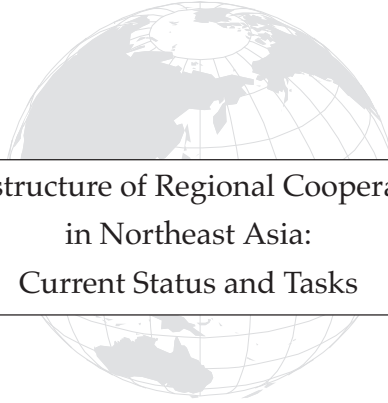


Infrastructure of Regional Cooperation in Northeast Asia: Current Status and Tasks

Jong-Chul Park · Hak-Sung Kim · Sung-Chull Kim

Doug Bond · Ni Xiayun · Ken Jimbo

Peter M. Beck & Melissa Hanham · Alexander Fedorovskiy · Baatar Tsend



Infrastructure of Regional Cooperation
in Northeast Asia:
Current Status and Tasks

The Korea Institute for National Unification (KINU) is a non-profit government-funded research organization commissioned to study issues regarding peace settlement on the Korean Peninsula and the unification of the two Koreas. It is contributing to the reconciliation and cooperation of the two Koreas as well as their unification through basic research on related affairs, the development of a policy on national unification, and the formation of a national consensus.

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Foreword



Welcoming Address

Young-Kyu Park*

Experts and Scholars from the U.S., China, Japan, Russia, and Mongolia,
and Korean Participants,

Ladies and Gentlemen,

First and foremost, I would like to extend a warm welcome to you all and thank you for participating in this international workshop.

Factors for cooperation and conflict coexist in Northeast Asia. Trade and direct investment in the region have increased, and an increase in the exchange of human and cultural capital indicates the future of regional cooperation in Northeast Asia looks prosperous ahead. Despite these positive developments, there are some areas of potential conflict: The China-Taiwan issue, historical textbook disputes, territorial disputes, regional arms races, and so on, not to mention the outstanding North Korean nuclear issue. Likewise, factors which can promote cooperation should be encouraged, while those factors which have the potential to induce conflict should be neutralized, thereby contributing to the development of a cooperative structure for the Northeast Asian region as a whole.

Regional cooperation in Northeast Asia contains a variety of meanings. The Peace and Prosperity Policy, a comprehensive diplomatic, security, and unification strategy undertaken by the Participatory Government of President Roh Moo-hyun, has put a great deal of emphasis on cooperation in Northeast Asia at the regional level under the vision of materializing the Northeast

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Asian era. Making this new era for Northeast Asia a reality is a policy undertaking not only directly related to building peace with North Korea on the Korean Peninsula but also for the whole of Northeast Asia itself. To resolve the North Korean nuclear issue and build a regime of peace on the Korean Peninsula, cooperation among the countries at regional level is a necessity. Regional cooperation in Northeast Asia will encourage North Korea into engaging with the international community and promote its further opening and reform. By securing the survival of the North Korean regime through multilateral cooperation, regional cooperation in Northeast Asia will also contribute to relieving North Korean concerns for their regime survival and help adapt the country to norms of the international community.

In addition, regional cooperation in Northeast Asia could create more favorable circumstances for peacefully resolving the Korean Peninsula issue through the easing of strained relations amongst the major countries in the region. If arms races between China and Japan, and tensions based on territorial and trade disputes in the region continue to rise, security in South Korea will be in danger, which may lead to an adverse situation for maintaining peace on the Korean Peninsula. Regional cooperation in Northeast Asia will contribute to the maintaining peace and stability on the Korean Peninsula by controlling arms races and facilitating security talks among the major countries.

Moreover, cooperation in Northeast Asia will need to actively seek cooperation among the neighboring countries in the region in the process of unification of the Korean Peninsula. If progress is made in regional cooperation, cooperative plans for unification on the Korean Peninsula will be able to be discussed by way of cooperative mechanisms in the region. Cooperation in the region will also play a positive role in coordinating foreign relations and seeking stability and development for a unified Korea.

Despite the importance of the issue, international and domestic consensus on materializing the Northeast Asian era falls short of an

absolute majority, much less the lack of academic foundation. Much worse than this, in-depth and comprehensive research on conditions to meet the key prerequisites for realizing a new era for Northeast Asia at the regional and national level in Northeast Asia has not yet been undertaken.

Considering these realities, KINU has launched a 3-year-period research project on regional cooperation in Northeast Asia. As the first year of the project, KINU is conducting research on the infrastructure of regional cooperation in Northeast Asia. To understand the extent of potential elements for cooperation, KINU's research has been mainly focusing on the extent of exchanges and cooperation made at the regional and national level for expanding cooperation in Northeast Asia.

Research on Infrastructure of Regional Cooperation in Northeast Asia defines the infrastructure of regional cooperation as a comprehensive element to make regional cooperation possible. The concept of infrastructure of regional cooperation includes the areas in politics, economics, security, and culture.

Distinguished Guests,

As a follow-up to the project, the aims of this international workshop are to review the current status of the infrastructure of regional cooperation in Northeast Asia. This workshop will particularly include the areas in politics, economics, security, and culture among countries in the region. In addition, collecting opinions of experts and scholars concerning directions and tasks to establish "Forum for Cooperation in Northeast Asia" for future cooperation in Northeast Asia is also one of the purposes of this conference.

Let me thank you once again, Experts and Scholars from abroad as well as from Korea, whose combined efforts made this conference possible. I would also like to thank Dr. Jong-Chul Park and staff of KINU for organizing this event. Finally, I sincerely hope that this workshop will serve as a stepping stone for the formation of a community for encouraging further cooperation in Northeast Asia. Thank you.



Cooperation in Northeast Asia:
Theoretical Background and Tasks

Rationale and Indexes for Infrastructure of Regional Cooperation in Northeast Asia

—

Hak-Sung Kim*

My theme is rationale and indexes for infrastructure of regional cooperation in Northeast Asia. I will be talking about how to develop infrastructure indexes, while going over theories behind it. Actually, the Korean government at the moment has a grand vision of peace and prosperity and is devising a plan to establish the regional cooperation in Northeast Asia. However, some people cast a doubt on the Korean government's ability to do so because Korea is entrapped between the great powers of the world. It could be true especially from the perspective of realist view. From the Korea's perspective in the matters of changing Northeast Asian landscape, it is quite critical for the Korean government to come up with a diplomatic strategy for the further development, and it is also important for us to lay a stepping-stone for the future. Therefore, it is indispensable for Korea to understand where Northeast Asian regional cooperation stands at now.

In order to establish an objective index for the infrastructure in Northeast Asian regional cooperation, it is important to have a very clear understanding for the indexes for the infrastructure. There can be two ways to do this. The first one is we can apply the empirical indexes from the regional cooperation in other regions, in particularly from Europe. However, we have to consider the uniqueness of the region, and it is not easy for us to simply adopt other regional experiences directly to

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Northeast Asia. The second measure is to apply the theories for regional cooperation. However, this also has own limitations because all the regional cooperation theories are competing with each other, and their own interpretations of regional cooperation can vary.

Against this background, I will briefly summarize the regional cooperation theories especially with focus on their definition of regional cooperation. Because depending on the different regional cooperation definition, the goals of regional cooperation and the indexes for such cooperation can be different. By comparing these theories, we could find out what kind of definition for regional cooperation would best fit us. Among them I have concern mainly for a liberalist view.

As I mentioned before, it is not easy to define the concept of regional cooperation stemming from each theory of regional cooperation, especially because the view of the world for each theory is different. Major theories for regional cooperation could be summarized into realistic view and liberalistic view. However, in the 1990s, the constructivism emerged, and with that we can have enriched understanding for regional cooperation. Such enrichment comes from various factors. For example, we can understand not only the materials but also the ideas altogether. And moreover liberalistic ideas could be explained newly or supplementarily. Last but not least, we can also have now expanded concept for regional cooperation.

The reasons why we are having different understanding for regional cooperation depending on what kind theory we apply is that each theory applies a different level of the understanding or of the interpretation to regional cooperation. According to Andrew Hurrell, there can be three levels of approaches to the understanding of regional cooperation. The first one comes from global perspective in understanding regional cooperation. The second one is regional understanding, and the third one is domestic level of understanding for regional cooperation respectively. The three

different levels of understanding for regional cooperation have their own limits and advantages. Considering that in order to have clear and acute understanding for the emergence and development of regional cooperation, it is evident that we have to understand all three levels of understanding for regional cooperation.

I would like to talk about the issues and goals for regional cooperation in Northeast Asia. I will restrict the major issues for regional cooperation to economy and security. As you know there can be many other issues such as society, culture, and environment. However, so far most of the discussion has centered on major issues, which are on economy and security. Among others, economic cooperation in the region has been most developed and recognized among the countries. Theoretically there can be two different interpretations of economic cooperation in the region. The first one is a liberalist view, which centers on the nation. It says regional economic cooperation is to develop or gain most benefits of national interest for the nation. Another interpretation is that regional economic cooperation has been developed as a counterforce against globalization.

Of course, these two different approaches cannot be totally separated in our reality. If economic regionalization or economic regional cooperation could become more institutionalized, the first interpretation would be gradually to lose its ground. That's because other institutions besides the nation or the government could have more power in the future, while the control of the nation or the government over others would be decreasing. Therefore when we develop indexes for infrastructure of regional cooperation, the second approach seems to be more useful, especially because we are now presuming on developing regional cooperation in future. In the background, the goal of regional cooperation for me seems to establish the economic community in the region. More difficult one is cooperation in security area. There can be many major theories to explain security cooperation such as integration, security community, collective

security, concert of great powers in power politics. However, it is not yet clear which model would be prevailed in Northeast Asian security cooperation. Generally speaking, which model will be adopted would be depending upon history and experience of countries in the region, outside threat to the region, and the also determined intensity or the nature of regional cooperation in Northeast Asia.

So it is not easy to develop indexes for security cooperation. When we think about the reasons for us to have security cooperation, it is likely that all the actors in the region based on trust and cooperation are thriving to establish and maintain peace. Security cooperation and institutionalization can be the goal for security cooperation in the region. In this context Karl Deutsch's 'pluralistic security community' model will be the best one to apply.

Economic cooperation and security cooperation could be considered as separated issues in theory, but in reality they just come together. Therefore it is said about connections and linkages between the two issues, especially from the functionalist view. Many often talk about 'spillover-effect' when we many often apply such view. However, if the nature of systems among actors is different, 'spillover-effect' does not function or even 'spillback-effect' could be expected. Nevertheless I believe the ultimate goal for every regional cooperation, no matter whether it is economic or security cooperation, would be the regional community establishment.

In order to develop an index for infrastructure, we have to look at conditions or measures to realize regional cooperation. In this sense, I believe that a liberalist view will be more beneficial for us than a realist view; especially integration theory and communication theory will help us a lot. In particular, the integration theory, although the name itself is integration, the ultimate goal of the theory is not integration itself. It is rather trying to define the conditions for the establishment of the community. Therefore, integration theory can help us a lot in developing an index for infrastructure.

I reviewed five theories like including federalism, (neo-)functionalism, communication theory, social integration, and system theory. Considering, after all, the fact that the reality itself is quite complicated and involves a lot of things, I came up with an ideal type, which is 'the pluralistic security community' model.

If the goal is the formation of a 'pluralistic security community,' indexes for infrastructure can be produced from discussions on the aforementioned theories. For starters, two standards were generated from theoretical discussions in an attempt to develop more analytical and systematic indexes. First standard is related to finding the infrastructure level of regional cooperation. Here, regional level is distinguished from national level. While regional level is focused on the relations among countries, it should be in part considered in relation with the international (system) level. National level is related to domestic factors of individual countries participating in regional cooperation. The other standard is the scope of infrastructure, which is the extension of the three stages of integration mentioned in Amitai Etzioni's social integration theory. Etzioni divided the political process into politics and security (military) and again categorized into the four classes of economy, security, politics and culture. If the two standards are related, the eight categories, namely Region-Economy, State-Economy, Region-Security, State-Security, Region-Politics, State-Politics, Region-Culture, and State-Culture, emerge. The basic substance and orientation of each class (here, named as 'upper index') are as follows:

Region-Economy: This category measures the extent of economic exchange and cooperation among regional countries. In this regard, trade, investment, labor, and transportation/communication are the areas with most attention. The homogeneity of economic structure of regional countries and the level of joint response to the world market can be regarded as infrastructures from which the possibility of expansion and intensification of regional cooperation is assessed.

State-Economy: This category measures concentration of individual governments and corporations on regional economic activities. In line with this, other factors can be used as major indexes, such as the qualitative as well as quantitative level of domestic companies' participation in regional economic cooperation, government support and institutionalized efforts, and the correlation between national economic development and regional economic exchange/cooperation.

Region-Security: This category measures the levels of regional military tensions or cooperation. Attention needs to be paid to whether and how seriously arms race is in place and how actively military exchanges are taking place. Case studies and statistics on security dispute and cooperation also deserve special attention.

State-Security: This category is related to securing basic data that is used to assess the 'Region-Security' standing. Each nation's military/security-related data can be utilized as indexes.

Region-Politics: This category is about political exchange/cooperation in the region. The level of exchange among the elite politicians as well as elites of various fields and the status quo of regional regime as a touchstone for political cooperation can be used as indexes. The level of similarity and difference of political system among regional countries is also meaningful as an index.

State-Politics: This category encompasses the political stances of individual countries on regional cooperation. Attention is paid to the political attitude of heads of state or political parties, ruling coalitions' stance, and the prospect for public opinion.

Region-Culture: In this category, the focus is on social and cultural exchange/cooperation in the region and comparison of people's value among regional countries. This is to indirectly assess the level of community spirit and identity in the region.

State-Culture: This category also aims at assessing the potential of the

region for cultural cooperation. Primary focus should be on indexes measuring how much effort is being made by governments and societies to form a single cultural community in the region.

Table 1-1 shows the upper indexes created based upon what are mentioned above.

Table 1-1. Upper Indexes for Infrastructure of Regional Cooperation in Northeast Asia

AREA	LEVEL	REGIONS (R)	STATES (S)
Economy(e)		<ul style="list-style-type: none"> ① Emphasis and concentration on regional trade ② Emphasis and concentration on regional investment ③ Joint response of regional countries to the expansion of the world market (endeavors to expand the regional market) ④ Economic evenness among regional countries (comparison among industrial and trade structures of regional countries) ⑤ The trend of labor migration within the region ⑥ Cases of joint development projects in the region ⑦ Status quo of regional infrastructure for transportation and communication 	<ul style="list-style-type: none"> ① Current state of strategic partnership among companies in the region (cases and frequency) ② Correlation between regional economic cooperation and economic growth ③ Shared or different perception between government and business of regional economic cooperation ④ Types and ratios of companies participating in overseas investments ⑤ Weight and concentration of regional trade ⑥ Weight and concentration of regional investment (in- & outward) ⑦ Ratio of FTA in the region ⑧ Comparison of economic scale with major integrated economic regions ⑨ Regional and timing distribution of trade agreements
Security(s)		<ul style="list-style-type: none"> ① Status quo of arms race in the region ② Status quo and cases of regional military exchanges ③ Status quo of conflicts and disputes from the Cold War era to the early 90's, and from 90's to date 	<ul style="list-style-type: none"> ① Status quo and latest trend of arms purchase and military power ranking ② Status quo of alliance and conclusion period within the region ③ Status quo of nuclear and missile non-proliferation regime (the state of membership)
Politics(p)		<ul style="list-style-type: none"> ① Method and frequency of contacts among state leaders ② Level of institutionalization of meetings among the political elite and high-profile officials 	<ul style="list-style-type: none"> ① Stance of political leaders on regional cooperation ② Public level of support for government foreign policy (or whether the public supports government foreign policy)

AREA LEVEL	REGIONS (R)	STATES (S)
Politics(p)	<ul style="list-style-type: none"> ③ Types and roles of existing regional regimes ④ Extent of similarity among regional countries's state systems 	<ul style="list-style-type: none"> ③ social tension over policies for regional cooperation ④ Uniqueness of individual country's policy-making and administrative procedure ⑤ Political reasons for Northeast Asian cooperation (organizations)
Culture(c)	<ul style="list-style-type: none"> ① Scale of personnel exchange in social and cultural areas in the region (compared to exchange with non-regional countries/students studying in other regional countries, tourists, sisterhood affiliation among organizations) ② cultural exchange programs at the government and private level ③ intensity and frequency of historical and cultural conflicts ④ level of intra-regional cooperation among NGOs ⑤ comparison between different values of the peoples in the region (religions) 	<ul style="list-style-type: none"> ① Institutions that promote or hinder personnel exchange (central governments) ② Establishment of sisterhood relationship among provincial governments of regional countries ③ Level of confidence of each country on its neighbors in the region ④ Education on regional countries in schools (language, culture, history, politics, etc.)

For the upper indexes presented in Table 1-1 to be significant as indexes, measurability and related statistics should be taken into consideration. In this light, concrete data (here, named as 'detailed indexes') must be researched for each category in Table 1-1. Table 1-2 is the outcome of the research process. It needs to be made clear in advance that not all statistics relevant to all the indexes exist as not all the Northeast Asian countries have the same properties in various areas, which points to the possibility of uneven collection of statistics among the categories. Naturally, therefore, the level of infrastructure measured by the indexes should be understood in the medium- or macro-context rather than the micro-context.

Table 1-2. Detailed Indexes of Upper Indexes

LEVEL AREA	UPPER INDICES	DETAILED INDICES
Regional Level -Economic Area (r-e)	⟨r-e-①⟩	<ul style="list-style-type: none"> - Emphasis and concentration of regional trade from total trade among countries in the region(degree of collaboration/coupling) - If possible, statistics by item(aimed to indirectly measure world market-orientation)
	⟨r-e-②⟩	<ul style="list-style-type: none"> - Emphasis and concentration of regional trade from foreign investment among countries in the region - Statistics by item
	⟨r-e-③⟩	<ul style="list-style-type: none"> - Examined cases on efforts to expand the regional market(bilateral or multilateral negotiating apparatus, regular meetings) - Financial cooperation (currency swap, etc.)/IT cooperation(technology standardization, establishment of joint network, etc.)/energy cooperation/environmental cooperation(measures to curb yellow dust, and sulfuration pollution, etc.)/agricultural and aquatic cooperation - Compared to ⟨r-e-⑥⟩, emphasis on a meaning of joint response toward the world market
	⟨r-e-④⟩	<ul style="list-style-type: none"> - Comparison on individual country's industry and trade structure - Analysis on a level(quantitative or qualitative) of specialization in the region - Aimed to analyze economic homogeneity + economic structural interdependency(sort of concentration)
	⟨r-e-⑤⟩	<ul style="list-style-type: none"> - Trend of labor migration within the region since 1990 - Statistics of foreign labor migration(white & blue collar) by country(Ratio of influx within or outside the region)
	⟨r-e-⑥⟩	<ul style="list-style-type: none"> - Project of the Tuman River development, KEDO, railway connection(TSR, TCR, TKR), energy development in Siberia, project of constructing gas and oil pipe, establishing communication, financial network, etc.
	⟨r-e-⑦⟩	<ul style="list-style-type: none"> - Status quo of connecting traffic network between countries/accessibility(fare, accessibility, time, etc.) - Status quo of connecting communication network/cost for international communication within the region, the number of visiting major websites between countries in the region
State Level -Economic Level (s-e)	⟨s-e-①⟩	<ul style="list-style-type: none"> - Extent of strategic partnership and cooperation among regional industries(timing, area, scale(amount)) - OEM, license, division of production system among countries and industries in the region through technology-sharing partnership
	⟨s-e-②⟩	<ul style="list-style-type: none"> - Correlation among intra-trade, investment growth rate & GDP growth rate - Correlation & comparison on the world market
	⟨s-e-③⟩	<ul style="list-style-type: none"> - Governmental control related to establish/abolish trade/investment barrier(simplifying customs procedure/securing investment & preventing double-taxation/FTA)

LEVEL AREA	UPPER INDICES	DETAILED INDICES
State Level -Economic Level (s-e)		- Apparatus on trade & investment council among governments and industries in the region
	◁s-e-④▷	- Weight of participating industries in foreign investment by sector - Relation to ▷s-e-③◁(level of labor division and interdependency in the region)
	◁s-e-⑤▷	- Weight and concentration of intra-trade in the region(statistics by item)
	◁s-e-⑥▷	- Weight and concentration of FDI(inward or outward) in the region
	◁s-e-⑦▷	- Period of FTA agreement, numbers, characteristics, items
	◁s-e-⑧▷	- GNP/US\$1 bil. of APEC, AFTA, CER, Northeast Asia(Korea-Japan, Korea-Japan-China, Korea-Japan-China-AFTA, Korea-Japan-China-AFTA-CER, Korea-Japan-AFTA, Korea-Japan-AFTA-CER), NAFTA, Mercosur, FTAA, EU-15, EU-8, population(1 mil.), GNP per person(US\$), weight of world GNP(%), PPP GNP/US\$, weight of world - Time-series analysis (review of rising trend)
	◁s-e-⑨▷	- Time-series analysis of the GATT and WTO by period(1995-2003) - Period of trade agreement and total numbers including the FTA of ▷s-e-⑦◁
Regional Level -Security Area (r-s)	◁r-s-①▷	- Indices on status quo of nuke possessions & evaluations on nuclear development capability - Number of military forces/population and size(land area) - Status quo of weapons export and import within vs. out of the region - Status quo of weapons import & trade
	◁r-s-②▷	- Purpose of meetings related to summit & high-level security diplomacy, frequency, details of agreement & state of implementation - State of marine joint exercises & equipment technology cooperation
	◁r-s-③▷	- Characteristics of tensions & disputes, frequency - Dealing with post-Cold War period but supplementing heritage of the Cold War era ※ China: State with full of disputes(with its surrounding nations), Cross-straits issue, Japan: History, territorial issue, Korea: The North Korean nuclear problem
State Level -Security Area (s-s)	◁s-s-①▷	- State of weapons importation by individual country, trend, the number in weapon possession, ranking in military power - Ratio of air & marine power out of total power, state of military modernization(high-tech. weapons)
	◁s-s-②▷	- Status quo of alliance and conclusion period in the region
	◁s-s-③▷	- Participation rate concerning MTCR(non-proliferation regime), CTBT agreement - State of the above-listed agreements' implementation, missile export(i.e. mutual inspection) - Period and number of the Northeast Asian countries, which participated in MTCR, CTBT

LEVEL AREA	UPPER INDICES	DETAILED INDICES
Regional Level - Political Area (r-p)	<r-p-①>	<ul style="list-style-type: none"> - Method: bilateral or multilateral/whether to institutionalize/purpose/period of implementation - Frequency: the numbers of holding bilateral or multilateral summit meetings & changes since 1990 within the region
	<r-p-②>	<ul style="list-style-type: none"> - Examination on regular meetings & ad hoc meetings (bilateral or multilateral) of congressmen(international exchange & cooperation by congressmen), high-level governmental officials(minister/vice minister), working-level groups - Frequency and changes since 1990(ad hoc → paying attention on trends of institutionalization) - Areas & contents for cooperation
	<r-p-③>	<ul style="list-style-type: none"> - Examination on regional regimes by issue including more than 3 countries in the region - Type: characteristics of issues/including issues only relating to within the region or out of the region(East Asia, Asia-Pacific) - Role: supplementing global regimes or regional uniqueness(measuring density of regional cooperation)
	<r-p-④>	<ul style="list-style-type: none"> - Compared characteristics of each country's political system - Power structure, policy-decision process, elite recruitment, level of political participation by the public - Put emphasis on generalized political structure and things possible for indexation, taking into consideration difficulty of analysis by each country(agreement on items for examination in advance necessary)
State Level -Political Area (s-p)	<s-p-①>	<ul style="list-style-type: none"> - Examination on important statements regarding regional cooperation made by top leaders of each country since 1990 - A point in time of reference/intensity(one-time or continuity, particular intention or universality, etc.), efforts to carry out(plain reference, action, or partial results) - Necessity for structural analysis on internal regimes by each country
	<s-p-②>	<ul style="list-style-type: none"> - Extent of support by the public toward government foreign policy(examination on results of public opinions conducted by global major institutions(e.g. The Pew Global Attitude Project) - Analysis on rhetoric and changes in major press's foreign policy since the 1990s ※ An extent of national support is related to goodwill toward a foreign country, and this research has been conducted by the Gallup Poll. It is expected to be extremely difficult to conduct analysis on press's rhetoric concerning its foreign policy(concrete regulations should be followed.)
	<s-p-③>	<ul style="list-style-type: none"> - Analysis on policy-basis by political parties in different countries relating to regional cooperation(preconditioned to conduct analysis on support base of political parties)

LEVEL AREA	UPPER INDICES	DETAILED INDICES
State Level -Political Area (s-p)		- Positions of domestic labor unions, interest groups, NGOs toward cooperation within the region - Analysis on characteristics of each country's ruling (party) coalitions(pro- or anti-regional cooperation)
	◁s-p-④▷	- Features on policy decision-making & administrative processes
	◁s-p-⑤▷	- Examination on implementing institutions & persons - Period of establishment, objective, concrete activities
Regional Level -Culture Area (r-c)	◁r-c-①▷	- Grand total of statistics on personnel exchanges(including sightseeing) in social/cultural field between two states - Exchanges in tourism, students studying abroad, residents abroad, groups(sisterhood relationship)
	◁r-c-②▷	- Examination on programs of international exchanges in social/cultural field within the region(bilateral or multilateral) - State of exchanges in broadcasting, press & pop culture(economic/non-economic purposes)(bilateral or multilateral)
	◁r-c-③▷	- Territorial & historic disputes/minority ethnicity issue(bilateral or multilateral) - Intensity & frequency: Examination on individual country's mass media since the 1990s
	◁r-c-④▷	- Cooperation among NGOs in social culture area within the region - Quantitatively: the number of councils & meetings/Qualitatively: outcomes of cooperation
	◁r-c-⑤▷	- Indices which are able to compare values through statistics - Comparison on individual country's distribution of religions & its ratios as representing examples - Examination on a Northeast Asian identity in the region(Utilizing regional or global survey?)
State Level -Culture Area (s-c)	◁s-c-①▷	- Existence on agreement of visa exemption, scale of financial support toward social culture exchanges among governments in the region(e.g. The Korea Foundation, etc.)
	◁s-c-②▷	- Examination on the number of concluding sisterhood affiliations at regional-level governments - Comparison(Ratio?) on the number of establishing sisterhood affiliations between particular regional governments and out-of-region establishments
	◁s-c-③▷	- Examination on reliability & affinity of each country toward neighboring countries in the region(Survey) - If difficult to conduct a survey, conduct an expert survey in an indirect manner
	◁s-c-④▷	- Time allotted for education on language, history, society of a state in individual school's curriculum - Foreign languages of the region that college students and adults want to learn (or are learning the most)

There could be two criticisms or limitations of my approach. One of them is that I would be a little bit biased toward liberalistic integration model. Some people could point out the fact that in the European case the role of hegemony is used to be quite important. Nobody can deny that regional cooperation could often need at the outset hegemonial power. However, most of the integration theories themselves are based on the European cases of regional cooperation. We can also see that if regional cooperation reaches a certain level, then the more liberalistic integration model can apply to a greater extent. Therefore, my understanding of infrastructure still can be valid in the sense. The second criticism or limitation for my understanding could be that my indexes can contain or trouble availability and quality of statistics, and this can be represented as realistic difficulties for us. However, as regional cooperation develops, there can be wider (or broader) ways for us to develop infrastructure indexes and also gain valid statistics to apply for these indexes.

