is an example of a negative aspect. This conflict has intensified due to Russia's fear that China's power is increasing. It is difficult to see a solution to this at the moment, as the population of the Russian Far East is decreasing, while that of China is on the rise. This has become a major issue in academic and political circles in Russia.

Relations between Sinuiju and Dandong are somewhere between cooperation and subordination, with the accent currently on subordination. The two areas function as gateways to their respective countries, but in 2002 China deliberately disrupted North Korea's efforts to establish the Sinuiju SAR on account of its proximity to Dandong. Since 2006, however, China has been mapping out a plan for the development of Sinuiju in conjunction with its plan to develop Dandong, and North Korea appears to assent to this. It seems that China is taking the lead in the development of Sinuiju. In early March 2007, an international travel agency in Dandong concluded an agreement with North Korea to allow a program of one-day tours to Sinuiju. Moreover, Dandong has invested in the construction of the Sinuiju passenger terminal and tourist complex.⁴⁹ Sinuiju will either grow alongside Dandong or be reduced to the status of a satellite city, with the latter looking to be the most likely.

These days, both Sinuiju and the Russian Far East are considered to have cooperative but conflicting relations with China. The Russian region will remain a market for China's labor, products, and resources, and Chinese migration to the region will continue. As can be seen from the re-

⁴⁹*Chosun Ilbo*, March 27, 2007.

cent competition over the route of the Siberian oil pipeline, which is related to the securing of stable oil supplies, Japan is likely to compete fiercely with China over the region, and the United States is also expected to take interest.

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