Domestic Constraints on Regional Cooperation in Northeast Asia

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Sung-Chull Kim*

Contentious relations in Northeast Asia are not new. During the Cold War period, the confrontation between the two camps representing socialism and capitalism occurred for more than a half century. The Demilitarized Zone in the Korean peninsula, bordering between the socialist North and the capitalist South, was a buffer to prevent direct conflict between the two parties. But time has changed the nature of contention in the region. After the disintegration of the former Soviet Union, the remaining problems of the Cold War era have appeared in a new form. In the first decade of the post-Cold War era, North Korea has expedited the process of nuclear weapons development, yielding two crises in 1993-94 and 2002-present. Despite the increasing exchanges between the two Koreas since the launch of the South's engagement policy toward the North, the crises produced high security concerns, particularly in Japan and the U.S. as well as in South Korea. In this sense, resolving the persisting contradictions which remain on the Korean peninsula is the central issue for regional peace. Additionally, the heightened tension in the Taiwan Strait in the mid-1990s, accompanied by the rise of China in terms of both economic power and military strength, has contributed to—and has been attributable to—the emergence of competitive relations between China and Japan as well as the strengthening of the Japan-U.S. alliance.

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Northeast Asia is the region where cooperation among individual countries is desperately needed. The North Korean nuclear crisis and the Taiwan Strait tensions are ready examples of contentious issues under which looming dangers of conflict are submerged. The submerged dangers include lingering historical issues, continuing territorial disputes, intensifying energy competition, and more importantly, emerging Sino-Japanese rivalry, despite their mutual deepening economic interdependence. It is noteworthy that the submerged dangers of conflict do not simply interfere with interstate relations in the region but also recycle themselves in domestic politics and empower the politics of backlash, giving ammunition to the inward-looking segments of society within the individual countries.

This paper aims at identifying how the domestic dimension of each country constrains the regional dynamics in general and regional security cooperation in particular. The paper is based on the spirit that identifying problems should precede finding ways to institutionalize an infrastructure of multilateral cooperation and to cultivate regional peace.

The impact of the domestic dimension varies from country to country. The domestic politics in the two Koreas, China, and Japan are intensively and extensively related to the foreign policy of each country and interstate relations between them, whereas the influence of the domestic dimension in Russia and the United States is limited to the top political elite who participate in the decision-making. There are a couple of reasons for the variance between individual countries. First, Russia and the United States, as big powers, are strategically involved in the region. Strategic considerations in the policy making in these countries are made at the hands of the top leaders. Therefore, in the two countries, presidents in power (or the institutional arrangement centered on the presidential authority) and their political orientations are important factors for the policy direction and its impact on regional dynamics. Second, the modern

history of war and colonial rule between China and the two Koreas, on the one hand, and Japan, on the other hand, have affected the perception of each country about each other. The perception has been basically formed by the lingering memory of the past and is still often affected by the way in which political leaders project it, as seen in the dispute erupted in 2005 spring centered around the Japanese history textbooks. At any rate, despite the individual variance, to comprehend the regional interactions and interstate relations requires us to consider the domestic dimension.

Why Regional Cooperation in Northeast Asia? : A Definitional Question

Here, the Northeast Asia region includes China, Russia, Mongolia, North and South Korea, Japan, and the U.S. Why then, is Northeast Asia, instead of the entire East Asia, a special concern? This question is legitimate in the sense that the notion of regionalism or regional community draws scholarly attention in this globalizing era. Additionally, the question is important in that how to define Northeast Asia matters for both the identifying of relevant issues and the finding of ways to facilitate cooperation. It is apparent that this region is not mature enough to be considered a regional bloc, which requires both strong demand for economic interdependence and absence of a divisive situation in security affairs (or existence of an outside threat for regional cooperation). Along with a relatively high speed of integration into the global economy,¹⁾ there are growing trends of economic interdependence between China and

1) Samuel S. Kim, "Northeast Asia in the local-regional-global nexus: multiple challenges and contending explanations," in Samuel S. Kim, ed., *International Relations of Northeast Asia* (Lanham, MD: Rowman & Littlefield, 2004), p. 35.

Japan and an increasing desire of the “three countries”—meaning China, South Korea, and Japan—for a free trade agreement (FTA) with Association of Southeast Asian Nations (ASEAN). However, the North Korean nuclear crisis is the major obstructor to hinder such positive developments. Also, the security contention between the Japan-U.S. alliance and China, particularly centered on the Taiwan Strait, has continued to produce tensions in this region. As seen in the U.S.-Japan Joint Security Agreement in February 2005 that stated Taiwan as a mutual security concern, Japan’s willingness—and the U.S. push for this—to cope with a the rising China is becoming evident.²⁾ Therefore, it appears that Northeast Asia has a potential for the furthering of economic cooperation, while revealing serious vulnerability in security affairs.

The attempts for building a multilateral institution, especially a FTA in ASEAN Plus Three (APT), and a regional community cannot bear fruit without solving, or alleviating at the very least, the looming security threats, such as the North Korean nuclear crisis and the Taiwan Strait tension, both of which are in accordance with the post-Cold War nationalist phenomena in the region centered on history, territory, and energy, as shall be discussed later. Although an APT must be a promising institutional trial for economic cooperation encompassing East Asia and eventually for the building of a regional community, the “three countries” can take advantage of the bandwagon effect of the institutional arrangement and experience of ASEAN since the Asian financial crisis erupted in 1997. In spite of its own merit and the prospects of an APT, the lack of security cooperation between the three countries—China, South Korea, and Japan—would leave ASEAN a simple nodal point to separately link the three economies. Without security cooperation particularly between China on the one hand and the U.S. and Japan on the other, it

2) Washington Post, February 18, 2005.

would be difficult or would delay the time to achieve free trade among them.³⁾ Furthermore, the security contention between China and Japan led them to compete with each other, with different strategies, for more privileged trade access to ASEAN. China has forged the negotiation for a FTA with ASEAN as a collectivity, whereas Japan has focused on bilateral FTAs with the member countries of ASEAN, based on the long history of engagement starting with war reparations in the 1950s and official development assistance since the second half of the 1960s.⁴⁾

It is also worth noting that the U.S. has opposed the ideal of community-building in East Asia, simply supporting APT as a pivot of regional cooperation.⁵⁾ The American opposition to any attempt for the formation of a regional community in East Asia may be exemplified by its resistance to the Japanese proposal of the establishment of a regional financial institution, the Asian Monetary Fund, amid the financial crisis in 1997. This opposition was a clear sign of its determination not to relinquish its national power over East Asian countries via the International Monetary Fund.⁶⁾ The American opposition itself is not the determining factor that interferes with the regional cooperation in Northeast Asia per se. But the U.S.'s concern lies in the maintenance of the traditional strategic objective in Asia, that is, the bilateral relations within the scheme of Asia and Pacific cooperation. The U.S. still considers Asia-Pacific Economic Cooperation a useful tool for binding Asia and the Pacific together and for economic collaboration and security talks in this extended region, maintaining the bilateral security alliances with South Korea and Japan. Such strategic

3) In fact, Japan and South Korea have continued the FTA negotiation since late 2003, but China and Japan simply agreed in October 2004 to start a preliminary study of examining the FTA's impact on their economy.

4) Toshiyuki Arai, *ASEAN To Nihon (ASEAN and Japan)* (Tokyo: Nitcho Shuppan, 2003), pp. 178-86.

5) For instance, the former Deputy Secretary of the State, Richard Armitage, opposed the idea of East Asian community, stressing significance of the Japan-U.S. alliance in coping with the rise of Chinese influence. *Asahi Shimbun*, May 1, 2005.

6) Saori N. Katada, "Determining factors in Japan's cooperation and noncooperation with the United States: The case of Asian financial crisis management, 1997-1999," in Akitoshi Miyashita and Yoichiro Sato, eds., *Japanese Foreign Policy in Asian and the Pacific: Domestic Interests, American Pressure, and Regional Integration* (New York: Palgrave, 2001), p. 163.

objectives must be the legacy of the San Francisco system, which has constituted the American-led Asia-Pacific order since its birth in 1952.⁷⁾ That is, regional cooperation in Northeast Asia, not to speak of the Northeast Asian community, is hampered not only by the security contention that stems from the North Korean nuclear crisis and the Taiwan Strait tension but also by the U.S. security commitment extended to Asia and the Pacific, coupled by Japan's increasingly proactive engagement in the so-called "Arc of Instability," which ranges from the Korean peninsula to the Middle East.

Furthermore, there exists a deep attitude gap between the Northeast Asian countries. Each country is more preoccupied by cultural superiority, foreign threats, and territorial disputes than Europe. As seen in Table 2-1, the Pew world-wide survey study shows that peoples in the five countries in this region record higher scales than those in the member countries of the European Union, even though theirs are relatively lower than those with experiences of violent conflict with neighbors. Considering that such an attitude gap originates from the public perceptual context of each country in Northeast Asia, as Peter J. Katzenstein and Rudra Sil note, the natural expectations about the European experience—a sequential shift from the military conflict during World War Two, to the economic prosperity in the EEC period, and finally to the integration of Europe in a supra-nationalist fashion—would not be repeated in this region.⁸⁾ Because of the discordance between the demand for regional economic cooperation and the existing security contention, it is not an easy or optimistic task to envision regionalism in Northeast Asia. In this respect, it is fair to state that

7) Kent E. Calder, "Pacific co-prosperity? The San Francisco System and its implications in comparative perspective," in David I. Steinberg, ed., *Korean Attitudes toward the United States: Changing Dynamics* (Armonk, NY: M.E. Sharpe, 2005), pp. 22-23.

8) Peter J. Katzenstein and Rudra Sil, "Rethinking Asian security: a case for analytical eclecticism," in J. J. Suh, Peter J. Katzenstein, and Allen Carlson, eds., *Rethinking Security in East Asia: Identity, Power, and Efficiency* (Stanford: Stanford University Press, 2004), pp. 16-20.

the regional cooperation here delivers the meaning of a desperate need of security cooperation broadly defined rather than anything else and that the functional development of regional integration, as seen in the European case, is not so suggestive in this region.

Table 2-1. Comparison of Mutual Attitudes

	Our culture is superior	Must protect against foreign influence	Parts of other countries belong to us
India	74	61	60
Turkey	57	69	40
Bangladesh	63	62	54
South Africa	46	58	42
Pakistan	50	52	51
China	21	27	N/A
Japan	29	20	23
South Korea	33	30	22
U.S.	23	30	9
Russia	23	35	26
Britain	9	20	10
France	10	24	5
Italy	14	28	13
Germany	8	17	9

*The scale in the box indicates the percentage of respondents who completely agree with corresponding questionnaires of the survey. Source: The Pew Global Attitudes Project, 2003, pp. 95-109.

Multilayered Sources of Regional Interactions

In order to identify the problems that constrain regional cooperation, it is necessary to appraise the existing theoretical frame through which scholars examine regional interactions, particularly in Northeast Asia. This is because the problems partly originate from the scope that heavily relies on the old state-centered theory, neorealism, which reveals an inability to

account for the present situation of diversified layers of interactions.

During the Cold War, the realist tradition prevailed in the study of international relations. Within the influence of the realist tradition, James N. Rosenau and others in the late 1960s and the 1970s attempted to illustrate interactions between domestic and international dimensions by examining either domestic sources of foreign policy, frequently called “linkage politics,” or international sources of domestic politics, called “the second image reversed.”⁹⁾ However, their voice was overwhelmed by neorealism, mentored by Kenneth N. Waltz, who depicted international relations as an anarchy in which survival is the most important motivation of states.¹⁰⁾ Neorealism is the view that the unit of analysis is the state, which is to say, the sovereign entity that, located at the top of the hierarchy, comprehends domestic politics. Neorealism posited that the state summarizes different interests and diverse processes into a single policy output in foreign affairs. On this ground, actors such as groups and organizations, as well as domestic political processes, have been considered subordinate to the state in its pursuit of survival.¹¹⁾ It was not until the late 1980s that Robert Putnam attracted new attention to domestic politics by theorizing the negotiator’s behavior between international relations and domestic politics into the notion of “two-level games.”¹²⁾

9) See James N. Rosenau, “Pre-theories and theories of foreign policy,” in R. Barry Farrell, ed., *Approaches to Comparative and International Politics* (Evanston: Northwestern University Press, 1966), pp. 27-92; Allison Graham, *The Essence of Decision: Explaining the Cuban Missile Crisis* (Boston: Little, Brown, 1971); Alexander L. George, “The case for multiple advocacy in making foreign policy,” *American Political Science Review*, Vol. 56 (1972), pp. 751-785; and Peter Gourevitch, “The second image reversed: the international sources of domestic politics,” *International Organization*, Vol. 32, No. 4 (Autumn 1978), pp. 881-912.

10) Kenneth N. Waltz, *Theory of International Politics* (Reading: Addison-Wesley, 1979), chapter 5.

11) It is ironic that neorealism has extensively utilized the term system. This term depicts a set of international relations among states as being an international system from which state behavior and state interests are deduced. The logic inherent in neorealism is that the relationship between the parts and the whole is uni-directional, which is to say, neither interactive nor mutually causal. However, this logic is not in accordance with the ideas presented by the interdisciplinary tradition of systems sciences, such as interconnectedness, indeterminacy, complexity, and the macro-micro link. Recently, Robert Jervis, within the paradigm of neorealism, made an attempt to incorporate the propositions of systems sciences into the study of international relations. See his work, *System Effects* (Princeton: Princeton University Press, 1997).

12) Robert D. Putnam, “Diplomacy and domestic politics: the logic of two-level games,” *International Organization*, Vol. 2, No. 3 (Summer, 1988), pp. 427-460.

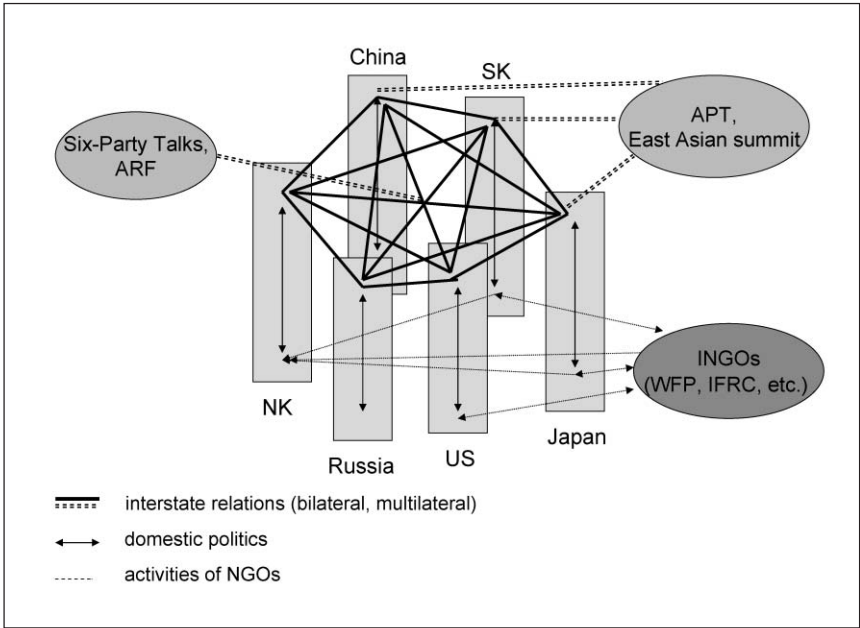
Scholars have started to investigate pluralistic dispersion of power and its effect on foreign policy and international relations. Furthermore, they have asserted that in contrast to neorealism, decision-making processes are not directly related to survival of the state but to actors' preferences, institutional arrangements, and coalitions.¹³⁾

Such theoretical revisits to domestic consideration on international relations is applicable to the Northeast Asian case. That is, recent interactions between countries in Northeast Asia cannot be explained simply by a realist interpretation of the world. A transition of domestic politics has mattered for the regional dimension, as seen in the impact of an electoral realignment on the national strategy in foreign affairs. For instance, in Japan, the Social Democratic Party of Japan (SDPJ)'s Tomiichi Murayama's assumption to the position of Prime Minister in 1994 had two different meanings. Socialists for the first time took offices in the SDPJ-LDP coalitional government. At the same time, it has resulted in a continuous decline of public support for the socialists because of a policy failure stemming from the contradictory stance in the sense that the strengthening of the security alliance with the U.S. belied socialists' previous commitment to a peace-prone policy orientation. Coupled with the negative effect on the socialists owing to the adoption of a single-seat electoral system in 1996, Murayama's self-contradictory foreign policy resulted in the socialists never being able to restore their previous degree of public support. The situation of the decline of the socialist camp has moved Japanese politics towards a conservative direction.

13) On the extending discussions of interactions between the domestic and the international, see Jack Snyder, *Myths of Empire: Domestic Politics and International Ambition* (Ithaca: Cornell University Press, 1991); Robert O. Keohane and Helen V. Milner, eds., *Internationalization and Domestic Politics* (Cambridge: Cambridge University Press, 1996); James N. Rosenau, *Along the Domestic-Foreign Frontier: Exploring Governance in a Turbulent World* (Cambridge: Cambridge University Press, 1997); Helen V. Milner, *Interests, Institutions, and Information: Domestic Politics and International Relations* (Princeton: Princeton University Press, 1997); and Etel Solingen, *Regional Orders at Century's Dawn: Global and Domestic Influences on Grand Strategy* (Princeton: Princeton University Press, 1998).

The interactions between the domestic politics and the regional dynamics are multilayer in nature, as seen in Figure 2-1. As T. J. Pempel argues, interactions in a certain region are multiple, so that to exclusively examine one aspect is to miss the greater complex of relations.¹⁴⁾ Indeed, the interactions relevant to regional dynamics in Northeast Asia take place at more than one layer, not just the interstate level. Each country has a unique vertical mode of state-society interactions. The interactions are not strictly confined to the domestic level but open to external interactions, either interstate relations, business relations, or activities of NGOs.

Figure 2-1. Multilayered Domestic-Regional Linkages



14) T. J. Pempel, "Introduction: emerging webs of regional connectedness," in Pempel, ed., *Remapping East Asia: The Construction of a Region* (Ithaca and London: Cornell University Press, 2005), p. 6.

At the top, the interstate relations among Northeast Asian countries, which may be called the “first layer,” are built on the APT and East Asian summit, which are supported by individual countries’ study groups for agenda-setting functions. The three countries—China, South Korea, and Japan—have been enjoying an effect of the bandwagon of ASEAN, but the relationship between them is not solid enough yet for becoming a pillar to sustain the integration of Northeast Asia and Southeast Asia completely. For security purposes, the interstate relations have taken place at the ARF and Six-Party Talks.

In domestic politics, the “second layer,” the perception about one’s neighbors as well as political realignment has mattered for the regional dimension. This is particularly true in China, the two Koreas, and Japan, which are still not free of the lingering historical memory of victimizer-victim relations. Regarding Japan’s past acts, negative images are frequently stimulated at the public level, a situation that impedes cooperation between China and the two Koreas on the one hand and Japan on the other. Furthermore, there is a possibility that historical issues may be manipulated either by politicians for their demonstration of compassion or for the justification of the national strategy—for example, Japanese Prime Minister Koizumi’s visit to Yasukuni Shrine as a means of showing his determined patriotism and the Chinese leaders’ de facto authorization of mass demonstrations against Japanese efforts for obtaining a permanent seat in the United Nations Security Council.

At the bottom, most NGOs in Northeast Asian countries have had a relatively weak international orientation until now; however, some of them now extend the scope of their vision and their domain of activities by working together with INGOs. NGOs may press their political leaders to take the policies with universal values, even though the opposite cases also exist in reality. The expansion of cooperation among NGOs at the transnational level is the “third layer” of domestic-regional linkages. The third layer, in an

analytical sense, is an addition to the “first layer” of interstate relations and to the “second layer” of domestic politics. Insofar as its role is concerned, the third layer has a great potential for the forging of regional cooperation in the coming years. In particular, the present information technology has, in a remarkable way, opened a new era in the sharing of information, one of the most essential elements for cooperation among NGOs. The significance of information for the third layer lies in its contribution to the disseminating of alternative sources that are frequently unavailable in the mass media and in the official propaganda of each country.¹⁵⁾

It is notable that the types of issues that they deal with matter for the effectiveness of the third layer. In general, the issues related to human security, rather than arms control issues, tend to promote effectiveness in terms of political influence. Humanitarian aid and human rights issues tend to positively influence the state. This is so because these issues involve the safety concerns of specific people or groups and because objectives and consequences of the engagement with these issues are visible and concrete. Furthermore, the universal characteristics of norms and values related to human security resonate powerfully in the minds of the general public, and thus the state cannot completely ignore this appeal. The empirical fact that INGOs are more involved in human rights issues than in other issues partly evidences the effectiveness of the human security-related NGOs activities.¹⁶⁾ In the northeastern part of China and North Korea, there are ample cases of NGOs’ engagement in human security problems of North Koreans, like famine and refugee issues. The World Food Program, Hong Kong Caritas, International Federation of Red Cross and Red Crescent Societies, and religious NGOs in South Korea—

15) Margaret E. Keck and Kathryn Sikkink, *Activists beyond Borders: Advocacy Networks in International Politics* (Ithaca: Cornell University Press, 1998), p. 19.

16) Proportionally speaking, human rights organizations account for roughly a quarter of INGOs. See Keck and Sikkink, *Activists beyond Borders*, p. 11.

Protestant, Catholic, and Buddhist—are ready examples with more or less successful outcomes of humanitarian engagements.

Domestic Dimensions to Consider

Looming Contentious Issues

In addition to North Korea's nuclear crises and the Taiwan Strait tension, there are submerged, but looming, contentious issues in the region. First, the historical issue has become more sensitive than before. Approval of Japanese history textbooks in 2001 and 2005, which whitewashed some facts regarding colonial rule of Korea and the invasion of China, led to anti-Japanese demonstrations in the two victimized countries. Along with politicians' seemingly justification of the militarist past, like Prime Minister Koizumi's visits to the Yasukuni Shrine honoring the war dead, Tokyo's response to the history textbooks issue reflects a transition in the political atmosphere in Japan, that is, the decline of left-wing political parties since the early 1990s. Anger by Koreans and Chinese is understandable, but their nationalist face raised skepticism among concerned external observers. The demonstrations concurred not only with the rising nationalist sentiment amid the enlarging exchanges between two Koreas but also with the Roh administration's drive for "cleansing past history" which aims, above all, at the uncovering of collaborators of past Japanese colonial rule. The violent anti-Japanese demonstration in China was elite-endorsed. The slogans of the demonstration included not only historical issues but also the most sensitive diplomatic issue, Beijing's opposition to Tokyo's bid for a permanent seat in the United Nations Security Council. The demonstration in front of the Japanese Embassy in Seoul was not a simple incidental event.

Second, territorial disputes have impeded the enhancement of

cooperation in Northeast Asia. Japan and Russia have not found any solution to the Northern territories issue. The Russian side considers the 1956 declaration on the return of two out of four islands to Japan a starting point for further discussion on the peace treaty and the return issue. In contrast, the Japanese side has been in a dilemma. On the one hand, Japan regards the return of the four islands to be related to the restoration of its sovereignty on the islands unfairly occupied by the Red Army just before the conclusion of World War II. On the other hand, Japan has to weigh the positive effect of friendly relations with Russia given the situation of its competition with China over the promising Russian oil pipeline. Meanwhile, the disputes of China-Japan over the Diaoyu/Senkaku Islands and South Korea-Japan over the Tokto/Takeshima have been contentious because of their relevance for both historical antagonism and natural resources. The Shimane Prefecture Council's decision in February 2005 on the declaration of Takeshima Day invoked Korean people's resentment, because the decision reminded Koreans of the humiliation attributable to the Japanese deprivation of Korean sovereignty in 1905. The long territorial dispute over Diaoyu/Senkaku Islands in the East China Sea is more complicated than the Tokto/Takeshima case on the grounds that the sovereignty involves offshore oil exploration rights.

Third, energy competition has become a significant issue of regional dynamics. Because of the soaring demand for oil and gas, China has actively sourced supplier countries in recent years. China's oil demand surpassed domestic production in the mid-1990s, and oil imports doubled in five years between 1999 and 2004 and rose nearly 40% in the first half of 2004.¹⁷⁾ Also, in 2003, China surpassed Japan to become the second largest oil consumer in the world.¹⁸⁾ Accordingly, China has extended its import

17) Matthew Forney, "China's Quest for Oil," *Time*, October 18, 2004.

18) Seth R. DeLong, "Will Washington tolerate a Chinese-Venezuelan petro pact?" *Energy Bulletin*, January 20, 2005.

source throughout the world: from Kazakhstan to Russia, Nigeria, Venezuela, Iran, Peru, Azerbaijan, South China Sea, and the East China Sea, as well as four major domestic oil fields. In this context, it is not surprising that in June 2005 the China National Offshore Oil Corporation, one of the largest state-owned oil companies, made an \$18.5 billion unsolicited bid for an American oil company, Unocal. This bid, even if an aborted attempt, symbolizes not only China's ambitious corporate behavior but also the government's desperate effort to secure energy resources. It is noteworthy that China's search for import sources has been in conflict with Japanese oil demand. The rivalry between China and Japan for Russian oil has, to a certain extent, nullified the positive effect of the deepening of economic interdependence through trade and investment.

In a sense, the newly significant issues—history, territory, and energy—have not directly obstructed other issues, particularly economic cooperation. If a solution of one of the issues becomes the precondition for economic cooperation, then this situation will cause complications.¹⁹⁾ Fortunately, such conditional linkages do not exist. However, the confrontational situation interferes to some extent with the furthering of bilateral economic interdependence. For instance, the massive anti-Japanese demonstration in China in April 2005, apparently licensed by Beijing's leaders, has negatively affected the perception of Japanese companies on the business risk in China. According to a survey conducted by JETRO, they feel more risk than before because of the demonstration, and they are less likely to expand their business in China.²⁰⁾ Their

19) Jianwei Wang, "Territorial disputes and Asian security: sources, management, and prospects," in Muthiah Alagappa, ed., *Asian Security Order: Instrumental and Normative Features* (Stanford: Stanford University Press, 2003), p. 410.

20) In a survey conducted in May 2005, 44.9% of respondents believe that risks have "increased" due to the anti-Japanese demonstrations, as against 40.3% that perceive such risk as "unchanged." Of the companies that answered "increased," those "considering expansion of existing business or exploration of new business" account for 49.5%, while those that "will maintain existing business scales" account for 42.5%. JETRO, "Special survey of Japanese business in China: Impact of the April anti-Japanese demonstrations," June 2005, p. 6.

perception on the risk would impede the trend of increasing economic interdependence between China and Japan.

Constraints Entrenched in Domestic Politics

The domestic dimension of national strategy and foreign policy reflects images of regional configuration that particularly mirrors the contentious security issues on North Korea and Taiwan and the newly emergent problematic issues mentioned above. At the same time, changes in domestic politics and economics deeply affect the individual country's national strategy and foreign policy and complicated regional dynamics. Let us examine the ways whereby the domestic dimension constrains the cooperation at the regional level.

China: The present Chinese leaders, centered on Hu Jintao, have maintained a solid power base that was inherited from Jiang Zemin. The coalition between leaders in the Chinese Communist Party (CCP) and the People's Liberation Army (PLA), both retired and active generals, share the same values that economic growth guarantees national strength in general and national security in particular. They believe that political and social order is the precondition for the continuity of growth, both in military might and economic power. Based on this belief, the leaders strategically pursue peaceful expansion in order to become a self-sustainable power in the region. They need to continue their aspirations in the region, attempting to finally build a hierarchical regional order with Chinese supremacy.

The national strategy, conceived by the coalition between the CCP and the military, has two aspects for regional policy. On the one hand, the external policy reveals an internationalized and outward-looking predisposition in foreign economic relations. It is remarkable that China has achieved more economic engagement with neighbors in the region, especially with Japan. In fact, China's trade volume with Japan in 2004 surpassed the volume with

the U.S., and its accommodation of investment from Japan exceeded the amount from North America. Also, the security policy has pursued stabilized relations with neighbors including the U.S. Indeed, Chinese diplomatic circles have made efforts to facilitate the Six-Party Talks for the resolution of a regionally critical issue, North Korea's nuclear development. China considers any future success of this multilateral approach to be a model for multilateral security cooperation in NEA, hoping that the model would parallel the Shanghai Cooperation Organization in Central Asia, the APT in East Asia, and the ARF in Asia-Pacific.

On the other hand, the trajectory of the evolution of China's external policy is unpredictable, because of its uncertainty regarding national identity. The leaders, pursuing the growth of national power both economically and militarily, has neither specified the future of China nor envisioned the role of China in the region. Obviously, the evolution of national identity has been blocked as a practice common to authoritarian regimes. Not only the Cultural Revolution under Mao's rule but also the monolithic power of the CCP in the post-Mao period have prevented the development of civil society, which is generally regarded as the sphere of open discourses for both universal values and national identity. The leaders found patriotism useful in antagonizing Taiwan and its allies, Japan and the U.S., to unify the society without a certain reference point for identifying itself. The elite-endorsed anti-Japanese demonstration in 2005 was an outburst of such patriotism and antagonisms. In this regard, it would be correct to note that the domestic politics of patriotism creates backlashes or constrains regional cooperation, approximating zero-sum dynamics in the regional dimension.

The Two Koreas: Looking at the 1945 division and its aftermath, one may realize that Korea is the most innocent, last remaining victim of World War II and the subsequent Cold War. In a geopolitical sense, Korea has been besieged by neighbors with superpower traits. For this reason, the

peninsula became battlefields for the competing powers: the Sino-Japanese War, the Russo-Japanese War, and the Korean War are ready examples. Even now the Korean peninsula remains a buffer zone between two contending powers, China and the U.S., even after the dissipation of the Cold War in Europe.

There is no question that North Korea's closed nationalism has been an instrument of Kim Il Sung and Kim Jong Il for the control of the society, as well as a historical product. By the propagation of anti-imperialism and an anti-Japanese guerrilla tradition, the father-to-son power succession was legitimized. Furthermore, the nuclear weapons development was justified in domestic politics. The Kim Dae-jung administration's Sunshine Policy, which was launched in 1998, aimed at identifying a breakthrough to the remaining Cold War structure on the Korean peninsula. The succession of the Sunshine Policy from the Kim administration to the Roh Moo-hyun administration was possible because of the shared belief among the government, business, and NGOs that an engagement with the North would benefit peaceful coexistence between the two Koreas. In other words, the engagement policy toward the North could have survived only with a coalition among social groups who possess the same interests. This was particularly true in that the declining economic situation, caused by the Asian financial crisis in 1997 and its aftermath, pushed businesses to find a survival strategy. For the business sector, top level governmental talks were a necessary condition for opportunities in a new area, whereas for the administration, business advancement into the North would provide North Korea with an incentive to come to the dialogue table. In this regard, a solid coalition between the administration and business interests was formed. Such a coalition was first represented by the Hyundai Corporation's illicit remittance scandal, which came to be revealed in 2003 by a special South Korean inspection team. The truth about the scandal was that right before the summit talk between Kim Dae-

jung and Kim Jong Il, Hyundai wired about 500 million U.S. dollars to a North Korean state-run trading company.

The coalition, particularly under the Kim administration, envisioned more than an engagement with the North. It pursued internationalization in some respects. In economic affairs, the Kim administration adopted open and liberal policies, as well as reforming the banking, public, labor, and business sectors. In diplomacy, it supported Pyongyang's foreign relations with the West, while trying to alleviate domestic opposition from the conservative party. Furthermore, Kim advocated East Asian cooperation by proposing to create the East Asian Vision Group and its relevant East Asia Studies Group. In the domestic arena, Kim's presidency allowed empowerment of the NGOs, which in turn contributed to the facilitation of his Sunshine Policy through their involvement in humanitarian assistance work and in the evolution of reconciliation between the two confrontational Koreas.

It is noteworthy that Kim's initiative paved the way for the rise of nationalism in the period of Roh's presidency. Amid the second nuclear crisis that erupted in 2002, Roh Moo-hyun took advantage of widespread anti-American sentiment to be elected president. Even after the election, Roh has continued to utilize from time to time the history card, to use Gilbert Rozman's term,²¹⁾ for the purpose of domestic politics. It seems that such an overall strategy hampers the exercising of his presidential capacity to cope with North Korea's nuclear weapons development. Unlike what Kim did to Bill Clinton, Roh could not persuade George W. Bush to actively engage with Pyongyang. As a result, South Korea has been entrapped between the U.S.'s hawkish engagement toward North Korea and the latter's tactic of "national cooperation" to drive a wedge between

21) See Gilbert Rozman, *Northeast Asia's Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization* (Cambridge: Cambridge University Press, 2004).

Seoul and Washington, DC. South Korea's role has become further constrained by North Korea's declaration of a nuclear state status in February 2005. Both the present inter-Korean cooperation and a move toward eventual reunification now undergo the test of whether or not Seoul's policy towards Pyongyang will contribute to the interests of the Korean people and regional security simultaneously.

Japan: In general, the postwar ruling block has observed the maintenance of the liberal tradition in external economic relations and the peace-oriented foreign policy. The San Francisco Peace Treaty of 1951 allowed Japan to rise from a war-torn economy and transformed the militarist society into a stable democracy. However, in the past decade, Japanese politics and foreign policy underwent a tremendous change. Amid the publicity surrounding the Nye Report in 1995 that professed the necessity of continuous U.S. engagement in Northeast Asia and a strong U.S.-Japan alliance, both the stagnating Japanese economy and North Korea's nuclear and missile development furthered Japanese commitment to security and defense issues. As the pacifist generation that experienced militarism and the war passes away, the conservative LDP's drive for the revision of the Peace Constitution, especially Article 9 that specifies the prohibition of engagement in armed conflict, is gaining influence.

In Japan, China's rise per se and the perceived implications of such a rise have made conservative leaders feel vulnerable in terms of the national security situation. For the leaders, the rivalry between China and Japan became a perceptual context in formulating foreign policy. Here, Taiwan has emerged as a sensitive issue between both countries. In the midst of China's preparation of the Anti-Secession Law in early 2005, aimed at blocking Taiwan's move towards independence, the U.S.-Japan Joint Security Agreement, describing Taiwan as a security concern, has escalated the tension between Beijing and Tokyo. Also, Japanese participation in the joint development of the MD system led by the U.S. heightened the bilateral

contention between China and Japan. It is thought that Japanese participation is intended to prepare against North Korea's possible provocation. However, the Chinese do not look at it that way.²²⁾ In economic affairs, the rivalry between the two countries is also evident. Just as China attempts to enhance the level of cooperation with ASEAN, so Japan pursues more access to the ASEAN countries in a competitive fashion.

What should be noted is that Japanese politics rides on a conservative trend. The historical issues, such as the Yasukuni Shrine visits and history textbooks, have become significant since 2001. These issues, which have raised skepticism on the trustworthiness of Japanese government among Chinese and Koreans, are attributable to changes in the Japanese political landscape, especially the decline of socialists and communists in the Diet in the 1990s. The existing Democratic Party cannot substitute the role of the previous left-wing parties to check this phenomena.

One the other hand, the deepening of economic interdependence, particularly between the three countries, through trade and investment, has moderated to a certain extent an escalation of interstate confrontation. The business sector, like Nippon Keidanren (Japan Business Federation), has been concerned about disruption of economic relations between Japan and its neighbors because of their highly intertwined business interests. Also, the cultural exchanges between South Korea and Japan since 1998 have made younger generations and TV watchers empathetic to the other's culture. Korean TV dramas and their stars have become popular in Japan, whereas Japanese fashion design and pop songs influence Korean youth. In other words, economic and cultural factors alleviate the tension that exists at the interstate level.

Russia: Because of Russia's panoramic geographical scale, Moscow

22) Thomas J. Christensen, "China, the U.S.-Japan alliance, and the security dilemma in East Asia," in G. John Ikenberry and Michael Mastanduno, eds., *International Relations Theory and the Asia-Pacific* (New York: Columbia University Press, 2003), p. 42.

regards Northeast Asia as part of its strategic realm in the wider Asia-Pacific arena. In domestic politics, because of Vladimir Putin's success in the centralization of power, local government initiatives for regional cooperation that bypass the central government are almost impossible. Putin has successfully managed to end the social and economic disorder that had prevailed for a decade after the disintegration of the former Soviet Union. He suppressed political and economic initiatives led by local governors and businesses, when he considered them to be incompatible with the national interest of Russia. In this context, Putin may have maintained stability in domestic politics for the pursuance of national interest in external relations. Russian foreign policy under his leadership has aimed at a balance of power in the Asia-Pacific region: particularly checking the rise of China and striving for balanced relations between Beijing and Tokyo. For instance, Putin curbed the growing power of the Yukos oil company headed by Mikhail Khodorkovsky, who would ignore the role of the state and favor connecting the Eastern Pipeline to China, and then decided on rerouting and dividing of the pipeline in order to satisfy both Beijing and Tokyo. Also, in order to expand Russia's leverage in the Korean peninsula, Putin's approach to the two Koreas has followed the maintenance of a balance between the North and the South. This is different from Yeltsin's approach that was lenient to South Korea alone, ignoring North Korea. Yeltsin's diplomacy marginalized Russia at the first nuclear crisis in the mid-1990s in the sense that Russia lost influence over North Korea because of the decline in relations between the two countries. For this reason, by the end of the 1990s, North Korea came to be indifferent to the Russian role on the Korean peninsula, preferring to pursue contacts with the U.S.²³⁾ However, Putin has enhanced Russia's influential status

23) Elizabeth Wishnick, "Russian-North Korean relations: a new era?" in Samuel S. Kim and Tai Hwan Lee, eds., *North Korea and Northeast Asia* (Lanham, MD: Rowman & Littlefield, 2002), p. 150.

since 2000 on the Korean issue by engaging with the North, as well as with the South, and attracting new attention from the authorities in Seoul.

U.S.: There are two characteristic traits of U.S. policy toward Northeast Asia. On the one hand, just as in the case of Russia, domestic politics in general is too remote from the contentious scene in this region despite the U.S. military presence of one hundred thousand servicemen in Japan and South Korea and the bilateral security alliances with these two countries. The U.S. strategy and policy choices in the region are neither based on grass-root perceptions nor the public view. On the other hand, the degree of interconnectedness between economy and security is very low in foreign policy output towards the region. For instance, a trade dispute does not hamper bilateral security relations. This tradition of the separation of security from economy may be traced back to the San Francisco Peace Treaty, whereby the U.S. has pursued asymmetrical bilateral relations favoring the security alliance with Asian countries by providing economic incentives. This separation contributed to the structuring of constant and deep engagement in regional security affairs, not being interrupted by any multilateral institution or by any friction in economic transactions.

As far as domestic politics is concerned in regards to the U.S. role in Northeast Asia, the administration and Congress are the only institutions involved in policy towards the region in the sense that the two institutions are the only public spheres where serious debate or controversies on both security issues and major economic policies take place. There are three salient issues: North Korea's nuclear weapons development, the Taiwan Strait tension, and the bilateral alliances with South Korea and Japan. There is an institutional difference between the presidency and Congress but relative policy continuity on the Taiwan Strait issue, whereas there is a partisan and presidential difference on North Korea's nuclear weapons development but no real institutional difference. Given the presidential

system in which the partisan position is embodied in the administration's policy, the U.S. policy toward the Korean peninsula depends on the incumbent president's character and is subject to the president's predisposition.

If any policy depends on or is vulnerable to an individual president, there should appear inconsistency and discontinuity between presidents. This is true for the Korean issue, as seen in the case of two presidents, Bill Clinton and George W. Bush, with contrasting characters, predispositions, and leadership styles. Before the process of passing through the institutional mechanism, particularly Capitol Hill, the president and the administration are likely to decide the direction of the related policy, so that the policy tends to change every four years. Analyses of information about the nature of nuclear development, the regime under Kim Jong Il, and the motivation of the nuclear game does not require Congressional approval; rather, Congress relies upon the assessment of information made available by the administration, including the CIA.

The above-mentioned situation—that is, predominant presidential influence on the North Korean nuclear issue—hampers the solution of the problem, especially when there is a discrepancy among the allies. This is so because the information analyses by the presidency and its administration are normally judgmental but sturdier than the institutional assessment based on the national interests and strategy, otherwise the president's position is suddenly changed by an unexpected emotional development.²⁴⁾ With the Sunshine Policy during Kim Dae-jung's administration and the Peace and Prosperity Policy during Roh Moo-hyun's administration, South Korea has moved to deeply engage the North, which is now an irreversible

24) For the presidential influence on the policy-making in American politics, see James D. Barber, *The Presidential Character: Predicting Performance in the White House*, 3rd ed. (Englewood Cliffs, NJ: Prentice-Hall, 1985) and Alexander George and Juliette George, *Presidential Personality and Performance* (Boulder, CO: Westview Press, 1998).

trend. As seen in Koizumi's visit to Pyongyang in 2002, Japan has been largely preoccupied by the abduction issue and has had different ideas in coping with North Korea. In such a situation, instead of looking for policy coordination with other participants in the Six-Party Talks, President Bush and his administration have basically maintained their original characterization of North Korea as either a "rogue state," or a member of the "axis of evil."

Conclusion

In general, regional cooperation involves collective security and economic interdependence. In Northeast Asia, the increasing trend of economic interdependence is not necessarily accompanied by security cooperation. Empirically speaking, Northeast Asia has not evidenced the theory of functionalism, which purports a functional development from non-political interactions to political integration. The economic interdependence contributes to the restraints of the countries from being involved in a direct conflict, but it is not a sufficient condition for the alleviation of the tension and rivalry in security affairs. Furthermore, as observed in this paper, domestic politics constrain regional cooperation, particularly in security affairs. Notably, the history, territory, and energy issues are entrenched in domestic politics. This is a post-Cold War phenomenon in this region. These submerged issues often hijack the political leaders from their outward-looking, internationalist foreign policy and empower the forces of backlash and nationalist elements in domestic politics.

The lack of security cooperation does not refute the urgency of regional cooperation. The opposite is true. The participants of the Six-Party Talks should seriously work not only for the solution of the existing nuclear crisis but also for the transformation of this multilateral channel into an

institution of regional security cooperation. Likewise, the “three countries,” which are in a desperate need of energy (oil and natural gas), have to cooperate in sourcing these energy resources. The rapidly rising demand of oil and gas in the region should not result in “energy nationalism.”²⁵⁾ Here lies the logic of the interconnectedness between security and economy.

The key is the actor, specifically speaking, expansion of the domain of the internationalized segment in each society. The key to solve these urgent issues and to induce cooperative behavior lies in our intellectual capacity of how to check the nationalist segments of the society and how to foster the transnational alliance among NGOs. Just as investors and traders have been contributors to the collapsing of the statist hard shells to a certain extent, so the NGOs may become the gladiators of crossing state borders. The statist hard shell is the favorite choice for the nationalists who attempt to logroll—to use Jack Snyder’s term²⁶⁾—the public for the thrusting of backlash, confrontational policies towards the other side. The principle of “non-intervention in domestic politics” is the best menu for inward-looking political leaders who try to persuade the public to become patriots instead of citizens.

25) Mikkal E. Herberg, “Asia’s energy insecurity: markets or mercantilism,” presented at the conference on Remaking Economic Strengths in East Asia: Dealing with the Repercussions of Increased Interdependence, held at the Institute of East Asian Studies, the University of California, Berkeley, April 8-9, 2005.

26) Snyder, *Myths of Empire*, pp. 97-108 & 142-150.

Evolving Patterns of Northeast Asia Conflict and Cooperation Interactions: An Empirical Survey of National and Regional Interactions, 1990-2004

—
Doug Bond*

Introduction

The Workshop Program notes that to “increase regional cooperation in North-East Asia,¹⁾ it is critical to review the extent of exchanges and cooperation at national and regional level...” This paper responds to this admonition and presents the results of an empirical survey of news reports from 1990 through 2004 on Northeast Asia national and regional interactions, focusing on their evolution leading to the current status and the prospects for conflict and cooperation in the region. Specifically, this paper seeks to illuminate the trends over the past fifteen years in the cooperative and conflictual interactions among the countries within Northeast Asia. Conflict and cooperation are assessed independently in this survey to better understand the dynamics of their interactions and inflections. We also present the results of a nationally-focused examination of “country stability”²⁾ for each of the Northeast Asian countries, a measure that we suggest is driven by civil challenge, government repression and system violence.

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1) Following the Workshop program, I include the U.S. as a functional partner in Northeast Asia, but I had to omit ASEAN due to the complexity of trying to assess a multi-country organization in the context of national monadic and regional dyadic units of analysis; we also omit Mongolia for the most part because (English language) news reports coverage that we use (AFP and Reuters) are inadequate.

2) Craig Jenkins and Doug Bond, 2001.

Key questions in this survey include the extent to which the historical legacy between Korea and Japan, and their reliance on the U.S. to counter China's ascendancy may be driving their bilateral and regional interactions. Green³⁾ argues that "Japanese officials worry about any expansion of Chinese influence. The worst-case scenario, according to defense and MOFA officials in Tokyo, would be a Sino-Korean continental axis against Japan and the United States." From the Korean perspective, public manifestations of anti-Japanese sentiment in Korea continue to press the government and exacerbate their tenuous relations. For example, in 1993, a novel entitled *The Rose of Sharon Has Blossomed* became a national bestseller in Korea; a united front of North and South Korean forces defeat Japan in this book.⁴⁾

China's emerging economic status, Japan's 2001 legislation to allow its armed forces to take part in limited overseas operations and Korea's lingering anti-American sentiment still fuel antagonistic perceptions that strain the bilateral alliances in the region, and may lead to shifts in regional alliances if not outright conflict. Of course the heavily armed, divided peninsula still stands as the divisive flashpoint for potential armed conflict in the region, particularly with respect to the growing issue of North Korean refugees. At the same time, the economic interdependence within the region has never been greater, and it is likely to be accompanied by increased political, cultural and social interaction and even some regional integration, despite the historical animosities and unresolved conflicts. The huge popularity of Korean television and movie dramas throughout Asia (and even in the U.S.) is but one example of increasing regional cultural integration. In a study of Northeast Asian regional security after the Cold War covering the period 1984 through

3) 1999, p.163.

4) I am indebted to Sarah Yun for this example.

April 1994, Bond and Rothkin (1994) looked at the then recent eruptions of violence and concluded that the region in the post-Cold War era was increasingly marked by multilateral political, military, social, and economic relations and, in particular, the increasing role of civilian-based sources of influence on security policies of the individual states. Given the absence of subsequent large-scale civil society government violence, it would appear that most of the governments in the region have learned that armed suppression of civil challenges creates a volatile, fragile, and temporary substitute for resolving domestic discontent. The exception here of course is North Korea's persistence in keeping rigid controls over virtually all aspects of life in North Korea, relative isolation from the outside world, and with the result of a desperate exodus of an increasing number of its citizens.

Approach

This survey makes use of an automated data development tool⁵⁾ that codes news report leads into their basic event data parameters of who does what to/with whom, where, when, why and how. The tool was run on Reuters World News reports from 1990 through 2004, and produced a global data set of some 10.2 million event records. The Northeast Asian region countries collectively account for 3,692,809 of these event records,⁶⁾ distributed as listed in Table 3-1 below.

5) The software application is called the VRA® Reader, and was made available by Virtual Research Associates, Inc. for this research. See King and Lowe (2003) for an independent assessment of the automated coding. The software is guided by the IDEA (Integrated Data for Events Analysis) protocol - see Bond, Bond, Oh, Jenkins and Taylor (2003) for a description of the IDEA protocol, which is also viewable on line at <http://www.vranet.com/IDEA>.

6) These Northeast Asia events data coded from Reuters News reports are available from the authors; please contact doug.bond@wcfia.harvard.edu. The global data set from which the regional set was extracted is available from Harvard University at <http://thedata.org>.

Table 3-1. Event Counts by Country

Country	Event Records
China	250,664
Japan	361,796
Mongolia	3,001
North Korea	22,708
Russia	181,841
South Korea	121,290
United States	2,751,509

We use this tool to track reported events—cooperation, conflict and other—over time as they evolve. We track both domestic events as well as directed dyad events, in which the reported “source” and “target” of the event is one of the seven regional Northeast Asia states. We use a modified version⁷⁾ of the “Goldstein” (1992) weights for each of IDEA’s nominally-scaled cooperation and conflict events to produce cooperation and conflict scores for all countries in the region based on the frequency of their reported events. The unweighted frequencies and weighted scores are both presented in Table 3-2, along with the ratios of positive to negative values for each country. One must be careful with these (and all other empirical results based on news reports) to consider that the values are driven by the attributes of the source (Reuters in this case) as well as attributes of the countries at issue. Nevertheless, one can begin to see at least how each of the Northeast Asia countries is presented in the Western media in this table. For example, the ratio of positive to negative reports involving Japan’s dyadic interactions is more than three times (4.0 to 1.3) that of North Korea; and with the weighted scores, China is only about half (2.3 to 5.4) of Japan. In other words, North Korea (by raw counts of reports) and China (by weighted scores of the same reports) routinely present more conflictual reports toward their regional partners than cooperative reports.

7) The modifications are described in a paper by Taylor, Bond, Bond, Jenkins and Kuzucu (2001).

It is also interesting to compare the ratios of positive to negative reports across the raw frequencies and the weighted scores to assess the direction of their differences. China is alone in the region in that its weighted positive to negative reports ratio toward its regional partners is lower than its raw frequencies ratio. The rest of the Northeast Asia countries all reveal higher weighted scores to raw frequencies ratios. Note that the assigned weights for intense cooperation (like the giving of aid or transactions involving tangible rewards) are higher than the assigned weights for less intense cooperation like consultations. Likewise, intense (armed or violent) conflict is weighted higher than verbal conflict associated with accusations and demands. One interpretation of China's reversed positive to negative ratio is that the reported conflict events with its regional partners reflect a lower intensity (largely verbal) conflict with its regional partners. Similarly, the lower positive reports ratio for China may stem from the numerous reports on less intense social, cultural and economic activity as opposed to transactions involving humanitarian aid, military assistance or other more intense cooperation with its regional partners.

Table 3-2. Cooperation (positive) & Conflict (negative) Scores by Country

Country	Unweighted Sums			Weighted Sums		
	Positive	Negative	Pos/Neg	Positive	Negative	Pos/Neg
China	3852	1330	2.9	9138.3	4041.5	2.3
Japan	5134	950	4.0	12275.3	3088.5	5.4
Mongolia	66	14	3.3	160.7	48.8	4.7
North Korea	1974	823	1.3	3708.5	2964.2	2.4
South Korea	2741	677	2.5	6413.9	2559.8	4.0
Russia	2991	647	3.1	6484.5	2123.8	4.6
United States	9691	2427	3.1	21778.0	7136.7	4.0

We use country stability trends data to capture the dynamics of civil challenge, government repression and system violence within each of the Northeast Asia states. These data are usefully considered domestic and

monadic in that they are not directed against another state. In contrast, the dyadic events data that we present below are restricted to events that are directed from one state entity to another within the region. We draw upon these directed dyads to systematically assess the differences of each state's reported interactions across each of its regional partners.

All of the charts discussed below are appended to this paper as Adobe portable document files or (pdf) format, with the chart name also used as the file name. Discussion of data through 2004 refers to Reuters as the sole source of the reports, whereas discussion of data from 2005 refers to a combined news report feed of AFP and Reuters. This more recent combined data series is used as a check on the projections from the previous series developed with Reuters reports alone.

Country Stability in Northeast Asia

China Country Stability, 1990-2004. In the aftermath of the Tiananmen repression, China began 1990 with a relatively low stability rating of under 0.92. It took some eight years for the score to rebound to the 0.95 range in 1998, where it remained relatively constant until 2003. A polynomial trend projection shows a continuation of the decrease into 2005 to a stability score approaching 0.90. However, an examination of the 2005 data reveals a reversal in this downward trend with an erratic but persistent climb in China's country stability score to the mid-0.90s level of the late 1990s.

Japan Country Stability, 1990-2004. From its relatively steady stability score of 0.96 and higher, peaking in 1999, Japan began an accelerating decline at the turn of the century. Most remarkable is the precipitous decline since 2003, with a polynomial trend projection for 2005 approaching 0.91. However, like China, this downward trend has been reversed in 2005.

North Korea Country Stability, 1990-2004. For nearly five years beginning in 1995, North Korea sank heavily in its stability score from scores in the 0.97 range dropping to below 0.90. This depression in scores was most likely due to the severe famine North Korea experienced during that period, and is estimated to have cost the lives of up to three million people.⁸⁾ It is important to note here that there are several different scenarios under which a high country stability score can be achieved.⁹⁾ North Korea clearly falls into a scenario of state domination of the political system with repressive violence that suppresses all challenges. Thus the high stability score can be a function of this repression which has a dynamic quite unlike an open society scenario with little civil challenge and systemic violence that also generates a high stability score. The open society scenario is far more resilient to challenges and shocks to the system as evidenced by the rapidity of the fall of many authoritarian regimes in the early 1990s. North Korea too is vulnerable to such challenges. Even small expansions of civil society can quickly generate cracks in the edifice of repression. Thus the projection of higher stability for North Korea is suspect. In addition to the fragility of repression, the severe restrictions on news reporting in North Korea constrain any assessment based on that news reporting.

Russia Country Stability, 1990-2004. Like North Korea, Russia's country stability score displays large variation over the fifteen years. Beginning with a relatively low score of about 0.87, the overall trend has been decline, marked by spikes during times of crisis, and ending with a low score of 0.80 and a projection of lower scores to come. This projection is confirmed with consistently low scores from the combined data through mid-2005.

South Korea Country Stability, 1990-2004. South Korea's country stability

8) Natsios, 2002.

9) Jenkins and Bond, 2002.

score rose a relatively low mid 0.80s score through the labor strife in the early 1990s to a peak of the mid-0.90s in 1999. Economic troubles most likely contributed to the short life of this peak, and since 2003 there has been a precipitous drop to the low 0.90s, with a projection of continued instability. Nevertheless, 2005 is marked with a rapid if volatile rise in the South Korean stability score, effectively reversing the downward trend, at least through mid-year.

United States Country Stability, 1990-2004. By far the most striking drop in country stability among the countries under review is the United States. From its high 0.90s scores characteristic of the 1990s decade, the United States stability score has declined and continues to decline through 2004. Remarkably, this trend reversed somewhat in the first half of 2005, but with the protracted occupation of Iraq and the devastation from the hurricane Katrina in late August, this trend could still be reversed. Clearly the scores indicate a fractured country, as much at war with itself as with the “war on terror” that the government invoked after “9/11.”

Directed Dyad Interactions in Northeast Asia

China Toward Its Regional Partners, 1990-2004. The preoccupation of China with the United States in both its negative and positive directed dyad interactions with its regional partners is clear from the charts. The weighted sums of China’s directed conflict and cooperation events are from two to four times higher toward the United States than toward all other Northeast Asia countries. Sharp peaks clearly mark the various crises between China and the US over the years, including the Taiwan Straits missile tests in 1996, the US bombing of the Chinese Embassy in Belgrade in 1999 and the spy plane incident in 2001.

Japan Toward Its Regional Partners, 1990-2004. Like China, Japan seems

to be preoccupied with the United States in both its negative and positive directed dyad interactions. However, since the peak score in 1994, there has been a steady decline in positive (cooperation) dyadic interactions directed toward the United States. Indeed, the level of (weighted) directed dyad events toward the U.S. has dropped as of 2004 to being barely above the other regional partners. 1995 and 2001 suggest two crises between Japan and the U.S. given the peaks on negative interactions. The first of these “crises,” however, may actually be artifacts of the Kobe earthquake, the Aum Shinrikyo subway attacks in 1995 and the “9/11” attacks in 2001. Automated coding still has difficulty differentiating between the destruction and damage wrought by these kinds of incidents and the directed violence of an armed attack.

North Korea Toward Its Regional Partners, 1990-2004. North Korea displays a two pronged focus of attention toward the U.S. and South Korea. The rest of the regional partners are comparatively subordinated in their weighted dyadic scores. With negative or conflictual directed dyad interactions, the trends and peaks for the U.S. and South Korea seem to be independent. The positive or cooperative interactions though, seem to track better between those directed at the U.S. and South Korea, with the single exception being the sharp peak in 1994 toward the U.S., likely representing the events surrounding the non-proliferation talks.

Russia Toward Its Regional Partners, 1990-2004. Like China and Japan, Russia’s regional directed dyads are dominated by the United States. The preoccupation of Russia with the United States in both its negative and positive directed dyad interactions is clear, even as the trends diverge a bit between the positive (high in the mid-1990s) and the negative (increasingly so over time, with the exception of 2003 and 2004 that show a large drop in negative scores). Even more than Japan and China the directed conflict and cooperation events are from two to five times higher toward the United States than toward all other Northeast Asia countries.

South Korea Toward Its Regional Partners, 1990-2004. South Korea's negative dyadic interactions are pretty much balanced across its regional partners with the significant exception of a peak toward North Korea in 1996 and another toward both the U.S. and North Korea in 2002. On the positive interactions, South Korea's focus is for the most part two pronged toward the U.S. and North Korea, but with a twist; the two track relatively well until 1998 when an inverse relationship is evident.

United States Toward Its Regional Partners, 1990-2004. The United States displays the most complex directed dyads, with China and Japan consistently receiving a lot of attention. Not surprisingly, the U.S. directs the least amount of negative attention toward South Korea, where the U.S. has troops close to a heavily armed border. However, the U.S. also directs a very low amount of positive attention toward South Korea, about on par with North Korea. The structural asymmetry of the U.S.-ROK relationship seems to stand out in this context.

Conclusion

Returning to the key questions posed above, it appears from the trends revealed in the charts that Japan's dyadic interactions (both negative and positive) directed at South Korea are relatively subordinate to the totality of Japan's directed dyad interaction in the region. South Korea, on the other hand, from time to time elevates its negative interactions toward Japan. Given the oppressor-oppressed relationship early in the 19th century it is understandable that latent animosity would appear more often in South Korea's directed dyad interactions than in Japan's. This suggests that the historical legacy between Korea and Japan may not be as relevant to South Korean-Japanese interactions into the future, at least for Japan. It is reasonable to conclude that the pragmatic concerns of

realpolitik,¹⁰⁾ particularly with respect to China's ascendancy, are already driving the patterns of conflict and cooperation in Northeast Asia. We can see evidence of this pragmatism in the cooperative dyadic interactions emphasis the US places on China, Japan and Russia over both South and North Korea. China's overwhelming attention to the U.S. supports this view as well. And Japan's steady decline in cooperative dyadic interactions directed at the U.S. also portends a pragmatic shift in emphasis toward China.

When confronted with a common threat such as abandonment or constraints imposed by the United States, a longstanding ally for both Japan and South Korea, economic interests in the region are likely to prevail over old wounds. If pragmatic politics ultimately drive Northeast Asia's regional alliances and subsequent interactions, and if the sheer size of China's economy continues to draw the attention of major powers, we are likely to see a continuation of the regional integration in all sectors, including the gradual engagement of North Korea. However, the transition from an isolated, totalitarian state to a regional partner is not likely to be without disruption. Thus the shared interests of its neighbors are likely to shape the regional alliances as much as China's ascendancy as they seek to consolidate and advance their economic prosperity. Since armed conflict is antithetical to this end, it is a regional imperative to deal swiftly with the cracks in the edifice (i.e. the many issues surrounding the North Korean refugees), that can lead to both national and regional instability.

10) See Cha (1999), particularly his "quasi-alliance" concept, for an advocacy of realism as the still dominate driving influence in Northeast Asia.

Figure 3-1. China's Country Stability, 1990-2004

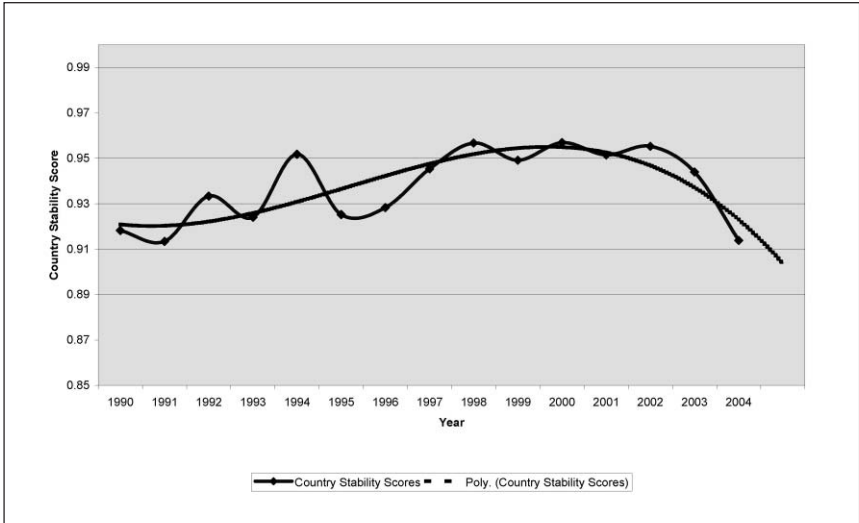


Figure 3-2. China's Negative Dyadic Events, 1990-2004

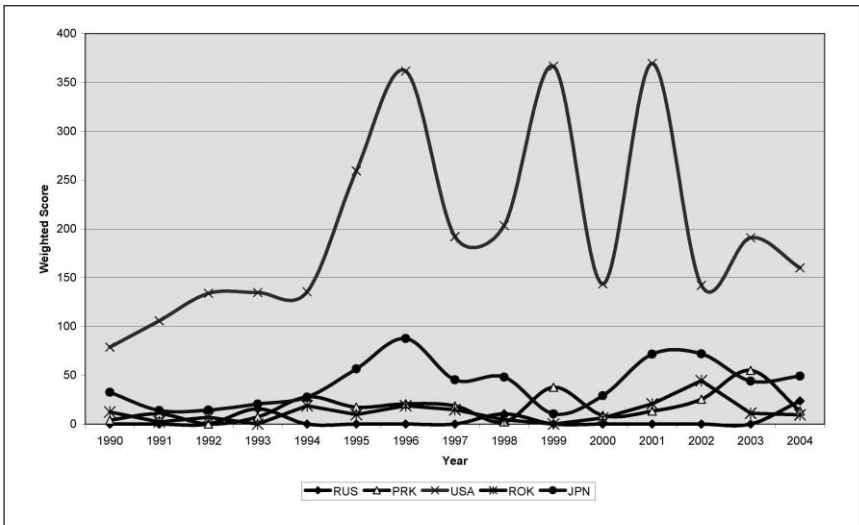


Figure 3-3. China's Positive Dyadic Events, 1990-2004

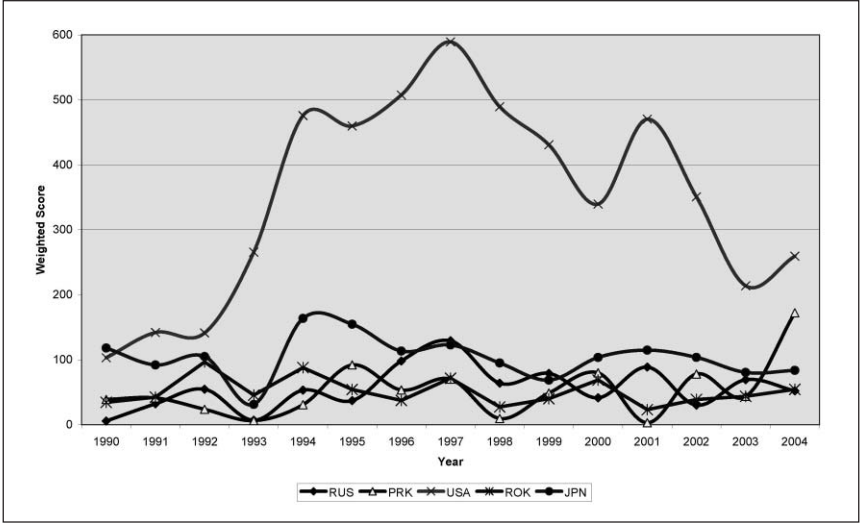


Figure 3-4. Japan's Country Stability, 1990-2004



Figure 3-5. Japan's Negative Dyadic Events, 1990-2004

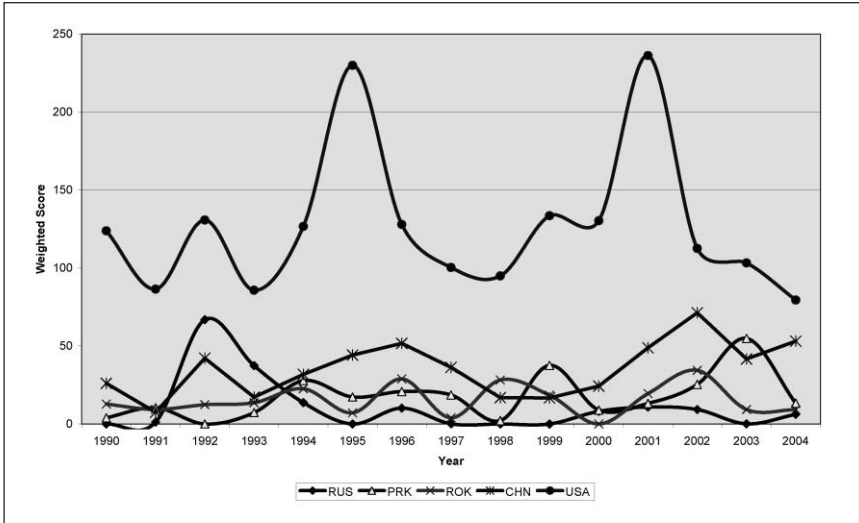


Figure 3-6. Japan's Positive Dyadic Events, 1990-2004

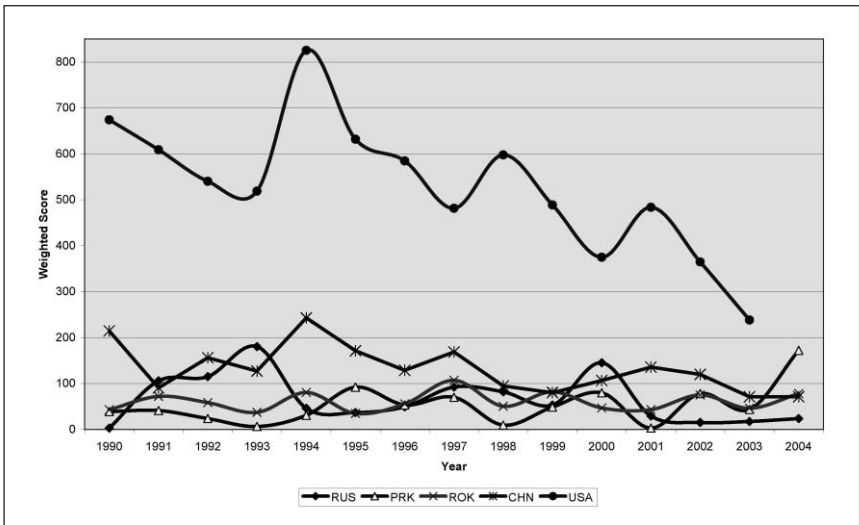


Figure 3-7. North Korea's Country Stability, 1990-2004

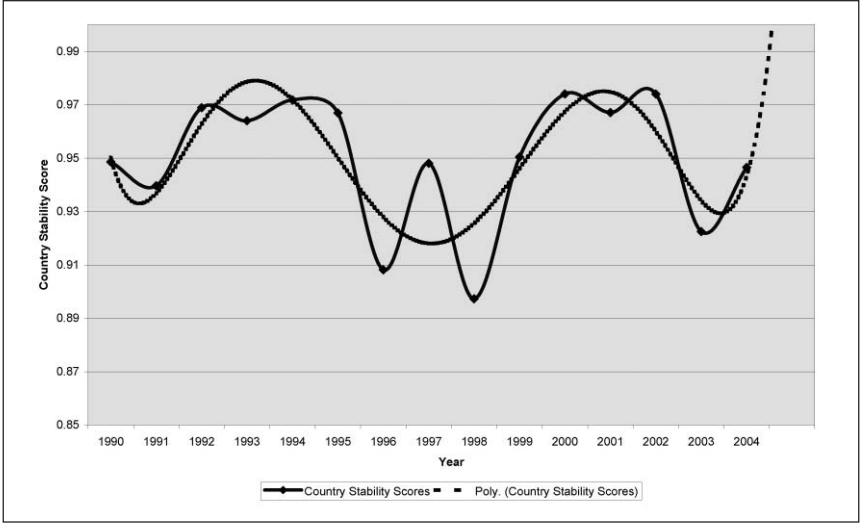


Figure 3-8. North Korea's Negative Dyadic Events, 1990-2004

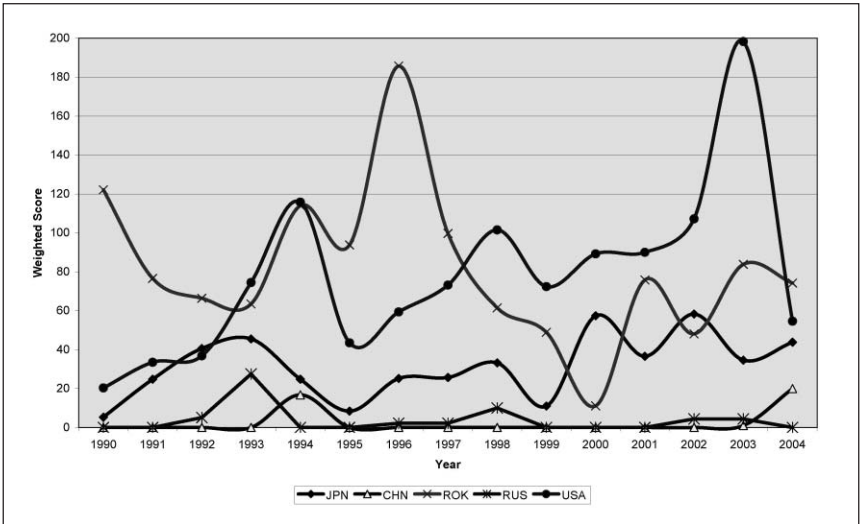


Figure 3-9. North Korea's Positive Dyadic Events, 1990-2004

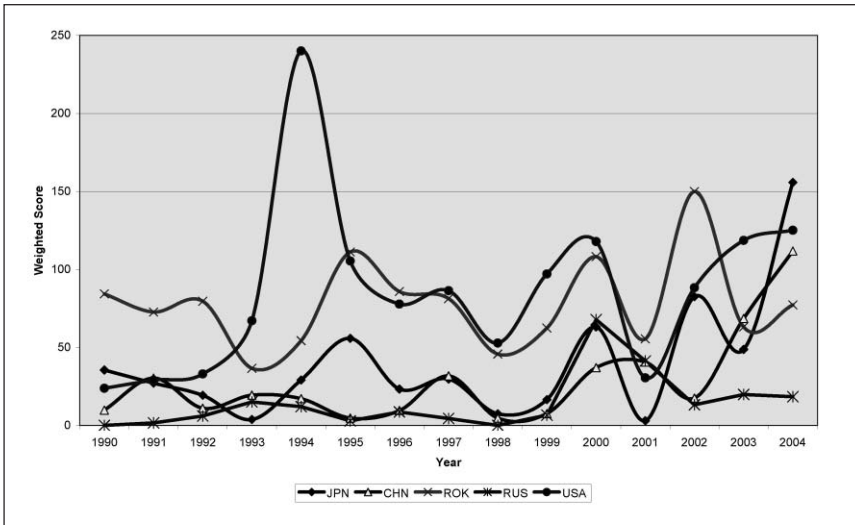


Figure 3-10. Russia's Country Stability, 1990-2004

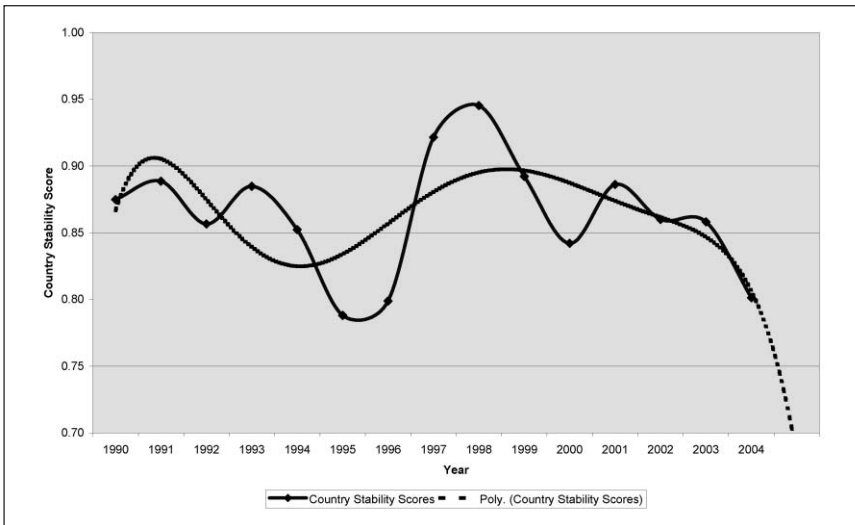


Figure 3-11. Russia's Negative Dyadic Events, 1990-2004

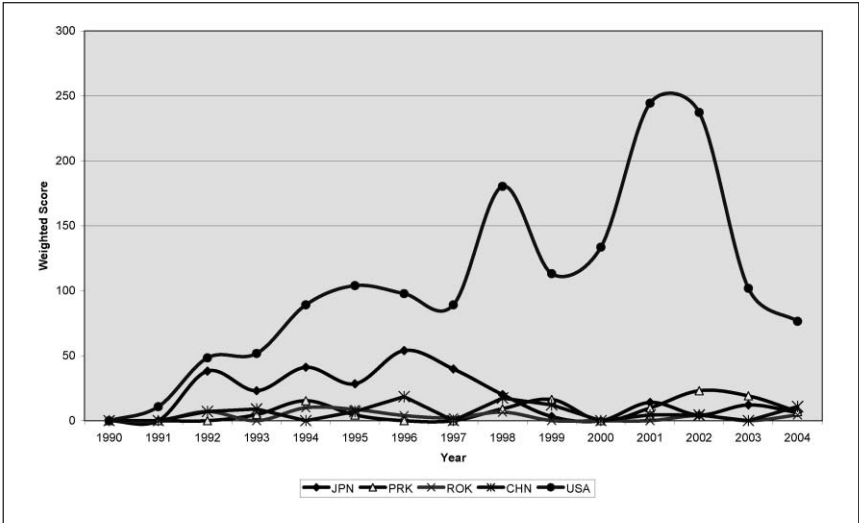


Figure 3-12. Russia's Positive Dyadic Events, 1990-2004

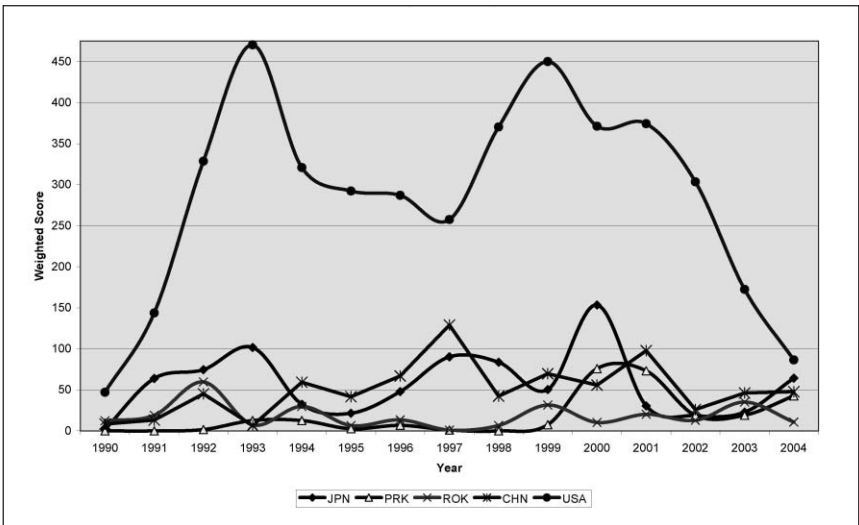


Figure 3-13. South Korea's Country Stability, 1990-2004

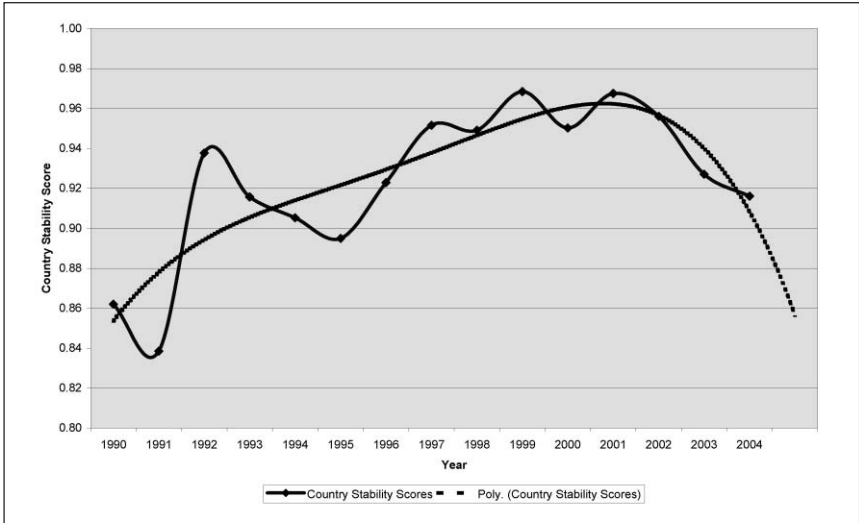


Figure 3-14. South Korea's Negative Dyadic Events, 1990-2004

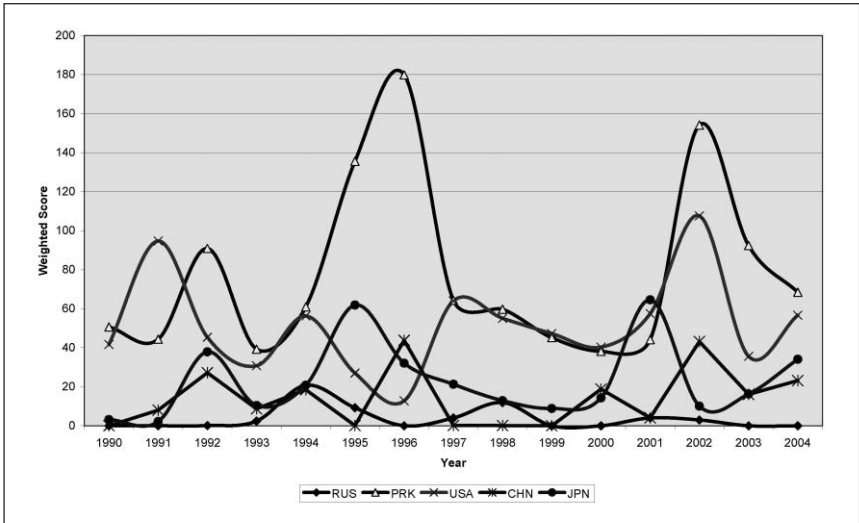


Figure 3-15. South Korea's Positive Dyadic Events, 1990-2004

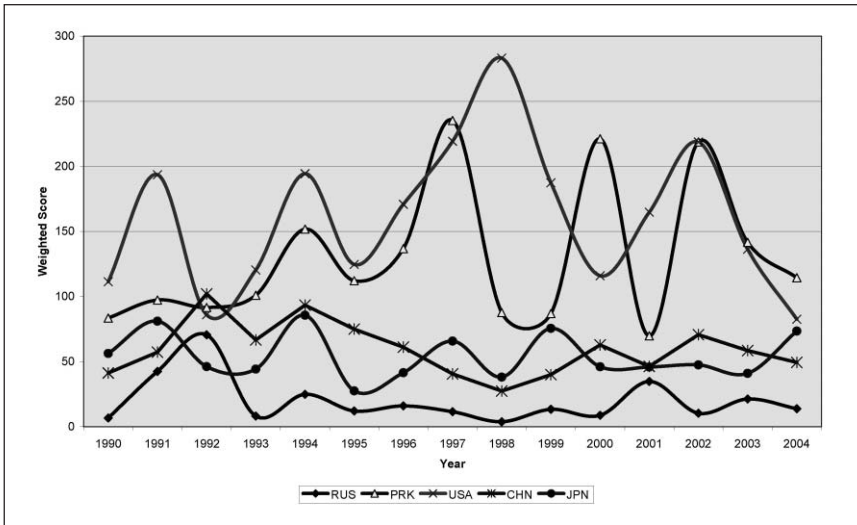


Figure 3-16. United States' Country Stability, 1990-2004

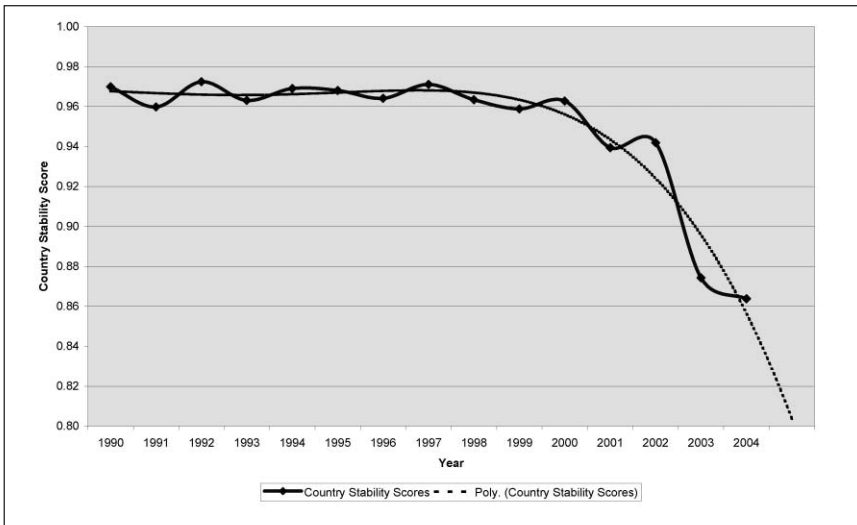


Figure 3-17. United State's Negative Dyadic Events, 1990-2004

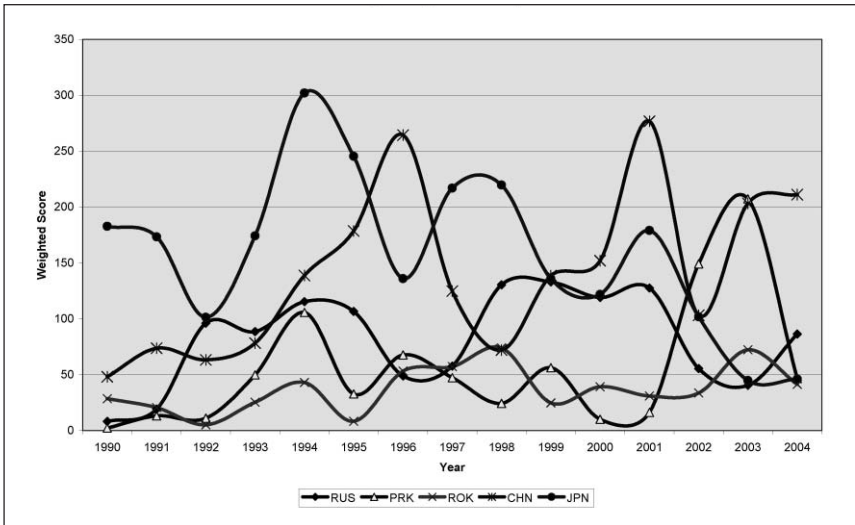
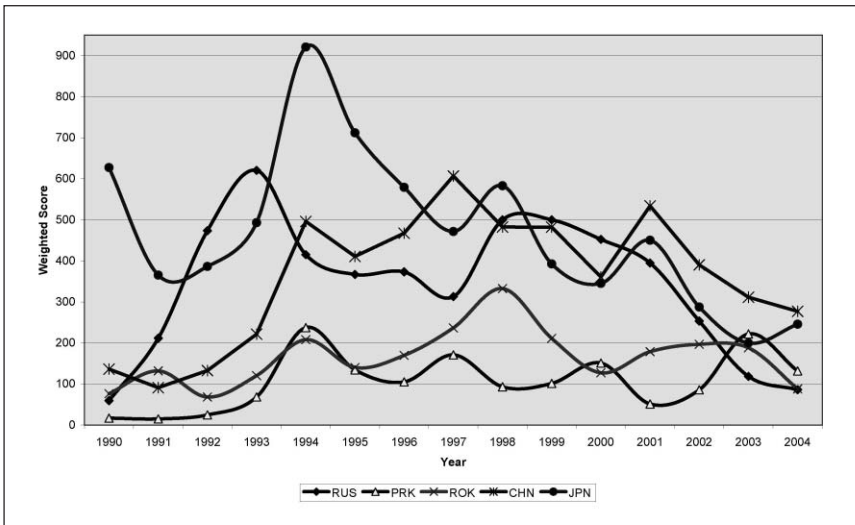


Figure 3-18. United State's Positive Dyadic Events, 1990-2004



Comprehensive Framework for Security and Economic Cooperation in Northeast Asia

—
Jong-Chul Park*

Security and economic cooperation in Northeast Asia will create a cooperative framework for shared peace and prosperity in the region by pursuing various security and economic issues in tandem. In this endeavor, the following questions should be considered beforehand.

Firstly, the issues to be included in the regional cooperation on security and economic matters must be considered. Security issues on which the Northeast Asian countries should cooperate include the North Korean nuclear programs, arms control, and the establishment of a cooperative body for security in Northeast Asia. In regional economic cooperation, an inter-Korean economic community and the establishment of a Northeast Asian entity for economic cooperation should be pursued.

Secondly, security and economic cooperation in Northeast Asia should be advanced through three steps: the creation of a favorable climate for cooperation; increased substantial cooperation; and institutional cooperation.

Thirdly, co-relations between the security issues and economic issues in promoting cooperation in the region must be prioritized. Economic cooperation should be promoted first to ease tensions and lay the foundation for security cooperation. Given various uncertainties including the lack of mutual confidence and the arms race in Northeast Asia,

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however, there is a limit to economic cooperation without security cooperation. Economic cooperation in Northeast Asia should therefore be pursued in parallel with collaboration in the security area.

Fourthly, the relationship between substantial promotion of cooperation and institutionalization of rules and regulations must be defined. For example, the implementation of measures to resolve the North Korean nuclear programs and other proliferation issues competes for attention and resources with the formation of a framework for multilateral dialogue in Northeast Asia. When it comes to economic cooperation, the issue is which to pursue first: market integration by promoting trade and economic cooperation projects; or institutional integration focusing on the establishment of an organization for economic cooperation. Practical rules and institutions are needed to govern the discussion of security or economic issues, formed by improving dialogue and cooperation. When dialogue depends solely on improved security cooperation and market integration, different complex problems emerge that cannot be solved, delaying the process. In this regard, efforts should be made to specifically provide for rules and regulations for cooperation, along with efforts to create favorable conditions for integration by improving relations and cooperation among the regional countries.

Now, bearing in mind these considerations, I'd like to present a strategy to promote security and economic cooperation in Northeast Asia by sector and tasks by phase.

Strategy by Sector

Peaceful Resolution of the North Korean Nuclear Issue

The peaceful resolution of the North Korean nuclear issue is essential to cooperation in Northeast Asia. First of all, North Korea should comply with the principle of nuclear-free Korean Peninsula. The North's development of nuclear weapons cannot be tolerated as it threatens peace on the Peninsula and stability in Northeast Asia. The North should return to the NPT regime and abide by the Safeguard Agreements of the International Atomic Energy Agency as well as the Joint Declaration on the Denuclearization of the Korean Peninsula that bans the development of nuclear weapons and possession of facilities for plutonium reprocessing and uranium enrichment.

Second, the nuclear issue must be resolved peacefully through dialogue. The tensions that could arise in the course of the issue's settlement negatively impact on the Korean Peninsula and throughout Northeast Asia. In particular, military options would bring a catastrophic disaster to the Peninsula. Peaceful solutions should therefore be found to the nuclear problem through a variety of channels including multilateral and inter-Korean talks, which persuade North Korea that the peaceful resolution of the nuclear issue will ultimately contribute to guaranteeing the regime's safety and revitalizing its moribund economy.

Third, South Korea should play an active role in resolving the nuclear standoff. The South should build a consensus on a solution to the nuclear problem among the U.S., Japan, China, Russia, and the rest of the world through various dialogue channels. The South should use this consensus to induce the North to the negotiation table.

Arms Control and Security Cooperation in Northeast Asia

To control arms in Northeast Asia, the following factors should be taken into consideration. Firstly, arms control in Northeast Asia should be pursued on a gradual basis due to the regional countries' lack experience in multilateral talks. Secondly, nonproliferation efforts in this region should be focused on controlling arms at sea given the importance of the oceans in Northeast Asia. Thirdly, the respective scope of arms control for Chinese, Russian, and U.S. military forces should be determined. Fourth, weapons systems that would be subject to reduction should be selected. In Europe, the marine forces were excluded as the arms control in Europe was focused on the land and air forces. But in Northeast Asia, the maritime forces weapon systems should be included in the reduction. Fifth, the ceilings of weapons systems and forces that are allowed for each country should be set. This would prove to be the biggest challenge.

Meanwhile, multilateral security cooperation for the stabilization of Northeast Asia will generate a comprehensive security including not only the traditional military security but also economic, environmental, and human rights issues. At the same time, multilateral security pursues cooperation in promoting mutual security benefits and preventing as well as seeking solutions to regional conflicts. The Organization for Security and Cooperation in Europe (OSCE), a multilateral security body, applies the concept of "comprehensive and cooperative" security to resolving post-Cold War strife and preventing conflicts.

In Northeast Asia, the historical absence of a multilateral security body, conflicting interests, disparities in national powers, tendencies towards bilateral relationships, mutual misunderstandings among countries, and accusations at neighboring countries over past wrongdoings are all obstacles to forming a multilateral security cooperation regime. In this vein, security cooperation in this region will develop differently from that in Europe.

Firstly, considering the significance of bilateral relations in Northeast

Asia, bilateral confidence building and military cooperation are the first priorities. In a region such as Northeast Asia that lacks the conditions for multilateral security cooperation, improved bilateral security cooperation can promote a more favorable environment for multilateral collaboration on security issues. The exchange visits of high-ranking U.S. and Chinese military officials to their counterparts' military bases, the U.S.-China Deputy-Ministerial-level Military Council, and the U.S.-Japan Security Council are good examples of measures to enhance bilateral military cooperation.

Secondly, security cooperation in Northeast Asia should be pursued as a complement, not as a replacement, to existing bilateral alliances. However, progress in multilateral security cooperation will be followed by adjustments to the bilateral alliances. Exclusive traditional bilateral alliances should shift focus from targeting a common enemy to seeking shared security benefits within a framework of multilateral security cooperation. Efforts should therefore be made to adjust the ROK-U.S. alliance, the ROK-U.S.-Japan security cooperation, and security cooperation in Northeast Asia to complement one another.

Thirdly, the "Track II" approach of making initial progress in multilateral security talks led by NGOs is desirable given the difficulty of opening formal dialogue channels between governments. Security cooperation talks among NGOs arguably have their own limitations in agenda and ways of discussing issues. Such talks would be little more than exchanges of opinions. Establishing binding guidelines is also difficult. Moreover, even if civilian-level security cooperation made headway, strong political will is necessary to upgrade the civilian talks to formal, inter-governmental dialogue. Nonetheless, civilian-level security cooperation talks can lay the groundwork for government-level multilateral security cooperation in light of the conflicting security interests among the regional countries.

Economic Cooperation between the Two Koreas and in Northeast Asia

The formation of an inter-Korean economic community is closely related to economic cooperation in Northeast Asia that is expected to provide the necessary resources and markets. Measures should be sought to secure finances and international support for economic cooperation projects between the two Koreas by linking the inter-Korean network of infrastructure to that of Northeast Asia. Uncertainties can be reduced by advancing inter-Korean economic cooperation in the context of Northeast Asian economic cooperation. In addition, ways should be found to promote benefits that can be shared by the regional countries as well as the two Koreas under the cooperative regime in Northeast Asia. In particular, regional countries should aid North Korea and work within the Northeast Asian cooperative framework to develop the North Korean economy. The regional countries should offer the momentum necessary for North Korean reform and liberalization by including it in establishing the Northeast Asian network of logistics and energy.

Tasks by Phase

A comprehensive framework is essential to systematically carry out regional tasks such as the resolution of the North Korean nuclear stalemate, arms control, and creation of an inter-Korean economic community. Each of these tasks should be conducted by stage in accordance with its nature and condition under which the task should be developed. At each stage, related tasks should be undertaken simultaneously. A comprehensive framework for security and economic cooperation in Northeast Asia will link key tasks together and pursue them simultaneously.

Phase I: Creating a Favorable Environment for the Resolution of the North Korean Nuclear Issue and Cooperation in Northeast Asia

The key task in the first phase is the development of a formula to solve the North Korean nuclear issue. Confidence should also be built in non-military areas and multilateral security dialogue should be promoted among the Northeast Asian countries. In addition, inter-Korean economic cooperation should be institutionalized, while laying the foundation for economic cooperation in Northeast Asia.

Creating a Formula for Solving the North Korean Nuclear Issue

The first North Korean nuclear crisis was defused with the 1994 Agreed Framework (Geneva Agreement). The second nuclear crisis, however, emerged in October 2002 when the North acknowledged a clandestine enriched uranium weapons program in violation of the Agreed Framework. The tensions triggered by the nuclear standoff have been since aggravated further by the North's withdrawal from the NPT, resuming operation of the nuclear reactors, and announcing its possession of nuclear weapons.

Despite the significant difference in positions of North Korea and the United States, the two nations fully understand the necessity and inevitability of negotiations. Both will therefore ultimately seek a solution through the Six-Party Talks, despite fluctuating progress. Both the US and North Korea are well aware that without dialogue, they cannot find a contact point between the respective preconditions on which each insist.

If the two countries continue the circle of intermittent halt and resumption of talks, key problems are the form of talks, order of implementation of agreements, and compensation for North Korea.

As for the form of talks, the momentum for the Six-Party Talks must be maintained. Regarding the order of implement of agreements, the relevant countries can draw up a road map that vertically and horizontally links

North Korea's obligations and compensations proposed by the US and the international community by time and issue. Depending on the result of negotiation, the parties can reach either an agreement on each issue or a comprehensive agreement on all the issues.

North Korea's foremost obligation is to discard its plutonium and enriched uranium weapons programs. In particular, the North should accept rigorous inspection of its nuclear facilities and other suspicions placed by the international community.

Also high on agenda will be how to compensate North Korea for giving up its WMD. Negotiating countries could offer a security guarantee to the North within a multilateral framework, which means those countries in the Six-Way Talks expressly undertake not to wage a pre-emptive attack against North Korea with nuclear or conventional forces as long as North Korea does not commit aggression. Another option is to adopt a "US-North Korea Friendship and Cooperation Treaty" and include a provision guaranteeing the safety of the North regime.

In addition, a comprehensive measure to support the development of the North Korean economy should be developed. As a first step, the US should lift economic sanctions imposed on North Korea and remove the communist country from the list of state sponsors of terrorism, thereby providing the North to have access to the international capital market. Relevant countries could also form an international consortium for energy development projects in North Korea such as the construction of a thermal power plant or the linkage of the Siberian LNG pipelines to South Korea via North Korea. Facilitation of inter-Korean economic cooperation projects, along with multilateral assistance programs, could inject fresh vigor into the North Korean economy. Japanese economic compensation following the normalization of diplomatic ties between North Korea and Japan could also be used for North Korea's economic development.

Confidence-Building in Northeast Asia over Non-Military Matters

To create a suitable condition for arms control in Northeast Asia, confidence should be built over non-military areas focusing on the following measures:

- The countries in this region should seek ways to utilize science and technology for non-military purposes. Such ways include sharing information collected by commercial satellites on environment, climate, agriculture, natural disasters, and the surveillance and prediction data of earthquakes.
- The countries should share military intelligence by publishing national defense white papers, disclosing the status quo of military forces and defense budget, noticing major military exercises and movements, and inviting observer groups. In addition, a limited “Open Skies” scheme should be implemented for non-military purposes such as control of environmental degradation, prevention of natural disasters, and enhancement of agricultural production. Moreover, a maritime accident prevention treaty involving six countries can be pursued.
- The six countries should form a joint delegation to send to regions such as Europe, the Sinai Peninsula, the US, Russia, Ecuador, and Peru where arms have been successfully controlled to learn arms control best practices.

Facilitation of Civilian-Level Multilateral Security Dialogue in Northeast Asia

As a civilian-level security consultative body in the Asia-Pacific region, the Council for Security Cooperation on the Asia-Pacific (CSCAP) is discussing preventive diplomacy and confidence building. The

Northeast Asia Cooperation Dialogue (NEACD), a semi-governmental organization for multilateral security cooperation in Northeast Asia, is also operating.

First of all, CSCAP and NEACD should be regularized and their agenda solidified to form the foundation for security cooperation in this region. It is especially important to involve North Korea in these meetings. Countries in Northeast Asia should make North Korea understand that participation in multilateral security meetings would improve its image in the international community and help guarantee regime security and economic development. To this end, the parties to NEACD should discuss how to engage North Korea in these meetings.

Laying Foundation for Economic Cooperation in Northeast Asia

To lay the foundation for economic cooperation in Northeast Asia, an institutional framework for economic cooperation should be created and core economic cooperation projects should be determined. To begin with, as the basis for the Northeast Asian logistics hub and network, the Incheon International airport and Busan and Gwangyang ports should be developed into Northeast Asia's transportation hubs. At the same time, for cooperation in the financial sector, the Korean financial sector should become more sophisticated and conglomerated, creating the conditions to launch a "Northeast Asian Development Bank."

In the meantime, realizing the concept of a Northeast Asian business hub requires an appropriate institutional and legal environment and a system of nurturing human resources. In addition, countries in the region should prepare the ground for building a cooperative regime in the information and communication field by integrating the region's industrial standards and setting up a consultative organization for IPR protection. The establishment of network of ethnic Korean entrepreneurs overseas is also required.

Phase II: Expanding Security and Economic Cooperation in Northeast Asia

In the second phase, countries in Northeast Asia should ease tensions by building military confidence and proposing a Northeast Asian council for peace. Together with this, regional economic cooperation should be promoted while paving the way for building an inter-Korean economic community by expanding the size and scope of inter-Korean economic cooperation.

Military Confidence-Building in Northeast Asia

In the second stage, confidence in the military area should be built upon confidence in non-military fields.

The guidelines and formalities of military intelligence disclosure should be standardized among the six countries. In accordance with the agreed formality, national defense white papers and budgets of these nations should be shared. Major military exercises and the scale and frequency of military unit movements should be tightly regulated. The obligation of notice and observation should be strengthened. In addition, the countries should promote regular meetings and exchange-visits between high-ranking military officers in a bilateral as well as multilateral manner, and hold regular seminars for high-profile officers on military tenets. At the same time, ways could be sought to use science and technology for military purposes, such as discussing the status quo of each nation's military forces, exercises, and movements based upon information gained by commercial satellites.

By signing an agreement similar to the European Open Skies Treaty, the skies in Northeast Asia should be opened to enhance military transparency and confidence building. To secure dialogue channel in an emergency, satellite telephone, fax, e-mail, and other means of communication should be enabled. Establishing a joint crisis management center can also be

considered. At the same time, military activities such as exercises and movements near militarily sensitive sites such as border areas should be banned to avoid triggering conflicts.

Countries in this region require an accurate and timely system to notify relevant countries in case of an accident that could be misunderstood as a pre-emptive attack, so as to prevent accidental conflicts. Along the borders between neighboring countries such as South and North Korea, North Korea and China, and North Korea and Russia, buffer zones can be set where no armed forces are allowed. Countries should also conduct multi-national naval exercises where the six countries cooperate on such non-military purposes as rescue or humanitarian assistance.

Establishment of a Northeast Asian Body for Security Cooperation

The major constituents of the 1994 ASEAN Regional Forum (ARF) are Southeast Asian countries, with only a handful of Northeast Asian countries participating. The ARF is therefore not suitable for intensively dealing with Northeast Asian affairs. Moreover, the body is more like a loosely organized council.

In this regard, countries in Northeast Asia require an organization for security cooperation to discuss Northeast Asian affairs. If the Six-Party Talks are institutionalized into a forum to discuss various issues including not only the dismantlement of the North Korean nuclear programs but also regime guarantees for the North, transition to peace order on the Korean Peninsula, and multilateral economic cooperation, the Six-Party framework can lead to a multilateral security organization for Northeast Asia.

The Six-Party Talks, however, have an inherent limitation preventing growth into a regional security body as it was initiated specifically to resolve the nuclear issue. The Northeast Asia Security Dialogue (NEASD) proposed by South Korea in 1994 should therefore be pursued once more.

The membership of the security body should be confined, at least

temporarily, to the six countries of South Korea, North Korea, the US, Japan, China, and Russia. The six-member security body in Northeast Asia, once established, should discuss international guarantees for easing tensions and transition to peace on the Korean Peninsula and confidence building and arms reduction in Northeast Asia. In the medium- and long-term, Mongolia, Canada, Australia, and other countries could be included in the membership.

Expansion of Northeast Asian Economic Cooperation and Networking

In this stage, focus should be placed on expanding economic cooperation and forming networks of logistics, information, and finance in Northeast Asia. A Northeast Asian railway consultative body should be formed to devise measures to link the Gyeongui Line and Donghae Line with the TCR and TSR. A regime for financial cooperation is also necessary.

At the same time, a Northeast Asian network of information and communication should be constructed. Countries should prepare laws and institutions to expand on-line business and IPR protection among countries, and work together to develop various technologies such as satellite communication technology.

Phase III: Creating a Northeast Asian Entity for Security and Economic Cooperation

The core task in the third phase is to guarantee a nuclear-free Northeast Asia while institutionalizing regional cooperation for peace by reducing arms in Northeast Asia. In tandem, a Northeast Asian body for economic cooperation should be launched.

Denuclearization of Northeast Asia

Denuclearization of the Korean Peninsula should be followed by a limited denuclearization at the Northeast Asian level. Even with a nuclear-

free Korean Peninsula, nuclear proliferation in the region could lead to increase security tensions. South Korea should strongly urge a limited denuclearization of Northeast Asia through bilateral and multilateral talks with Northeast Asian countries. Firstly, South Korea should urge the denuclearization through bilateral negotiations with China and Japan. South Korea should convince China to reduce its stockpile of nuclear weapons, in line with the US and Russian reductions. It should also ask Japan to enhance the transparency in operating facilities for reprocessing and enrichment.

The launch of a specialized organization to ensure a limited denuclearization of Northeast Asia should be considered. Northeast Asian countries could form a “Northeast Asian Atomic Cooperation Organization” to perform inspections and surveillance of nuclear facilities in the region in cooperation with the International Atomic Energy Agency (IAEA). At the same time, the Organization could provide a forum to discuss peaceful use of atomic energy such as sharing information and technology, disposal of nuclear waste, and nuclear fuels supply.

Arms Reduction in Northeast Asia

In the third phase, consensus on the following ways of arms reduction would be made possible within the friendly climate created in the first and second phases and thus-far built confidence in the military sector.

First of all, sharing experimental information on major weapons systems that pose significant threats should be pursued together with the reduction of existing weapons systems. The weapons systems subject to arms control in Northeast Asia should include combat vehicles, armored vehicles, artillery (including field artillery), attack helicopters of the land forces, fighter aircraft and attack helicopters of the air forces, and amphibious vessels, submarines, and warships such as cruisers, destroyers, and frigates of the navies.

It is a very delicate task to set the scope of arms reduction. Therefore, a point of compromise can also be reached following in-depth discussion and mutual understanding of the military tenets and policies of the regional countries.

Moreover, transparency should be enhanced in the military sector and the Open Skies Agreement aiming at reconnoitering military activities should be significantly expanded in its quality and scope to serve as a tool of verification of Northeast Asian countries' arms reduction commitments.

Institutionalization of Security Cooperation in Northeast Asia

To institutionalize a Northeast Asian security cooperation organization, meetings must be regularized and a working group established. Member states should hold summit meetings, diplomatic and security ministers' meetings and working-level meetings on a regular basis to discuss security issues in the region. A secretariat should be established to operate these meetings and implement any agreements that emerge from the contacts. In addition, to implement agreements in each sector, such bodies should be formed as a dispute prevention center, a dispute settlement court, an arms reduction committee, and a verification and inspection committee.

Pursuit of a Northeast Asian Organization for Economic Cooperation

Concrete measures should be prepared to integrate Northeast Asian countries economically. As a formal organization for regional economic cooperation, countries in this region should launch a "Northeast Asian Economic Cooperation Organization" and regularize an economy-related ministers' meeting and working-group meeting. The Organization should discuss economic policy adjustment, establishing a customs union, and a common market. In particular, the Organization should advance the construction of a Eurasian highway, the establishment of an Asia development fund, and a single telecommunications network.

Table 4-1. Tasks by phase of Security and Economic Cooperation in Northeast Asia

	THE NORTH KOREAN NUCLEAR ISSUE	ARMS CONTROL AND SECURITY COOPERATION IN NORTHEAST ASIA	ECONOMIC COOPERATION BETWEEN THE TWO KOREAS AND IN NORTHEAST ASIA
Phase I: Creating a favorable environment for the resolution of the North Korean nuclear issue and cooperation in Northeast Asia	Creating a formula for resolving the North Korean nuclear issue	<ul style="list-style-type: none"> · Confidence-building in Northeast Asia over non-military matters: Utilizing science and technology for non-military purposes; Sharing military intelligence; Opening airspace; Training for international practices; Preventing marine accident · Facilitating civilian-level multilateral security dialogue in Northeast Asia 	Creating a basis for economic cooperation in Northeast Asia: Setting a project; Establishing distribution and network; Establishing legal, institutional, and personnel system
Phase II: Expanding security and economic cooperation in Northeast Asia	Pursuing a formula for resolving the North Korean nuclear issue	<ul style="list-style-type: none"> · Confidence-building over military matters: Standardizing military intelligence disclosure; Limiting major military exercises; Military personnel exchanges; Holding seminars on military tenets; Utilizing science and technology for military purposes; Opening airspace over military matters; Securing communication channel; Banning dangerous military activities; Preventing accidental conflicts; Strengthening maritime security · Creating a Northeast Asian entity for security cooperation 	Expansion of Northeast Asian economic cooperation and networking: Creating a 'Northeast Asian body for railroad'
Phase III: Creating a Northeast Asian entity for security and economic cooperation	Organizing a Northeast Asian entity for nonproliferation and nuclear power cooperation	<ul style="list-style-type: none"> · Arms reduction: Sharing experimental information on major weapons systems; Setting a subject and scope of arms reduction · Institutionalization of security cooperation in Northeast Asia 	Pursuit of a Northeast Asian organization for economic cooperation: Establishing an Asia development fund; Consulting a telecommunications network



PART II

**Current Status of the Infrastructure of Northeast
Asian Regional Cooperation, by Country (I)**

The Nuclear Problem on the Korean Peninsula and the Security Cooperation Mechanism for Northeast Asia¹⁾ : Chinese Perspective

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Ni Xiayun*

The end of the Cold War did not bring immediate and fundamental changes to the security landscape of Northeast Asia. Northeast Asia is defined as North Korea, South Korea, Japan, northeastern China and the Russian Far East.²⁾ Northeast Asia, specialists have long argued, is among the most dangerous places on earth. Northeast Asia is the only region in the world with the enmities of the Cold War remaining among states. It was in this region that three years of the bitterly fought Korean conflict half a century ago shaped the Cold War for two generations. As other global hot spots moved fitfully toward peace, the Korean Peninsula remains divided under serious military tension. To this day, Northeast Asia lacks a regional security framework analogous to NATO or the Organization for Security and Cooperation in Europe (OSCE), and there is still no peace treaty on the Korean Peninsula, where more than a million troops from opposing sides remain deployed within miles of each other. Diplomatic relations between Japan and the Democratic People's Republic of Korea (DPRK) have not yet been established. Political stalemate across the Taiwan Strait are serious concerns for the whole region. Also, territorial disputes such as the Kuril Islands/Northern Territory between

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1) The views expressed in this report are those of the author and do not necessarily reflect the official policy or position of the China Government.

2) Although the United States is geographically not a Northeast Asian country, the Author includes it in the Region for its influence and interest.

Russia and Japan, as well as the Diaoyutai/Senkaku islands dispute between China and Japan remain unresolved.

The U.S.-led 'War on Terror' is deepening the complexity of security problems rooted in Northeast Asia's Cold War. The U.S. has not denied the option of taking military action against the DPRK, thus endangering the security of people living on the Korean Peninsula and promoting distrust and suspicion within the region. The U.S. military transformation—particularly the realignment of its bases, accompanied by integration of Japan and the Republic of Korea (ROK), is serving as a seriously destabilizing force in Northeast Asia.

The nuclear issue on the Korean Peninsula is of increasing concern to Northeast Asian countries. The four rounds of Six-Party Talks brought together key regional governments, involving China, Russia, Democratic People's of Korea (DPRK), the Republic of Korea (ROK), Japan, and the United States. Moreover, they have kindled a gleam of hope for the establishment of a multilateral security system in this region. Many people feel that the second nuclear crisis in Korean Peninsula, though a serious challenge to security in Northeast Asia, may turn out to be a historical opportunity to expedite the birth of sub-regional multilateral security cooperation.

A Good Basis for Multilateral Security Cooperation

Constructing a multilateral security cooperation framework in Northeast Asia is not a new idea. In terms of setting up the security framework in Northeast Asia, some countries have put forward different proposals and suggestions. As the Cold War wound down, Northeast Asian security forums were proposed by the USSR's President Gorbachev in 1986 and 1988, by the USSR's Foreign Minister Shevardnaze in 1990, and by Korea's President Roh Tae-woo at the

United Nations in 1990 and 1992. Since the first nuclear crisis on the Korean Peninsula broke out in 1993, there were several security cooperation dialogue mechanisms on the nuclear crisis on Korean Peninsula, both bilateral and multilateral.

The “Five-Party” meeting which was sponsored by the United States and its original participants included China, Russia, the Democratic People’s of Korea (DPRK), the Republic of Korea (ROK), Japan, and the United States in 1993. The DPRK dropped out of the talks after it attended the preparatory meeting. Finally, the delegates from the foreign ministry and defense ministry and high military officials from five countries exchanged their views on security cooperation. As all delegates attended the meeting as individuals, this meeting was nongovernmental.

The “Four-Party Talks” which were originally put forward by the ROK and the United States in 1996 and the aim was the four countries, involving China, the United States, the ROK, and the DPRK attended the Four-Party Talks without any preconditions and reach a permanent peaceful agreement. The DPRK made clear its stance on joining multilateral security cooperation through attending the Four-Party Talks. The Four-Party Talks became a governmental institution joined by the ROK, the DPRK, the United States, and China in 1997.

A Northeast Asian Security Dialogue (NEASED) was pursued by South Korea in May 1994. In May 1994, the Korean government introduced the “Republic of Korea’s Paper on Northeast Asia Security Cooperation” at the ASEAN Regional Forum Senior Officials Meeting in Bangkok. The main ideas included: (1) respect for sovereignty and territorial integrity; (2) non-aggression and no threat or use of force; (3) non-intervention in internal affairs; (4) peaceful settlement of disputes; (5) peaceful coexistence; and (6) democracy and respect for human dignity.

The “Three-Party Talks.” As the DPRK took a policy of brinkmanship and the U.S. insisted on its tough stance on dealing with the DPRK, a good opportunity to resolving the nuclear crisis through dialogue was lost for

the time being in 2002 and 2003. In April in 2003, with China's positive efforts to promote the peaceful settlement of the nuclear issue on the Korean Peninsula, China, the DPRK, and the US held the first "Three-Party Talks" in Beijing. It was the first time that both the DPRK and the US held the first face-to-face meeting since the nuclear crisis broke out in October in 2002. Though this round of trilateral-party talks has not produced the results expected, it provided an unprecedented stage for resolving the nuclear crisis on the Korean Peninsula.

The "Six-Party Talks." Three rounds of Six-Party Talks, with participating negotiators from the DPRK, the United States, China, South Korea, Russia, and Japan, have already taken place in Beijing since August 8 in 2003. The fourth round talks, after a three-week recess in the diplomatic effort to resolve the North Korean nuclear dispute, would resume during the week of Aug. 29. In this round, delegates were debating principles that touched on several fundamental themes: the denuclearization of the Korean Peninsula; a normalization of relations between North Korea, the United States, South Korea, and Japan; energy and economic assistance for North Korea; and the monitoring and verification procedures to ensure that North Korea dismantles its nuclear program. The deadlock appears largely centered on North Korea's insistence that it be allowed, as a sovereign nation, to maintain the right to develop the nuclear programs for peaceful uses, like power plants. The United States has strongly opposed such a proposal out of concern that North Korea could covertly use such reactors to make materials for nuclear weapons. Although some breakthrough progress has not been made on the nuclear issue yet, many people feel that the Six-Party Talks, a special multilateral arrangement aimed at defusing the nuclear crisis on the Korean Peninsula, have provided an important platform for a security cooperation mechanism in Northeast Asia and it could develop into a general system to ensure security in Northeast Asia if they become a systematic and regular event.

The Six-Party Talks: A Possible Candidate for Security Cooperation Mechanism

How are we to evaluate the Six-Party Talks? The current nuclear standoff allows for both optimism and pessimism. Although some practical progress was made, especially during the third round talks held last June that were praised by all parties as “constructive,” no breakthroughs have emerged on the issue. One Northeast Asia expert from South Korea pointed out that, “despite Beijing’s proactive efforts, the Six-Party Talks have not been able to cope with the North Korean nuclear problem very effectively. Not only does the U.S. maintains an ambivalent position concerning China’s leading role in facilitating the Six-Party Talks, but also Japan has been less than cooperative in dealing with the North Korean nuclear problem.”³⁾ It is true that key disagreements and obstacles do exist. First, there is a stalemate between the United States and the DPRK. The Bush Administration insists that North Korea first take practical steps to demonstrate its intention to abandon its nuclear program and North Korea insists that the United States first take steps to prove that it is abandoning its hostile policy toward North Korea. Second, there continues to be much debate and deliberation as to how the North Korean desire to get security assurances from the United States should be addressed. Third, there is the complex issue of North Korea’s nuclear enrichment program. There is a disagreement regarding whether the DPRK actually possesses a HEU (highly-enriched uranium) program, and as to whether it has ever admitted to having such a program.

However, we should notice that the Six-Party Talks, which were recognized and accepted by all parties, have played an important role not

3) Jae Ho Chung, “Key Challenges to Building Security Cooperation Mechanisms,” the paper prepared for the seminar on Security Cooperation Mechanism in Northeast Asia, August 3-4, 2005, Xiyuan Hotel, Beijing.

only in dealing with the nuclear crisis on the Korean Peninsula but also in developing into a general system to ensure security in Northeast Asia. Here, I want to make several points:

- The Six-Party Talks caught the nuclear issue as the core of the Korean Peninsula and the regional security situation. Resolving this issue will have a very important role on stabilizing the regional security situation in Northeast Asia.
- The participants of the Six-Party Talks included all the countries in this region and the U.S. Each country takes part in the Six-Party Talks as an equal partner and reaches the agreement and consensus through consultation. The optimism stems from the fact that there seems to be some agreement among the various parties involved as to how to resolve the issue. First, all the parties agree that a resolution should be reached by peaceful means and through dialogue. Second, all the parties agree that the Korean Peninsula should be nuclear-free. Third, there is a general agreement that any ultimate solution will have to be a comprehensive one, in the sense that it would encompass not only nuclear weapons, but also economic cooperation, security assurances, and eventual diplomatic recognition.
- There is a general understanding that the six-party format should continue, with some believing that this should lead to a new security framework for Northeast Asia. In 2002, the United States took the policy of attempting to isolate the DPRK, and refused to negotiate with the North until it had disarmed its nuclear weapons programs.⁴⁾ However, by 2003, the United States had agreed to negotiate with the

4) See Victor Cha and David Kang, "Can North Korea Be Engaged?" *Survival* 46, No. 2 (Summer 2004), pp. 89-108.

North through a series of multilateral talks. Instead of focusing solely on bilateral relations, America now pays equal attention to both bilateral and multilateral ties, while insisting on solving the Korean nuclear issue in the framework of the Six-Party Talks. China promoted the Six-Party Talks not only out of concern for ensuring regional safety but also for fulfilling its responsibilities as a regional big power. As an active advocator and participant in the Six-Party Talks, the ROK stands for peaceful crisis settlement through a multilateral effort. Japan began to show its interest in sub-regional cooperation since the early 1990s and also indicated a desire for Six-Party Talks. Russia intends to show its formal participation in Northeast Asian multilateral security cooperation in order to elevate its strategic status and safeguard stability in its Far East region. For the North, it made clear its stance on joining multilateral security cooperation through attending the Four-Party and Six-Party Talks and the June 2000 Asian Regional Forum.

The Key to the Peaceful Settlement of the Nuclear Issue Is the Stand Taken by the North and the United States

The Six-Party Talks have provided a convenient platform for all parties, especially for the DPRK and the United States. The Six-Party Talks also have helped the DPRK and the United States build up the basic trust that is needed for communication and eventual consensus. After two weeks of intense negotiations, the fourth round of the Six-Party Talks has been put on hold. The negotiations have been fruitful and extraordinary because they have increased consensus and narrowed differences. We are happy to see that during the fourth round of Six-Party Talks, the DPRK and the United States have been more flexible and pragmatic than ever before, changing position little by little. But interactions are still hostile, and the

parties concerned do not fully trust each other, which is why the multilateral mechanism is needed. Yet the countries were not to be able to resolve all of their differences over a few crucial points. They have not reached a consensus on the DPRK abandoning its nuclear program. The DPRK insists on retaining its right to nuclear energy while the United States has demanded that it give up all nuclear ambitions, including those for civilian nuclear use. The relations between the two sides have not yet been normalized. Historically, the current nuclear issue is derived from the military and political confrontation between the United States and the DPRK in the wake of the Korean War in the 1950s. No matter which came first, Washington's accusations or Pyongyang's nuclear endeavors, the nuclear issue speaks of the severe confrontation between the two countries. For the DPRK, it is disappointed with the policies the Bush administration has adopted toward Pyongyang during its first and those it will adopt in its second term. The DPRK has accused the United States of aiming at a regime change in the country instead of living peacefully with the North. But the North will not be able to come up with a better way to resolve the nuclear issue other than the Six-Party Talks. Its withdrawal from the talks can do nothing but increase its isolation from the rest of the world, thus harming its social stability and economic development. For the United States, after the Cold War, the United States' core strategy has been to maintain its supremacy and allow its ideology to prevail in the world. At present, the strategy focuses on combating terrorism. Preventing the spread of weapons of mass destruction, including nuclear weapons, is an essential part of this strategy. It tries to prevent "hostile countries" from mastering nuclear technology and deny terrorists access to nuclear materials. As far as the DPRK is concerned, the United States considers the North as an enemy by labeling it an "outpost of tyranny." Given that stance, the nuclear issue on the Korean Peninsula has gone far beyond an issue of nonproliferation.

In order to make a breakthrough on the nuclear issue, both the North

and the United States should do their best to make efforts. The two sides must be sincere in the talks and clearly express their positions and strategic bottom lines. The two sides also must accurately understand each other's intentions and make concessions simultaneously.

Also the concerns of the North Korea must be taken into consideration. As far as the United States is concerned, it should give up the view that only when the regime in the North is changed can the nuclear issue be settled fundamentally and completely. The United States also should take the North Korea's concern for its security into serious consideration. Only when the two sides make progress in the nuclear-weapons-free zone in the Korean Peninsula and the improvement of the bilateral relations will it be possible for the multilateral talks to obtain concrete results.

Both sides should continue to refrain from using military threats in order to create a good atmosphere for the diplomatic solution. Although the two sides have held a number of bilateral talks in the framework of the Six-Party Talks, their exchanges were intense and discussions exhaustive. In the negotiations the United States could not put aside its deep-seated political distrust of Pyongyang, which derives from the differences in social systems and ideology, as well as historical enmity. Outside the Six-Party Talks, both sides sometimes showed some inconsistency with its commitment to the talks, dampening the efforts to move forward. Some people in the United States challenged the North's record on democracy and human rights. These allegations are considered as an interference in internal affairs by the North Korean side. After the fourth round of the Six-Party Talks has been put on hold, some senior Bush administration officials have suggested, however, that the negotiations have little chance of success and that the best course is to refer the issue to the U.N. Security Council for sanctions on North Korea.⁵⁾ In the future, the political conflict

5) Edward Cody, "Korea Nuclear Talks Adjourn Without Agreement," Washington Post, August 7, 2005, p. A14.

seems impossible to suppress. Anyway, steps must be taken to lessen the hostility. One characteristic in the development of the security on the Korean Peninsula in recent years is that the better the chance is for improvement, the more frequent the provocations from both sides are in order to show their strong determination.⁶⁾ There is a greater possibility of a conflict arising from an accident and misunderstanding, therefore reducing of mutual aggression is an important guarantee for the continuation of the multilateral talks.

The Establishment of a Security Cooperation Mechanism in Northeast Asia in the Course of the Successful Settlement of the Nuclear Crisis

The settlement of the nuclear issue on the Korean Peninsula could be used as a turning point to explore the possibility of multilateral security cooperation in Northeast Asia. The progress in the talks on the nuclear issue on the Korean Peninsula should create new conditions for the establishment of a multilateral security cooperation mechanism in Northeast Asia. Given the complex situation and fragile conditions in Northeast Asia, it is necessary to promote dialogues and talks on different platforms with multiple functions on the basis of the Six-Party Talks. These platforms might include:

- Working hard to make the Six-Party Talks on the North Korean nuclear issue a successful one, since it will create a favorable atmosphere and provide a basic platform, as a basis, for all parties concerned to explore

6) Wang Baofu, "The Nuclear Problem on the Korean Peninsula and a Security Mechanism for Northeast Asia," Dialogue+Cooperation 1/2004.

the mechanism of security cooperation and consider the possibility of the mechanism of the Six-Party Talks. The ongoing fourth Six-Party Talks embodies the will of the parties concerned, especially of the DPRK and the United States, to make a substantial framework for resolving the nuclear issues; this should give higher expectations for eventual success of the talks. Moreover, the talks embody the active functions of bilateral relations in the Northeast Asian region in resolving the common security concerns. It is expected that it is more probable that the countries in the region will probably establish a new kind of regional security regime and step out of the security dilemma through the Six-Party Talks by working together with equal consultation. In terms of topics, this dialogue should include the denuclearization of the region.

- Setting up the platform for direct talks between the North Korea and the United States with the aim of breaking the deadlock in the relations between the two countries and ending the state of hostility. The United States and North Korea have convergent interests in the denuclearization of the Korean Peninsula. Both the United States and North Korea also have a convergence of interests in a secure North Korea. Thus, there could be a denuclearization of the Korean Peninsula in exchange for security guarantees for North Korea. On the tactical side, the U.S. position at the Six-Party Talks is that the United States has no intention of threatening or invading North Korea or to change its regime if North Korea gives up its nuclear program. North Korea has said that it would consider giving up its nuclear program if the United States were to end its policy of hostility. So there is a possible meeting point between the two sides.

- Enhancing the talks between the North Korea and the ROK on the settlement of the issue of conciliation, peace, and reunification on the Korean Peninsula. Through inter-Korean talks, both sides need to build trust, control arms, and eventually enact a peace treaty. The Northeast Asian and international communities should support this peace-seeking process and guarantee a peace structure on the Korean Peninsula.
- A dialogue platform for energy aid and economic reconstruction in North Korea with the participation of the United States, North Korea, South Korea, China, Russia, and Japan. The United States and its allies could help North Korea improve its ports and roads, providing more donations of fertilizer and agricultural equipment, offering greater energy assistance, and gradually lifting U.S. trade sanctions. Japan, the World Bank, and the IMF would likely offer much more development assistance.⁷⁾
- Starting talks on the establishment of military security and confidence building measures on the Korean Peninsula on the basis of the Six-Party Talks; establishing crisis management and security and confidence measures; setting up an emergency military consultation channel for timely consultation and coordination in a time of crisis, to keep the information channel open and prevent the situation from being reversed or control lost because of an unexpected incident.

7) Michael E. O'Hanlon, "Wanted: A Roadmap for North Korea," Yale Global, June 9, 2005.

Major Obstacles to a Security Cooperation Mechanism for Northeast Asia

The end of the Cold War did not bring immediate and fundamental changes to the security landscape of the Northeast Asian region. The nuclear issue on the Korean Peninsula is a legacy of the Cold War. It should be settled in the course of putting an end to the Cold War on the Peninsula. The Six-Party Talks have only provided a framework for the peaceful settlement of the nuclear issue on the Korean Peninsula, but the key to whether a breakthrough can be made is the positions and attitudes taken by the United States. The talks in the future will be more complicated and difficult. The process of establishing a security cooperation mechanism for Northeast Asia by settling the nuclear issue on the Korean Peninsula will also be difficult and long. The major obstacles are as follows:

- The Northeast Asian countries face a more serious “Security Dilemma.” With the adjustment of the relations among major powers and the end of the Cold War, the alliance relations between the USSR, China, and the DPRK have experienced a structural change, and the ROK has normalized the relations with the USSR and China respectively. But the relations between the DPRK, the United States, and Japan have not normalized yet, the aim of transforming the Korean armistice regime to a peace regime has not yet been achieved. What’s more, the deployment of a million troops on both sides of the military demarcation line tops the world in the density of military concentration. Meanwhile, the rapid rise of China puts forward a new task in the security area for the Northeast Asian countries. The U.S., Japan and the ROK enhanced their alliance. This leads to situation whereby the Northeast Asian countries are entering a more serious “Security Dilemma.”

- The region of Northeast Asia is replete with mutual suspicion and distrust, especially the suspicions which exist between major powers in the region. In terms of bilateral relationships, such as the relations between the United States and China, the “rise of China” presents great risks and huge potential rewards for the United States. There is a wide disagreement over the future directions of the China policy among China-watchers and policy-makers in Washington. The containment school views China not as a partner but as a strategic competitor. Increased tension in Sino-Japan relations is also a major obstacle to regional security cooperation. Since Prime Minister Junichiro Koizumi took office in April 2001, his administration has considerably strengthened Japan’s ties with the United States while markedly weakening its relationship with China. Pundits in both Beijing and Tokyo now label the state of Sino-Japan relations “cold politics and hot economy,” or what can be called “cold peace.”⁸⁾ A number of developments contributed to this worsening of the bilateral relationship. One of the major reasons is Japan’s Education Ministry approval of a revised version of middle school history textbooks, which have been criticized by some Asian countries as distorting history and whitewashing Japan’s colonial rule and wartime atrocities. For China, Japan also looms larger over the Taiwan issue for the first time since the end of World War II, thanks to the U.S.-Japan “2+2” meeting on Feb. 19. The “Japan question” still remains a contemporary problem waiting to be resolved, and “it would be difficult to lay down a genuine meaningful framework of regional cooperation mechanism in Northeast Asia without first solving the Japan problem.”⁹⁾ In terms of the U.S.-Japan-China trilateral relations, equitable relations among

8) Tomohiko Taniguchi, “A Cold Peace: The Changing Security Equation in Northeast Asia,” *Orbis*, Summer 2005.

9) Nicholas D. Kristof, “The problem of Memory,” *Foreign Affairs*, Vol. 77, No. 6 (November-December), pp. 37-49.

them will be extremely difficult to achieve, as each see the other party as “threat” or “potential challenge.” For example, China regards the U.S.-Japan alliance as a security obstacle to contain China’s emergence. Although the U.S.-Japan joint declaration contains words such as “peaceful resolution of the Taiwan issue” and “develop a cooperative relationship with China,” many view the document as effectively widening the focus of the alliance from simply defending Japan to include the Taiwan Strait and China. Meanwhile the U.S. considers China-led multilateral arrangements as seeking to establish an Asian version of Monroe Doctrine, and to squeeze the US out of the region. A traditional concern in Japan is that the United States may revive its strong affinity for China and form a new China-U.S. relationship, bypassing Japan. With China and Japan’s cooperation on the platform of “10+1” and “10+3,” some Americans worry that China and Japan may forge an anti-U.S. East Asian bloc. Nevertheless, shifting bilateral cooperation among the three could dilute mutual suspicions and contribute to the trilateral and even multilateral cooperation among the countries in the region.

Some Thoughts and Recommendation on a Mechanism of Multilateral Security Cooperation for Northeast Asia

Although the Six-Party Talks have already erected a platform for setting up a multilateral security cooperation system in Northeast Asia, given the complex situation and fragile foundations in Northeast Asia, conditions here for multilateral security cooperation cannot possibly be compared with those in Europe. We cannot expect to set up multilateral security cooperation mechanisms in the blink of an eye. Therefore, setting up a security cooperation mechanism in Northeast Asia in future should be

guided by the principle of “step by step.” Given the historic realities as well as the difference in political system and economic development among the countries in the region, only an approach based on patience and gradualism will contribute to setting up a multilateral security cooperation mechanism in Northeast Asia. It means that all countries here could gradually set up security cooperation mechanisms which play the leading role in this region. All sides could develop a multifunctional platform on the basis of the Six-Party Talks with the aim of promoting dialogue and increased trust, such as the direct dialogue mechanism between North Korea and the United States, the dialogue platform between North Korea and South Korea, the aim of which is to carry out peaceful reunification, and the consultation platform focusing on denuclearization on the Korean Peninsula joined by the United States, China, Japan, Russia, the ROK, North Korea, and the Europe Union.

A regional cooperative security system is different from a collective security system such as a military alliance. It tries to ensure regional security by dialogue and the rule of law. In the end we will have to establish a comprehensive mechanism in Northeast Asia, such as the Organization for Security and Cooperation in Europe (OSCE), which will address various security issues, including arms control, preventive diplomacy, human rights, and economic and environmental security. However as a step towards such a comprehensive system, we can envision various intermediate systems which are consistent with the historical and political background of the region.

From a Chinese perspective, a security cooperation mechanism in Northeast Asia in the future would have the following characteristics:

- It would coexist with the U.S.-centered alliance structure. The alliance system in Northeast Asia does not get rid of the Cold War relics, but more and more embraces the character of the Cold War. The United

States continues to preserve and consolidate the “hub-and-spoke” bilateral alliance system with emphasis on the U.S.-Japan alliance. As the U.S.-led bilateral military alliance will continue for quite a long time, the multilateral security cooperation mechanism is not supposed to replace but supplement the existing bilateral system in order to achieve a win-win end. The crux of the problem is the co-existence of an “old base,” which is both exclusive and antagonistic, and an inclusive, all-involved “new platform” with common interests.

- Two “beyond.” First, in terms of the main topic, the building of the multilateral security cooperation mechanism in Northeast Asia should go beyond the North Korean nuclear issue, which is only a part, but not the whole of the Northeast Asia’s security cooperation. There are other issues that should be taken into consideration, such as regional cooperation on energy, cross-border crimes, and bilateral military trust, etc. In this sense, North Korea also has the right and is qualified to take part in the regional cooperation. Second, in terms of time, the multilateral security mechanism in Northeast Asia should go beyond any timetable. Some countries seem to be leaning towards requesting a timetable for setting up a security cooperation mechanism. This would not help matters. As the Six-Party Talks in the future will be more complicated and difficult, the process of establishing a security mechanism for Northeast Asia by settling the nuclear issue on the Korean Peninsula will also be difficult and long. So the building of the mechanism should go ahead steadily and surely.
- A stable and healthy Sino-U.S. relation is the key for the future of a Northeast Asia security mechanism. Now there are some discussions focusing on the role of the United States and China both respectively and mutually. Some people think that the U.S. mono-polar security

order will provide stability in the region. Others think that China should and could play a more important role in the regional security. Some China scholars argue that both the United States and China could work together to jointly shape the regional future.¹⁰⁾ On the one hand, actually the United States has been the leader in the region for over five decades, and it will continue to want to be the leader even in an era in which China is rising so fast. Many Americans still perceive that stability and cooperation cannot occur without strong U.S. leadership, saying “American power and presence have helped to keep traditional power rivals in the region from engaging in significant conflict and have reassured smaller states who have traditionally been vulnerable to major regional wars.”¹¹⁾ The U.S.-ROK and U.S.-Japan are still strong, and China has not yet become the regional leader in Northeast Asia. On the other hand, China has no intention to be the leader and change the status quo in the region. Any discussion about security cooperation in this region mechanism must cover the role of the United States. Any regional security arrangement in Northeast Asia that does not have U.S. involvement would be impossible.¹²⁾ It is thus certain that the United States and China can coexist in Northeast Asia even if there is an element of “strategic competition” in their mutual relationship. A candid, cooperative, and constructive Sino-U.S. relation would benefit not only the United States and China but also the entire Northeast Asian region.

10) Jiemian Yang, “Seeking for a Balance between Traditional Alliance System and Multilateral Security Framework in Northeast Asia,” prepared for International Conference on the Security Cooperation Mechanism in Northeast Asia sponsored by the China Institutes of Contemporary International Relations in Beijing on August 3-4, 2005.

11) Michael Mastanduno, “Incomplete Hegemony: the United States and Security Order in Asia,” in *Asian Security Order*, Muthiah Alagappa, ed. (Stanford University Press, 2003).

12) Pang Zhongying, “Building a Regional Security Mechanism,” *PacNet*, Pacific Forum CSIS, No. 13A, April 5, 2004.

China Will Play an Active Role in the Framework for the Security Cooperation Mechanism for the Northeast Asia Region

China is a large developing country. It is also a country that is fast integrating itself into the international system. In order to create a peaceful and stable environment for its sustain development, China is more concerned today than ever over regional peace, security, and stability in the Northeast Asia region. After the end of the Cold War, the Chinese government and its leaders mentioned the new security concept many times in handling international and regional affairs. The main part of this new security concept is mutual confidence, mutual benefit, equality, and cooperation. Politically, all countries should abide by the generally acknowledged international rules and jointly maintain world peace. Economically, they should achieve the purpose of common prosperity and promoting development through mutual benefits and cooperation. International disputes should be settled through peaceful and diplomatic means. In terms of security affairs, such peaceful and diplomatic means should enhance mutual confidence and strengthen cooperation to achieve common security. The new security concept put forward by the Chinese government is not only empty promises. Its main spirit was concluded in the Political Report delivered at the 16th National Congress of the Communist Party of China. Given the fact that the Chinese government made diplomatic efforts to settle the nuclear issue on the Korean Peninsula, we can see a practice of this new security concept.

For historical, geographical, and reasons of self-interest, peace, and stability on the Korean Peninsula are closely related with China's security. Helping the Korean Peninsula out of the Cold War while maintaining peace and stability is important for China to improve its peripheral strategic environment and concentrate its energy on economic

development. Therefore, China regards the peaceful settlement of the nuclear issue on the Korean Peninsula as an important diplomatic step to maintain its own strategic and security interests. China promoted the Three-Party Talks and followed up by the Six-Party Talks out of not only concern for ensuring surrounding security to maintain economic growth in seizing a two-decade strategic opportunity for building a comparable well-off society but also for fulfilling its responsibility as a regional big power.

China deserves credit for the resumption of the talks to end the nuclear stalemate on the Korean Peninsula. In particular, Beijing should be praised for its persevering and calm diplomacy during a period of uncertainty and difficulties; its counsel for political and diplomatic solutions to the nuclear issue; its behind-the-door efforts at persuading Pyongyang to return to the talks; its resistance to the threat of sanctions should the talks fail as these would not guarantee success, and could be highly counterproductive.¹³⁾ However, there are different interpretations about China's intentions. Some say that China has become so proactive in forging a multilateral framework for resolving the North Korean nuclear crisis; it was due to the U.S. pressure tactics. Others suggest that China came to share with the United States the assessments of North Korea's improved nuclear capabilities. A combination of these factors must have made China perform as the leading facilitator of the Six-Party Talks.¹⁴⁾

Anyway, as a rising regional power with "great-power diplomacy with responsibility," China will continue its efforts to promote security cooperation among the regional countries in the course of bringing about a peaceful settlement of the nuclear issue on the Korean Peninsula.

13) Jing-dong Yuan, "China takes a bow," *Asia Times*, July 27, 2005.

14) Joseph Kahn, "Turnaround by China: Center Stage as a Diplomatic Power," *New York Times*, August 28, 2003; Jae Ho Chung, "China's Korea Policy under the New Leadership: Stealth Changes in the Making?" *Journal of East Asian Affairs*, Vol. 13, No. 1 (Spring/Summer 2004), pp. 7-11.

- China will continue to play a more central role in solving the Korean nuclear crisis as “not only a mediator, but a decisive persuader.” China’s role should become even more prominent if the United States and the DPRK stay in a deadlock. China will continue her “facilitating” role to persuade both sides to be more pragmatic. It would offer Beijing both a challenge and an opportunity, which, if handled properly, could lead to lasting peace and stability in Northeast Asia. Besides, China’s burgeoning power, capability of handling international crisis, and her role as a responsible power could be realized.
- China will set up a strategic and consultative relationship with the United States. Firstly, China should make clear to the United States: any unilateral action of the United States targeting the DPRK will destroy Sino-U.S. relations, stability, and economic development in the Northeast Asia region. Secondly, China will evaluate the important role played by the United States in the framework of security cooperation mechanism for Northeast Asia.
- China will strengthen her strategic partnership with the ROK. With its warmer economic growth and rising influence in creating a framework of security cooperation for Northeast Asia, the ROK is playing a more and more important “balancer” role in maintaining peace and stability in the Northeast Asian region. As China and the ROK seem to share strategic concerns regarding the rise of a “militarist” Japan and the nuclear crisis on the Korean Peninsula, China will support the ROK in playing an active and important role in the process of the settlement of the nuclear crisis.
- China will develop its traditional relationship with the DPRK on the basis of the eventual denuclearization of the Korean Peninsula.

Maintaining and enhancing traditional good relations with the DPRK is the most important strategic basis for China to play a greater role in the framework of a new security cooperation mechanism in the Northeast Asian region. Therefore, China needs to increase “strategic investment” to the DPRK. But the Korean Peninsula could never achieve long-term peace and stability with a nuclear North Korea, which in turn could lead to a nuclear-armed Japan and South Korea, even Taiwan, gravely complicating China’s security environment in the region. What China seeks is both denuclearization and peace and stability on the Peninsula; the two are inseparable.

Conclusion

The North Korean nuclear issue has brought together six nations for talks and it has been a catalyst for institutionalization of regional security cooperation in Northeast Asia. Given the different priorities of each country and different focus within Northeast Asia itself, the process of establishing a security cooperation mechanism for Northeast Asia by settling the nuclear issue on the Korean Peninsula will have a long way to go. Whatever the final result is, this process itself will be very valuable for all the countries in the region.

Regional Infrastructure in Northeast Asia: Japanese Perspective

—
Ken Jimbo*

Introduction

The regional infrastructure in Northeast Asia is still in flux. As nations in Northeast Asia are members of various regional frameworks, such as Asia Pacific Economic Cooperation (APEC), ASEAN Regional Forum (ARF), Asia-Europe Meetings (ASEM) and ASEAN+Three, sub-regional groupings in Northeast Asia seem to be “stunted” (Rozman) except for some ad-hoc multilateralism such as the Six-Party Talks, functional cooperation and other track-II dialogues.¹⁾

When you look the trends beyond Northeast Asia, however, there are rapidly emerging trends of regional and sub-regional gathering. Moreover, it is an emerging phenomenon in today’s world of a search of region and regional cooperation. In Europe, the EU has expanded to a 25 member state body, and has been in the process of adopting the Constitution for Europe, which would further integrate the member countries. In North America, trade among the U.S., Canada, and Mexico has increased since NAFTA (the North American Free Trade Agreement) entered into force in January 1994, creating an area of closer economic relationship.

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1) Byung-joon Ahn, “American Power, Asian Regionalism and an Ad-hoc Concert of Power on North Korea,” an unpublished paper presented to the Conference titled “North Korea, Multilateralism, and the Future of the Peninsula,” November 2003, Gilbert Rozman, *Northeast Asia’s stunted regionalism: Bilateral Distrust in the shadow of Globalization* (London: Cambridge University Press, 2004).

Such global trends toward community building have also encouraged East Asia to further its own efforts.

This change has been brought primarily by the drastic expansion of intra-regional exchanges and increased interdependence among countries in the region, particularly after the late 90's. During this period, some countries in the region have achieved remarkable levels of economic development, and the accelerated process of globalization has made relations among countries in the region ever closer.

The change has also been facilitated by a growing awareness of enormous potential and opportunities, which could be realized by closer regional cooperation. Today's East Asia is a center of vast economic potential and dynamism. A third of the world's population resides in this region. Its share of the global GDP accounts for one fifth, and countries in the region now hold about a half of the world foreign reserves. It is also noteworthy that two major incidents after the late 90's played a role of vital catalyst. One is the financial crisis in 1997, which awakened people of the region to the need of a regional approach to secure their prosperity. The other is the terrorist attacks on 11th September 2001, which underscored the importance of regional cooperation in addressing terrorism and other transnational issues. After these incidents, regional networks of functional cooperation have spread swiftly in wide-ranging issues, such as finance (the Chiang Mai Initiative and the Asian Bond Market Initiative), transnational issues (terrorism, illicit drug trafficking, sea piracy, human trafficking, and nonproliferation), etc.

Northeast Asia is not detached from these trends. Increasing amounts of trade and investments are accumulated in this region. Financial cooperation among Japan, Korea, and China with other regional partners has become ever important. Security cooperation on the North Korean nuclear issue highlights the importance of 'regional solutions.' The changing nature of security threats, such as proliferation of weapons of

mass destruction, terrorism, maritime security, and transnational organized crimes are trans-border in nature, but also need regional approaches. Cultural and societal exchanges have become more frequent than ever among countries in Northeast Asia. Japanese pop-culture, Korean movies and dramas and Chinese music have become widely shared in region. As for Japan and Korea, there are more than 10,000 people moving between both countries everyday.

Such trends indicate that the de facto regional infrastructure in Northeast Asia is already in existence and will be enhanced further. Cooperation in functional areas has also been active on the areas of economic, security, and cultural cooperation. What has been lacking, however, has been institution building in this sub-region. There are no regional meetings among heads of governments, except for an annual, brief summit meeting among Japan-Korea-China during the ASEAN+3 Summit Meeting. Moreover, leaders of Japan and China have halted their mutual visits since 2000 because of lingering bilateral political tensions.

This paper tries to focus on opportunities and obstacles for the regional infrastructure of Northeast Asia, especially from the viewpoint of security issues. First, the paper underscores the framework of analysis, which aims to provide the current trends of creating a 'region.' Second, the paper focuses on the Six-Party Talks process which is currently the most important sub-regional mechanism in Northeast Asia.²⁾ By analyzing this case, it may give some implications to other fields of cooperation, such as the economic and cultural spheres. Finally, the paper outlines the current ad hoc cooperation mechanism and its possibility to be applied in the context of Northeast Asian cooperation.

2) I owe this argument of the recent policy report by the Japan Institute of International Affairs (JIIA), of which I attributed as a co-author. Project for Northeast Asian Security, eds., *Resolving North Korean Nuclear Problem: A Regional Approach and the Role of Japan* (Japan Institute of International Affairs, July 2005). Document available at http://www.jiia.or.jp/pdf/0507_teigen.pdf.

Framework of Analysis: Nature of “Post”- Mega Regionalism

Region could be defined in various terms. In international relations, it generally indicates the multilateral groupings of neighboring nations. However, when it comes to the term ‘regionalism,’ it rather suggests a functional relation that bundles multiple nations with their political, economic, and cultural inheritance, often based on the advantages geographical proximity. Region could be formed either inherently or arbitrarily. Thus, regional governance is a dynamic concept of geopolitics/economics, which rests between global governance and the bilateral rational choices of the government.

During 1970s and 80s, mega-regionalism based on the principle of the open regionalism flourished in the Asia-Pacific region. The rising East Asian economy and the decline of the hegemonic economic status of the United States (After Hegemony: Robert Keohane) had both promoted the rise of regional groupings such as the Asia Pacific Economic Cooperation (APEC) and the ASEAN Regional Forum (ARF).

The premise of the open regionalism was based on ‘inclusiveness’ and equality, where countries in the region are, in principle, open to participate in the forum. The membership of the regime is based on existence in the region, not exclusively by its characteristics. Engagement was the core principle for this type of multilateral cooperation by the inclusion of the states, as the ARF successfully engaged China, Russia, an enlarged ASEAN, India, and North Korea.

As we entered the 21st century, we have now witnessed the new forms of regionalism in Asia, which do not necessarily adhere to this unequivocally inclusive nature. The formation of cooperation frameworks—such as bilateral Free Trade Agreements (FTAs) and Proliferation Security Initiatives (PSI)—are made possible by the capability and the willingness of actors. Most of the existing coalitions

have the principles of open memberships and do not exclude the future participation of non-members, but the tacit assumption of such coalitions of the willing that they do not want to include the countries that are reluctant to cooperate within the framework, virtually leads to the politics of exclusion.³⁾

The primary benefit of the coalition of the willing may be that they could evolve cooperation with like-minded states to ensure higher level of cooperation. It could even be regarded as a counter argument toward 'inclusive region-based' cooperation like the APEC and the ARF, which could not address vigorous developments for cooperation as long as participating countries "continue to move at a pace comfortable to all participants and on the basis of consensus." Instead, the coalition of the willing will set up the higher degrees of cooperation without the interference of external actors, and invite them after the coalition has set up the agenda. This model provides new opportunities for economic and security cooperation in Asia, possibly as a breakthrough for enhancing more practical measures yet to be materialized.

In recent years, the gravity of regionalism has exerted some force in East Asia, represented by the process of ASEAN plus three (Japan, China, and Korea). After the deep economic damage caused by the East Asian monetary and financial crisis in 1997, the motivations for realizing an autonomous financial mechanism within East Asia are generated in the forms of the currency swaps (The Chiang Mai Initiative) and the Asian bond markets, although these took place after the rejection of the quick institutionalization of the Asian Monetary Fund (AMF) initiatives.

There also have been new initiatives in the fields of international security. Proliferation Security Initiatives (PSI) and anti-terrorism

3) Michael Wesley, "The Politics of Exclusion: Australia, Turkey and Definitions of Regionalism," *The Pacific Review*, Vol. 10, No. 4 (1997).

cooperation, which are not based on geographical groupings but in forms of the coalitions of the willing, are emerging. The decade sustained a “double-track approach” in the 90s—which presupposed the US-led alliances as linchpins and that multilateral security cooperation will supplement them. This is now entering into the new phase especially in the wake of various forms of multilateral security mechanisms.

Sub-regional Security Mechanism: Six-Party Talks

Japanese Perspective on the Current Six-Party Talks

Instead of a bilateral U.S.-DPRK approach, a multilateral regional approach, the Six Party Talks, including the United States, Japan, China, Russia, and the two Koreas, was adopted in August 2003, to deal with the nuclear issue and to work out a peaceful diplomatic resolution. There was much collaborative effort by all parties, minus North Korea, to open the Six-Party Talks, and some progress has been made to offer ideas from both sides. After more than two years, four rounds of talks have been held (and will resume in the coming week), but no substantial progress for a realistic resolution has been made thus far.

This situation is highly problematic for Japan. The Six-Party Talks remain the most realistic option for Japan to deal with and resolve the North Korean nuclear problem. Japan does not desire a military resolution to this issue, but also cannot leave the North Korean nuclear issue unattended. North Korea’s nuclear arsenal and missiles are perceived as a direct threat to Japan’s security. Japan also has many other issues with North Korea, including the Japanese abduction issue.

The Pyongyang Declaration announced at Prime Minister Koizumi’s visit to Pyongyang in September 2002 was an example of Japan’s proactive diplomacy to deal with North Korea in a comprehensive way by

committing to normalization and substantial economic assistance if North Korea attends to the security concerns of Japan and Northeast Asia. But normalization talks have not progressed due to the abduction issue, while Japan's "dialogue and pressure" approach toward North Korea has been bolstered on the latter with new measures for economic sanctions. Along with the Six-Party Talks, Japan-DPRK talks also remain at an impasse.

From Japan's perspective, along with the other parties involved, a peaceful and viable diplomatic resolution through the Six-Party Talks would be most desirable. In this context, promoting the Six-Party Talks and the Japan-DPRK talks in combination can be effective in realizing a nuclear-free Korean peninsula and peace and stability on the Korean peninsula and Northeast Asia.

Even if the Six-Party Talks are resumed, however, the task of working out a resolution acceptable to all parties remains. If a common position cannot be worked out among the five parties (minus North Korea), the Six-Party Talks is doomed to fail, and alternative routes must be considered. If the Six-Party Talks and diplomatic resolution remain the optimal option, more serious efforts must be undertaken in order to induce North Korea to make a "strategic choice" to abandon its nuclear program and pave the way for substantially improved relations with its neighbors and the world.

Regional Implications

The North Korean nuclear issue is not only an issue in the global nonproliferation regime to be dealt with on a global level through United Nations Security Council deliberations but also a regional security issue which the United States has decided to tackle on a regional level through multilateral talks. It was in this context that Washington has tried to bring other nations in Northeast Asia into a regional format. The North Korean nuclear issue is, in fact, something that primarily threatens the security of the Northeast Asia region.

However, participating countries in the Six-Party Talks do not always share the same security concerns and priorities when it comes to the problem of North Korea. The fact that Pyongyang has been developing ballistic missiles as well as nuclear weapons has certainly brought about differing perceptions of the threat of the country's actions among the other parties to the talks. South Korea, for instance, does not see North Korea's No Dong and Taepo Dong ballistic missiles as a major threat since these are medium- to long-range weapons delivery systems. Also, North Korean missiles cannot currently reach all locations in the United States and current level of deployed forces and readiness of Taepo Dong are relatively marginalized compared with No Dong. For Japan, meanwhile, North Korea's nuclear threat is perceived in sync with the threat of its missiles. If the North achieves miniaturization of nuclear warheads, Japan will have to directly face the threat of nuclear missiles that can strike its territory. In this regard, Japan's sensitivity towards the North's nuclear and missile development is highest among five nations in the Six-Party Talks.

In the process of finding a solution for the nuclear issue, Japan, South Korea, and the United States will have to work out a new, stable, achievable equilibrium in the security arena acceptable to all parties. As a result of the Global Posture Review and to alleviate heightened anti-American sentiments, the U.S.-ROK effort to realign U.S. forces in Korea will certainly come into play in working out a new balance.

Finally, while it is difficult to describe China and Russia as being threatened by North Korea's missiles, these nations are nonetheless quite concerned with its development of nuclear weapons, which has a considerable impact on the security of the region as a whole. China sees the Six-Party Talks as a valuable opportunity to press for the denuclearization of the Korean Peninsula and the preservation of stability on the Peninsula and of the North Korean regime. These six-party deliberations are in fact an extension of talks between China, North Korea,

and the United States held in late April 2003, and Sino-American bilateral relations are a prime factor in the larger grouping, along with the dynamic between Pyongyang and Washington. Furthermore, China believes that if it succeeds in getting North Korea to abandon its pursuit of nuclear weapons it will boost its standing as a valuable strategic partner in regional security in the eyes of the United States. Chinese participation in the Six-Party Talks appears to be rooted in these considerations.

One of the major differences between the 1993-94 crisis and the ongoing crisis regarding North Korea's nuclear development is the role that Japan plays in it. When North Korea declared its withdrawal from the NPT in March 1993, it was four months after Japan-DPRK normalization talks broke down. When North Korea did the same in January 2003, it was four months after the Japan-DPRK Summit meeting was held. Ten years ago, the U.S.-DPRK bilateral talks were leading the process to solve North Korea's nuclear issue. Now, it is the Six-Party Talks, featuring the United States, North Korea, China, Japan, South Korea, and Russia, that is leading the process. In other words, Japanese involvement in the efforts to resolve North Korea's nuclear issue is much more substantial now than ten years ago.

Contrary to the reluctant approach in the past, Japanese approach is much more proactive, taking both positive and negative measures to persuade North Korea to abandon its nuclear program. On the positive side, Japan has offered normalization of bilateral relations and provision of economic assistance in case North Korea properly addresses the nuclear as well as other issues of Japanese concern. Given the economic reform that North Korea embarked on in 2002, sizable economic assistance from Japan must be quite attractive.

On the negative side, Japan has taken steps to pressure North Korea militarily and economically. Japan can now prevent the flow of money and sensitive technologies to North Korea, unilaterally impose economic sanctions on the country, effectively deal with limited attacks from the

country, and help the United States in case of an armed conflict. Taken as a whole, Japan is carrying a bigger stick with a bigger carrot in facing North Korea.

Japan's Unwavering Policy Objectives

Despite the twists and turns in the Japan-North Korea relations since the September 2002 Summit meeting, Japan's policy objectives regarding North Korea and the broad steps to be taken to achieve those objectives remain unchanged. It is about resolving bilateral issues such as the abduction issue, getting rid of the military threat that North Korea poses to the region, and turning North Korea into a responsible actor in the international community. In order to reach that goal, Japan is taking a three-step approach. The first step is to resolve pending issues such as the abduction and nuclear issues to pave the way for normalization of Japan-DPRK relations. The second step is to normalize the bilateral relations, which would enable Japan to provide economic assistance to North Korea while addressing the missile issue. The final step is to fully engage North Korea politically, economically, and militarily to make the country a responsible member of the international community and create a more peaceful and stable Northeast Asia.

In the Japan-DPRK Summit meeting in September 2002, Koizumi identified five bilateral issues and three other issues to be addressed in the first phase. The bilateral issues included the abduction issue, nuclear development, missiles, special-purpose vessels, and security dialogue. The other three were promoting dialogue between the two Koreas as well as between North Korea and the United States, and a multilateral confidence-building forum such as the Six-Party Talks. Although this six-party process was not exactly the same as the Chinese-sponsored Six-Party Talks that started in August 2003, it is noteworthy that Japan had been calling for such a forum since 1998 when Prime Minister Keizo Obuchi espoused the idea.

While Japan's policy objectives have not changed, its strategy has. "Dialogue and pressure" has been the key word since 1998 when Prime Minister Keizo Obuchi was in office. Emphasis has been on "dialogue" and Prime Minister Koizumi has succeeded that line. But in May 2003, Prime Minister Koizumi started to talk more about "pressure," indicating that Japan would use not only carrots but also sticks to induce positive behavior on the part of North Korea.

Japan offered big carrots in September 2002 when Koizumi visited Pyongyang to meet with Kim Jong Il. The two leaders agreed that Japan would provide economic assistance to North Korea after the normalization, and that they would discuss specific scales and contents of the economic assistance in the normalization talks. It is noteworthy that Koizumi made this pledge despite his knowledge about the fate of some of the Japanese abductees and the existence of North Korea's secret uranium enrichment program. The Japan-DPRK Pyongyang Declaration specified the economic assistance to include "grant aids, long-term loans with low interest rates and such assistances as humanitarian assistance through international organizations, over a period of time deemed appropriate by both sides, and providing other loans and credits by such financial institutions as the Japan Bank for International Cooperation with a view to supporting private economic activities." The total amount is expected to range from several to ten billion dollars.

In July 2002, North Korea started to take a series of measures to improve its economic management. If the economic reform gathered momentum, North Korea would need a larger amount of foreign capital goods and funds. However, few foreign businesses are interested in investing in North Korea under the current circumstances. Moreover, if North Korea really hopes to rehabilitate its economy, including its infrastructure, full-fledged economic assistance from Japan will be indispensable.

In this context, it is noteworthy that, in the first session of the Six-Party Talks, North Korea proposed a “package solution to the nuclear issue” in which it demanded the United States to “guarantee the economic cooperation between the DPRK and Japan and between the north and the south of Korea.” In other words, North Korea implicitly demanded the United States to make sure that Japan and South Korea would provide economic aid to the North when the nuclear issue is resolved. It is conceivable, therefore, that Japan and South Korea will jointly provide North Korea with the human resources and technical assistance needed to rehabilitate its economy when the time is right.

On the negative side, Japan has taken steps to pressure North Korea militarily and economically. The Japanese government has started to crack down on North Korea’s illegal activities including drug trafficking, counterfeiting, and trading of sensitive machineries by enforcing existing laws more strictly than in the past. Japan has become an active player in the PSI. A patrol vessel and a special security team of the Japan Coast Guard and observers from the Japan Defense Agency participated in a maritime interdiction exercise for PSI held off Australia in September 2004. Japan played a central role in it. In addition, Japan has introduced stricter export control measures, decided to procure ballistic missile defense (BMD) systems, and made preparations to better deal with possible contingencies on the Korean Peninsula and with limited attacks against Japan. These measures have put Japan in a better position than ten years ago to deal effectively with North Korea. Taken as a whole, Japan is carrying a bigger stick with a bigger carrot in facing North Korea.

Pursuing a Regional Solution

It is in the interest of Japan to pursue a peaceful diplomatic resolution of the North Korean nuclear problem through the Six Party Talks in parallel with the Japan-DPRK bilateral channel. Being prepared for other scenarios

would also be an essential part of Japan's strategy, but pursuing a regional diplomatic resolution through the Six-Party Talks would be the optimal option.

Working with the United States, Japan should actively cooperate with China, South Korea, and Russia and make an effort to strengthen the regional approach. For the time being, as Japan's hands are tied with the abduction issue, Japan should support U.S. and China-led regional initiatives in the Six-Party format, and should support Beijing's active intermediary diplomatic efforts and assist in the creation of an interim or preliminary agreement. It will otherwise be impossible for Tokyo to resolve the abduction issue and to proceed with normalization talks. It would also be appropriate to consider hosting the Six-Party Talks in Tokyo after the conclusion of a preliminary agreement with North Korea.

If North Korea agrees to the "comprehensive dismantlement" and returns to the NPT, it will certainly claim its inalienable right to the peaceful use of nuclear energy stipulated in Article IV of the treaty. However, with the United States insisting on CVID, it is difficult to imagine that a settlement of the nuclear issue would involve an immediate resumption of construction of the light-water reactors (LWR) under the Korean Peninsula Energy Development Organization (KEDO). In that case, we can decide to suspend these rights for a certain period of time until it is deemed appropriate for North Korea to resume legitimate peaceful nuclear activities while allowing it to retain its rights as a signatory to the NPT. Tokyo, along with Washington and Seoul, should then propose using the KEDO framework as a means of providing alternative conventional energy such as heavy fuel oil, while keeping the construction of the light-water reactors frozen. In this context, it is worth pointing out that Japan expressed its intention to join with South Korea, China, and Russia to collectively provide energy assistance to North Korea in the third round of the Six-Party Talks.

In the long run, if North Korea faithfully fulfills her verification and dismantlement requirements, the construction of LWR could be resumed. Such an expectation will serve to give Pyongyang an incentive to remain a responsible actor in the verification and dismantlement process.

Bilaterally-Networked Multilateralism

On the multilateral approach, there should be a strict distinction between two types of multilateral security for analytical purposes. One is the bilaterally-networked multilateralism (expanded bilateralism) and the other is multilateral cooperation. The former is based on the belief that the bilateralism would best serve, but it could be expanded multilaterally.⁴⁾

Multilateral Military Exercise

One of the prime examples of the bilaterally-networked multilateral security appeared in the multilateral military exercise led by the U.S. Pacific Command (PACOM). According to Admiral Dennis Blair, an ex-commander of the PACOM, it was essential to develop a regional, multilateral approach to common security challenges. In his mind, the most effective method is to develop policy coordination, including combined military cooperation, on a particular regional security issue or series of related security issues. For that purpose, the armed forces of the US, in conjunction with allies and other partners in Asia, should undertake to enhance regional readiness for combined operations.

4) Brian L. Job, "Multilateralism in the Asia-Pacific Region," in William Tow, Russel Trood and Toshiya Hoshino, eds., *Bilateralism in a Multilateral Era: The Future of the San Francisco Alliance System in the Asia-Pacific* (The Japan Institute of International Affairs, 1997).

Based on the above concept, the U.S./Thai bilateral exercise Cobra Gold was linked with two other existing traditional U.S. bilateral exercises—Tandem Thrust (U.S./Australia) and Balitakan (U.S./Philippines)—into a joint exercise, “Team Challenge.” The PACOM and forces from Thailand, Australia, the Philippines, and Singapore participated in and 22 countries have observed this umbrella exercise during April and May 2001. The participating nations are linking existing exercises under Team Challenge to improve readiness and interoperability, and to increase security cooperation within the Asia-Pacific region. The multilateral framework of Team Challenge compliments the existing bilateral relationships throughout the region, and provides additional training and engagement opportunities. Team Challenge set an ambitious two-phase plan for the future development, including the creation of the Combined Joint Task Force (CJTF) for maritime, air and army forces among participating countries.

The focus of PACOM-led military exercises has shifted more on anti-terrorism operations especially after the September 11 incident. The prime focus of operation in Balitakan since 2002 was virtually the ‘search and destroy’ operation against the anti-governmental group Abu-Sayaff, the group suspected to have a linkage with Al-Quaida. The future premise of Team Challenge is yet to be given, but there is growing potential for the “web” of US-led military cooperation to become an ever-solid foundation for multilateral security cooperation. The implication for Northeast Asian security cooperation is yet to be proven, however, the web of multilateral exchange of military to military cooperation among U.S. allies and friends, China-Russia, and among the Shanghai Cooperation Organization participating states will create a future foundation of military cooperation in this region.

Proliferation Security Initiatives (PSI)

Recently emerging forms of coalitions of the willing took form under the Proliferation Security Initiatives (PSI). The PSI was led by the Bush Administration's National Strategy to Combat Weapons of Mass Destruction in December 2002 where 'interdiction' is listed first among various 'counter-proliferation' strategies, which, in turn, were given prominence over more traditional nonproliferation efforts. The meeting for PSI in Madrid (June 12, 2003), Brisbane (July 9-10) and Paris (September 4) developed the principles for PSI and came up with the Paris Agreement. The membership of PSI currently comprises 17 nations. The PSI aimed at the pre-emptive interdiction, including detaining and searching ships and aircraft as soon as they enter a PSI member's territorial waters or national airspace; denying suspicious aircraft over-flight rights; grounding planes when they stop to refuel in member countries or in states willing to cooperate on a case-by-case basis; and boarding and searching ships registered in a PSI member nation or operating under a 'flag of convenience' of another state prepared to authorize an interdiction in a particular instance. The White House emphasize that the PSI "reinforce, not replace" existing nonproliferation regime to curb the spread of WMD, ballistic missiles and related technology to "state and non-state actors of proliferation concern."

On September 13 to 15, a multinational naval exercise took place in the Coral Sea on the interdiction of WMD and related materials. The exercise aimed for enhancing the collective capabilities of participants to conduct actual sea, air, and ground interdiction operations in cooperation and partnership. As part of Pacific Protector, France was providing military assets and Japan was lending Coast Guard and law enforcement capabilities, while Australia and the U.S. were supplying military equipment. Other PSI nations will participate as observers. Pacific Protector and the exercises seek to "improve the modalities, the

processes, the standard operating procedures, the intelligence exchanges—all those things allow us to think and react and act more quickly because when you get actionable intelligence, you have to move quickly.”⁵⁾ It also serves as a confidence-building measure for the PSI countries to be able to work together collectively. Japan and Singapore are the only countries in East Asia on PSI, but these norms should also be applied to Northeast Asia.

The China Factor: A Search for Strategic Convergence

An emerging feature of a foundation for regional infrastructure in East Asia could neither be distant from nor ignore the “China factor.” How then, should these developments and future prospects of the ARF and the emerging features of the coalition of the willing challenge these agendas?

The key answer may be; China itself is struggling to adjust gradually to the emerging structure of multilateral security. China’s “New Security Concept” which they first advocated in 1997 emphasizes multilateral effort referring examples of the CBMs between China and Russia on border issues and the Shanghai Security Organization (SCO) initiatives. Concepts’ “position paper” insists that China would emphasize to expand security cooperation in non-traditional fields, such as combating terrorism and transnational crimes. China has also decided, for the first time, to send observers to the U.S.-Thai military exercise Cobra Gold in May 2002. China’s recent military contacts are increasingly richer and more flexible. China’s National Defense in 2005 stated “China intends to selectively and gradually participate in more multilateral joint military exercises in the non-traditional fields.”

These would imply how the multilateral security cooperation and coalition of the willing could work with China and other nations in this

5) U.S. Department of State, “Pacific Exercise Stimulates on the Interdiction on the High Seas,” Washington File, September 12, 2003.

region. China, Korea, U.S., and Japan may find enough reason to expand the role of multilateral security in a different but inter-twined context. China's willingness to join the "coalition" in the non-traditional fields could work to set up the norms and cooperation levels without lowering the targeted cooperation agendas. The U.S. may find that the multilateral cooperation and other mechanisms could serve as a complementary framework of the alliance in more visible terms. If low-intensity conflicts, such as the case of East Timor, political crisis, and small border conflicts, could be dealt with through an autonomous framework in the Asia-Pacific region, the U.S. can refrain from over-commitment in regional affairs. Within this context, China would be able to participate in vigorously and to promote the multilateral process. This is the possible point of "strategic convergence." This may help to create a more promising architecture for a multi-layered security network, as applied to the infrastructure of security cooperation in Northeast Asia.



PART III

**Current Status of the Infrastructure of Northeast Asian
Regional Cooperation, by Country (II)**

Northeast Asian Economic Multilateralism: Obstacles, Opportunities, and Implications for the United States¹⁾

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Peter M. Beck and Melissa Hanham*

At a time when the economic linkages between the countries of Northeast Asia are deepening to unprecedented levels, mutual mistrust and tensions remain as strong as ever, hindering the prospects for the region's economic integration. Relations between Northeast Asian countries have an almost schizophrenic quality. Within a few weeks of China and Taiwan resuming direct flights during the Lunar New Year holidays, Beijing passed legislation, backed by force, which made it illegal for Taiwan to declare its independence. Commercial ties between the mainland and the island continue unabated. The two Koreas are no different. Unprecedented economic cooperation is taking place despite the fact that the two governments remain technically at war. Despite China being the leading destination of Japanese foreign investment, Tokyo officially named China a potential military threat last December, the first time in decades such an association was made. Beijing permitted widespread anti-Japanese demonstrations, bringing relations between Asia's two largest economies to the lowest point since diplomatic ties were established in 1972. China may have replaced the United States as Japan and South Korea's leading trade partner, yet both

* International Crisis Group

1) This paper is an expanded and revised version of papers presented at the Yonsei University conference, "Mutual Understanding for Cooperation in Northeast Asia," February 2, 2005, the Johns Hopkins School of Advanced International Studies conference, "Asian Multilateralism and the Future of the American Role in East Asia," April 25, 2005, and the Korea Institute for National Unification workshop, "Infrastructure of Regional Cooperation in Northeast Asia: Current Status and Tasks," September 8-9, 2005.

worry about the security implications of an ascendant China. South Korea and China harbor a flagrant mistrust of Japan, the largest source of foreign direct investment (FDI) in the region, thanks to the shadow of history that continues to loom over Northeast Asia. In fact, the International Crisis Group (ICG) established a Northeast Asia office in Seoul last year in order to help reduce the potential for crisis and conflict in the region.

Despite ever-deepening economic linkages between the countries, regional institutions encouraging economic multilateralism are few and weak. Moreover, formal economic integration of the region remains a distant dream. The reason for this anomalous situation is the failure to resolve a range of political, security and historical issues, not to mention a lack of political will to work beyond tensions and disputes to realize greater mutual economic benefit. Nevertheless, the countries of Northeast Asia share a commitment to advance economic development in a region that, more than any other, has much to gain from closer economic cooperation.

We will provide the perspective of a political economist, with an emphasis on the political realities that Japan, South Korea and China must address for any meaningful economic cooperation or joint infrastructure development to proceed. After identifying key obstacles to economic integration, we will turn to strategies for promoting greater economic cooperation in Northeast Asia, drawing on regional infrastructure as a primary example of mutually beneficial multilateral cooperation. Finally, we will discuss the significance of economic regionalism for U.S. influence in Northeast Asia.

Obstacles to Integration

Constructive multilateralism and regional integration remains hostage to history.²⁾ Northeast Asian relations have yet to break free from the shadow of history that looms over the region, sowing seeds of mistrust. Instead of looking to the future, several Asian governments seem trapped in the past. Both China and South Korea view Japan as largely unrepentant for its five decades of expansion and brutal colonial rule. Insensitive comments by Japanese leaders and Prime Minister Koizumi's annual visits to a shrine for Japan's war dead, including Class A war criminals, only rub salt on these wounds. Japan has failed to normalize relations with North Korea, has not signed a peace treaty with Russia, and has territorial disputes with all of its neighbors. For their part, Beijing and Seoul seem more keen on fanning the flames of nationalism than sincerely settling their differences with Tokyo. Japan's claim to the Dok-do and the publication of a history textbook that does little to atone for Japan's aggressive past have given Koreans renewed pause for reflection in what is supposed to be the "Korea-Japan Friendship Year."

Part of the blame for this preoccupation with the past is due to a temptation of Northeast Asian political leaders to use historical grievances to rally their citizens or to achieve political gains by allowing nationalistic fervor to ferment. For example, South Korea's most recent spat against Japan conveniently came at a time when it was looking for a way to distance itself from the ROK-US-Japan tripartite alliance, of which it has been a member for decades.³⁾ At times, regional governments are captive to their own nationalism: instead of purchasing \$1.4 billion in railway trains

2) The territorial and historical disputes between Japan, China, and Korea will be the subject of a forthcoming International Crisis Group report.

3) WSJ Editorial, "A Diversionary Diplomatic War," Wall Street Journal, 30 March, 2005.

from Japan—which would have been best in terms of technology and convenience—the Chinese government was forced to give part of the order to French and Canadian companies after an Internet campaign protested Japan’s “involvement in China’s railroad industry.” PRC officials later had the protest web site shut down.⁴⁾

The nature of the diplomatic relationships fostered by the United States after World War II is also cause for history’s preeminence in Northeast Asia: rather than relying on a regional organization like the North Atlantic Treaty Organization (NATO), which forced countries that had long been enemies to work together, the American government relied on bilateral alliances. Instead of a web of alliances within Asia, the United States was the hub and the countries of Asia were spokes (this model may be in the process of changing). The consequence is a region that is perpetually on edge and cannot seem to settle its own problems. To achieve genuine economic multilateralism, Asia’s political leaders must work beyond the past or continue to lag behind the rest of the world in regional integration. Implementing this kind of change will not be easy. Sadly, for Asia, the past still defines the present; politics trump economics, and nationalism could prevail over mutually-beneficial regional cooperation.

A second obstacle to economic cooperation and integration is the region’s seemingly intractable security disputes. For China and the Korean Peninsula, the Cold War has never ended. Both are locked in disputes that appear anachronistically frozen in time, but whose potential consequences are still a deadly reality today. At times, it almost seems like China and Taiwan are in competition with North and South Korea to see who can pose the greatest threat to peace in Northeast Asia. Political tensions not only put a damper on trade and investment but also make regional

4) James Brooke, “Japan thinks about making waves against China,” *International Herald Tribune*, 7 February, 2005.

economic integration and infrastructure development seem overwhelmingly difficult, as in the case with China and Japan.⁵⁾ Ultimately, the two non-democratic governments, China and North Korea, must be convinced that it is in their best interest to pursue peace and prosperity rather than conflict and confrontation.⁶⁾ Unfortunately, even the vibrant democracies of South Korea and Taiwan contain elements that exacerbate tensions. European integration would have been unthinkable if the Berlin Wall had remained intact.

The region's changing security alliances add to the uncertainty and friction already present in Northeast Asia. While the rise of China and its tough rhetoric against Taiwan draw Japan, Taiwan and the U.S. closer together, South Korea seems to be gravitating more toward China as a result of expanding economic ties and common concerns regarding North Korea. South Korea is also showing more interest toward the North, its long lost brother whose stability underwrites the likelihood of a planned reunification and the continued growth and prosperity of the South's economy. How these two sets of relationships play out will have a significant impact on the security situation in Northeast Asia. Importantly, until the security situation is settled, investors' contributions to the region's economic growth and integration will remain less than optimal.

The lack of a country qualified to serve as an "anchor" for the region, much as Germany did for Europe, is a third obstacle to economic integration and cooperation. This anchor system requires a country with "a leadership style that rests on the ability to direct other countries' behavior to promote collective goals."⁷⁾ The anchor "is able to make other countries follow voluntarily without wielding power based on material

5) Takashi Terada, "Creating and East Asian Regionalism," *The Japanese Economy*, Vol. 32, No. 2, Summer 2004, pp. 66-67.

6) Gilbert Rozman, "The Northeast Asian Regionalism Context," *The Foreign Policy Research Institute Orbis*, Vol. 48, No. 2, (Spring 2004).

7) Terada, p. 65.

dominance, as long as followers judge that doing so is to their advantage and as long as they perceive that the leader's capabilities and intentions are suitable.⁸⁾ Japan would be the logical choice at first glance, given that it is the largest and most advanced economy in the region, but regional mistrust aside, the Japanese economy is far from healthy and the Japanese government has failed to fully open the country up to trade, investment, and the free flow of people, not to mention allowing the yen to become a global currency. China would be the logical second choice, given that it appears to only be a matter of time before it becomes the dominant economic player in Asia. However, China is in its developmental authoritarianism phase and neither a developing country nor an authoritarian one is a suitable economic anchor for the region. China will spend much of the next two decades just trying to hold itself together, advancing its financial system and lifting its billions out of poverty. Anchors of economic integration place regional growth on stronger footing than national interests, yet conventional wisdom points to Beijing seeking economic integration only so far as it benefits China's economic standing. Today, China has the most to gain from free trade with other, richer countries and cooperative multilateral frameworks. When this novel economic openness begins to detract from its financial system, will Beijing resist the siren call of protectionism? South Korea aspires to be a "hub of Asia," but tries to control foreign investment in its country.⁹⁾ Its citizens are not yet ready to subordinate interests of domestic industry to broader regional economic growth. Moreover, it is but a matter of time before South Korea is economically dwarfed by China.

In contrast, the world's two leading economic blocs, the European Union and the North America Free Trade Agreement, both contain strong

8) Ibid.

9) Anna Fifield, "Seoul's new rules anger overseas investors," *Financial Times*, 31 March, 2005.

anchors that are the engines of economic cooperation. For Germany, holding the anchor position required sacrifice of some national sovereignty and interests for the sake of the region. National rivalries and political anxieties in Asia cloud this prospect.¹⁰ Rather than follow the path of integrated regionalism, it seems that China, Japan and Korea will have to chart a new regional model that allows for economic interdependence but does not challenge national sovereignty. This will not look like the EU model (political and economic integration) or the NAFTA model (with a hegemon driving economic cooperation). Northeast Asian regional multilateralism must encompass recognizable limits and accepted differences, working mostly by national interest rather than shared ambition; it also must be a region without a pronounced leader. Yoshio Okawara calls this a “grouping of nations,” and though it will limit the degree to which countries can reap benefits from cooperation, it is Northeast Asia’s best chance, given the current political environment.¹¹

Differing economic needs and political structures of the region, the fourth obstacle to economic integration, require great flexibility and adaptability of member countries, which have yet to be demonstrated. The economies of Northeast Asia vary greatly in size and capacity, structure, market base and foreign investment flows. They have “asymmetric” economic requirements that almost certainly lead to differing economic priorities.¹² There are massive income differentials, varying socio-economic needs and varying degrees of political control over economies that range from developing to highly developed. As Jeffrey Schott puts it, “[t]hese large differences...do not preclude economic cooperation among regional

10) Tsuneo Akaha, “Non-traditional Security Cooperation for Regionalism in Northeast Asia,” Waseda University Working Paper, Vol. 7, 2004.

11) Yoshio Okawara, “Evolving Regional Cooperation and Regional Integration in East Asia,” presented at the International Symposium on Peace and Prosperity in Northeast Asia, Seoul, South Korea, January 2005.

12) Tsuneo Akaha, “Non-traditional Security Cooperation for Regionalism in Northeast Asia.”

neighbors, but they do complicate efforts that are already impeded by political factors.”¹³⁾ Success will depend on whether these disparate economies find congruence and compatibility in economic exchange with each other. Policymakers and economists must explore areas of market compatibility and plan for market discrepancies. Next generation technology, for example, is an area of potentially cutthroat competition between Korea, Japan and China. In fact, all ten of the next generation industries that Korea plans to introduce overlap with either China or Japan, or both.¹⁴⁾ In order for multilateralism to flourish, each country must determine its comparative advantage in the region and build upon it (Chinese manufacturing, Korean intellectual property issues, and Japanese foreign direct investment, for example). Moreover, there should be a “balanced exchange of economic benefits through interdependence,” or countries might protest unequal benefits.¹⁵⁾ Also important is the degree of relative gains Asian countries garner from economic cooperation. Namely, will the economic gains be enough to trump the political and social discontent that may arise from closer cooperation?

It is difficult to tell. Even as Northeast Asian economies move closer to more liberal interaction, the countries’ commitment to regionalism is only as deep as their individual benefit, or as far as regionalism suits their national objectives.¹⁶⁾ Currently, China is championing regionalism as part and parcel of its “peaceful rise” to counteract fears of its dominance. South Korea hesitated in the 1990s when Japan advocated regionalism, but is now trying to position itself as a regional community “hub,” in part to

13) Jeffrey Schott and Ben Goodrich, “Economic Integration in Northeast Asia,” presented at the KIEP/KEI/CKS conference on The Challenges of Reconciliation and Reform in Korea, Seoul, South Korea, October 2001, p. 3.

14) Kim Sung-jin, “Korea, China to Compete in Next-Gen. Industries,” *The Korea Times*, <http://times.hankooki.com/page/tech/200502/kt2005020218464911810.htm>, 2 February, 2005.

15) Tsuneo Akaha, “Non-traditional Security Cooperation for Regionalism in Northeast Asia,” p. 9.

16) Gilbert Rozman, “Northeast Asian Regionalism: Good Prospects, Slow Start,” Center for East Asian Studies, Monterey Institute of International Studies, July 2004.

trump its history of dominance by other countries with a “balancing” of regional power. Moreover, the give and take required of economic regionalism is complicated by political tensions and domestic opposition to shouldering the economic burdens of other countries. For economic multilateralism to work in Northeast Asia, a culture of adaptability and a commitment to greater regional growth needs to arise. Regional growth will mean periodic and temporary national setbacks, a natural byproduct of multilateral economics. Country governments must begin to prepare their citizenry for this reality.

Even with shared economic goals, Northeast Asian regionalism must encompass divergent political systems. This is true not only for the three main players, but also for North Korea, as it continues to tentatively open to the region economically. Should North Korea become a player, the other countries will have to consider how to integrate the North and its economy in a cautious yet constructive manner. Although China has embraced globalization, it has not matched its liberalizing of markets with reforms in the political arena. China instead retains its authoritarian political system, which raises the question of how far the PRC will allow market economics to drive integration.¹⁷⁾ What will its need for political control mean in a knowledge-based global economy with increasing levels of economic interdependence? Growing economic prosperity has delayed serious discussion in China about the limits of its illiberal political practices; yet it is only a matter of time until China’s emerging middle class demands more from the political system. We are beginning to see this predicament play out as the regime tries to balance laissez-faire economics with increasing political involvement in Hong Kong, an important testing ground for Beijing’s communist/capitalist experiment. It could be possible to

17) Minxin Pei, “Time to reflect on how far China has to go,” *Financial Times*, 19 January, 2004.

disconnect economic liberalism from political liberalism in the short term, but only if transparency in financial matters and legal regulations in line with a market economy are carried out consistently and fairly.

Moreover, no strong regional institutions exist to facilitate economic integration in the region. Northeast Asia trails behind other parts of the world in region-specific institutions that substantiate and help drive deeper interdependence. Lacking their own organization, the countries of Northeast Asia have been forced to piggyback on the Association of Southeast Asian States (ASEAN) in the form of “ASEAN +3,” but ASEAN itself virtually ignores political-security issues and is something of a lame duck. The Asia-Pacific Economic Cooperation (APEC) remains, in the memorable words of International Crisis Group president Gareth Evans “four adjectives in search of a noun.” APEC was formed in response to deepening interdependence in Asia, not as a catalyst for it. Furthermore, APEC is a forum for dialogue on trade issues, not a “mechanism for joint action,” which means its use is limited.¹⁸⁾ ASEAN has a track record in developing sub-regional cooperation, but with member countries straddling all of Asia, there are calls for an institution that answers to Northeast Asia’s specific needs and agenda. Moreover, both APEC and ASEAN lack the budgets to finance the region’s badly needed infrastructure projects.

The final obstacle to economic integration and cooperation we would like to point to is the limited prospects for free trade agreements in Northeast Asia. Free-trade agreements (FTAs) within the region are at a nascent stage. However, the clear trend is toward liberalizing trade. China is making promising moves toward free trade agreements with ASEAN countries. South Korea plans to sign free trade agreements with 50 nations

18) Tsuneo Akaha, “Non-traditional Security Cooperation for Regionalism in Northeast Asia,” p. 7.

by 2007—an ambitious objective at best given the troubles the Roh Administration has encountered securing one largely symbolic FTA with Chile in the past year.¹⁹⁾ Heavy domestic opposition in South Korea and Japan has kept their governments from securing—or fully ratifying—free trade agreements. Only recently has Japan, perhaps in response to China’s more aggressive trade stance, made bigger strides towards free trade with countries in Asia. It is reflective of the reality of Northeast Asia that both Japan and China are eager to maximize relative gains of FTAs with Southeast Asian countries, yet they are wary of free trade with each other. As a result, Northeast Asian countries account for just 8 out of 208 of the world’s regional trade agreements and even those are not free trade per se: three are preferential arrangements and five are service agreements.²⁰⁾ A regional free trade area is not likely in a region still rife with protectionism and strong domestic lobby groups fighting to protect domestic industries.

When realistically assessing the prospects for more integrated economic systems and joint infrastructure projects in Northeast Asia, one must ask some hard questions: do these regional policy overtures among Asian countries reflect concrete economic and political interests or simply diplomatic visions? Is the projected scope of cooperation in economic and infrastructure matters narrow (i.e., limited to the national interests of each particular country) or comprehensive? To what extent is cooperation or competition the defining characteristic of steps toward regionalism? When talking of regionalism and economic development, does the debate reflect what these countries really want and expect - full economic integration and shared infrastructure - or just regional economic and

19) Donald Greenlees, “Trade fever hits Asia-Pacific region,” *International Herald Tribune*, 21 April, 2005.

20) Kim Joon-kyung and Lee Chang-jae (eds.), *Enhancing Investment Cooperation in Northeast Asia*, Korea Institute for Economic Policy, December 2004.

infrastructure cooperation to reap more benefits for individual economies?

Given our belief that deep economic integration is, at the current time and given political realities, not practical for the Northeast Asian context, we find it premature to call for formal regional financial institutions such as a monetary union or development bank when so many security, political, and economic issues have yet to be resolved. At the very least, problems of transparency, an inadequate legal framework, intellectual property protection, protectionist policies, and lack of a consensual decision-making apparatus make regional economic integration truly difficult to achieve.²¹⁾ But we are not entirely pessimistic. It is only in the last few years that Northeast Asian countries have decided to build regional economic relations, despite an absence of political community. Time will tell whether these nationalist governments will be able to band together for mutual benefit.

Opportunities for Cooperation

Despite all of the above obstacles and a seriously deteriorating security situation, Northeast Asian economic interdependence is growing by leaps and bounds. Intra-regional trade expanded three times as fast as cross-Pacific trade from 1999-2003. As much as 30-60% of each Northeast Asian country's trade is now conducted within the region. Despite historical enmity, even Japan and China find their growing economic links mutually advantageous.²²⁾ China in 2004 replaced the U.S. as the leading trade

21) Kent Calder, "The Geopolitics of Energy in Northeast Asia," Reischauer Center for East Asian Studies, SAIS/Johns Hopkins University, March 2004.

22) Tsuneo Akaha, "Non-traditional Security Cooperation for Regionalism in Northeast Asia."

partner for South Korea and Japan, and there are signs that Korea may be bending political will to match its increasingly important economic ties with China. Intra-regional investment is on the rise as well: China takes the bulk of foreign direct investment, together with Hong Kong consuming 70% of the region's FDI. Both Korea and Japan remain relatively closed to FDI from other countries, but have significant holdings in China.²³⁾ Chinese investment in South Korea was almost nonexistent prior to its recent purchase of Ssangyong Motors. Japan is further along, being a major source of FDI in Korea, second only to the United States.²⁴⁾ While an "Asian Union" may at best be a dream that is decades away, there are still opportunities to promote economic integration in the region.

Overriding the palpable discontent in Northeast Asia is a forging of a broader regional community based on common identity and mutually-beneficial economic growth. Despite tensions, governments are looking for creative ways to build closer economic and cultural ties. China is seeking more trade opportunities within the region, notably with Korea, though intra-regional trade remains below predicted trade levels given the region's economic characteristics.²⁵⁾ South Korean President Roh Moo-hyun initiated a Northeast Asian Cooperation Initiative, which is exploring ways to build a regional community. In many ways the Initiative is reflective of a new-found consciousness of Northeast Asia's global potential.²⁶⁾ Throughout the region a cultural boom is taking place that is intensifying exchanges of music, movies, pop culture, and language. There is even talk of creating region-wide sports leagues. When there is a downgrading of relations between countries, as there has been during what is supposed to

23) Schott and Goodrich, "Economic Integration in Northeast Asia," pp. 6-8.

24) Republic of Korea, Ministry of Finance and Economy,
http://english.mofe.go.kr/faq/catch/m_view.html?no=252&page=2&field=&keyword=

25) Schott and Goodrich, p. 14.

26) Kim Sun-ha, "Government seeks closer bonds with Japan, China," JoongAng Ilbo, January 12, 2005.

be the “Korea-Japan Friendship Year,” the private sector is beginning to speak up, warning public sector leaders of the financial damage that nationalist invective can incite. Korean public officials avoid breaking off serious commerce with Japan and Japanese businessmen are publicly expressing misgivings about Tokyo’s policies, saying that bad politics hurts business.²⁷⁾ There are limits to how far business can pacify governments, however; Tokyo is facing the ascendance of two Chinas it must handle: The rise of China’s economy and the rise of China as a political and military power. Interestingly, we have found that regional identity is strongest when Northeast Asia is collectively confronting an outside force. However, it seems doubtful that China, Japan, and Korea will have a common enemy to fight against, other than each other.

Intra-regional investment, in addition to China’s support for a market economy, is the driving force behind the quest for more formal economic integration in Northeast Asia. We argue that expanding private sector linkages are the best bet to deepening regional economic cooperation. Economic regionalism is usually initiated by growing trade and investment linkages in the private sector, driving government steps toward cooperative economic agreements. Rather than undertaking grand government-led schemes to finance regional development, which seems ill-advised given the precarious political-security situation in Northeast Asia, efforts should be focused instead on building a regional environment conducive to private sector cross-border transactions, investments, and joint projects. This means accelerating domestic economic reforms, streamlining regulatory measures, and reducing trade and investment barriers. Such measures would be particularly useful in hastening infrastructure projects, and would accelerate intraregional trade,

27) Norimitsu Onishi, “Japan Inc.’ finds itself in tight spot with China,” International Herald Tribune, January 13, 2005.

investment and growth.²⁸⁾ Another idea would be to encourage advantageous cooperative agreements among similar or corresponding economic sectors. Should the governments not act to assist regional private sector endeavors, businesspeople are sure to make their own way. Increased private sector interaction will eventually propel the governments toward more formal economic arrangements. The private sector is aware of the extraordinary gains to be made from NEA regionalism—indeed economic complementarities are far from being fully utilized. Even if there is little chance of a formal regional integration, Northeast Asian regionalism shows promise.

Infrastructure Development as a Model for Regional Cooperation

Promoting cooperation in areas of common need or priorities, such as the provision of natural resources or the building of joint-infrastructure, could provide a concrete model of functional regionalism, showcase the promise of regional cooperation, and attract foreign investors to Northeast Asia. Indeed, China, Japan and Korea are discussing regionalizing infrastructure to lessen shared burdens and vulnerabilities. Nowhere is this more appropriate for Northeast Asia than in the field of energy. If coal could prove to be the catalyst for European economic integration in the 1950s, perhaps natural gas and oil can do the same for Northeast Asia. China's explosive economic growth and the energy-intensive character of the region's key industries (steel, petrochemicals, plastics, fertilizer), combined with limited local energy resources, makes Northeast Asia the most rapidly growing importer of natural gas and oil in the world.²⁹⁾ Yet in

28) Jeffrey Schott and Ben Goodrich, "Economic Integration in Northeast Asia."

29) Kent Calder, "The Geopolitics of Energy in Northeast Asia."

sharp contrast to North America and Europe, there are at present no regional gas grids to pump in natural gas. The region is virtually crying out for an energy cooperation mechanism or institution. Today, Korea, Japan and China are discussing jointly buying oil from Middle Eastern countries, from which the latter two countries get upwards of 85% of their oil imports. As a block market, they could receive a better price than what they are currently getting separately, and could work collectively to ensure safe passage through shipping lanes.

Going one big step further, Northeast Asian countries can turn their energy cooperation pipedreams into pipelines. Such joint infrastructure-building projects would attract investors and showcase the promise of regional cooperation. With one-third of the world's natural gas reserves, Russia has no way of easily supplying China, Korea and Japan in absence of a regional gas grid. In December, the Russian government approved a Siberian pipeline, which is expected to increase energy export opportunities to East Asia once it is finished in ten years and at a cost of \$15.5 billion dollars.³⁰⁾ Unfortunately, the current proposal avoids having the pipeline pass through China or the two Koreas; instead, it goes directly to Japan, placing constraints on regional cooperation. Being excluded from this energy pipeline has led Beijing to explore underwater energy reserves, some in territories Japan considers its own. This Sino-Japanese clash is partly the consequence of a lack in energy cooperation.³¹⁾ Right now regional competition and not cooperation for badly-needed energy resources is the status quo.

However, cooperating over energy resources could result in greater regional stability, not to mention energy efficiencies. Extending that gas grid through North and South Korea would help alleviate the region's

30) James Brooke, "At a cost, Siberian pipeline to send oil to the Pacific," *New York Times*, 22 January, 2005.

31) James Brooke, "Japan draws the line on energy," *International Herald Tribune*, 30 March, 2005.

more pressing energy needs, ensure that all Northeast Asian players share in mutual benefits and vulnerabilities (a necessary component of regional cooperation), and potentially turn North Korea from an obstacle to an object of regionalism. Running the pipeline through the Koreas means that Pyongyang would finally have some non-nuclear leverage over other countries in the region, yet it would be in Pyongyang's interest to keep the pipelines open with revenue from transport fees, guaranteed energy supplies, and regional prestige. Just over 50 years ago, Europe began with the region's two flashpoint powers, France and Germany among others, connecting their energy markets with an agreement to pool coal and steel resources, which not only helped eliminate the threat of future wars, but also paved the way to regional integration. Japan and China have much to learn from this experience. As long as energy competition undermines energy cooperation, regionalism in Northeast Asia will remain hostage to pointlessly confrontational yet potentially compatible national interests. The great potential for confrontation over energy resources signals the need of a third party—such as the United Nations—to help mediate territorial disputes and rights to resources.

The transportation sector is another area ripe for joint-infrastructure cooperation. Capitalizing economic growth in Northeast Asia depends on growing transport links within and beyond the region.³²⁾ Governments have a common interest in working together to structure the region's air, land, and sea routes into a more integrated transport network. This will require both hard infrastructure: better roads, developed ports, connected railways, the establishment of transportation hubs and corridors; and soft infrastructure: the simplification of customs clearance procedures, the

32) Wang Shengjin, "The Role of Dalian in the Transportation Network in Northeast Asia and Multilateral Cooperation for the Establishment of International Transportation Corridors," accessed from the Economic Research Institute for Northeast Asia (ERINA) website on April 19, 2005, <http://www.erina.or.jp>.

standardization of transport services, and administration to ensure efficient operations and low transportation costs.³³⁾ The challenge to an integrated transport system lies in the different stages of transportation development and administration by country, and competition between (national) transportation enterprises.³⁴⁾ Continuity in transport links across borders will require constant communication and collaboration among administering countries to reconcile their varied transport systems. There are great gains in doing so, for advanced intra-regional transport links will accelerate the region's development and economic influence by empowering production capability and enhancing international competitiveness. Today, the lack of adequate energy and transportation infrastructure is holding Northeast Asia back from realizing greater and long-term investment opportunities and economic growth.

Infrastructure investment therefore remains a high priority for Northeast Asian governments. But despite being flush with foreign reserves, China, Japan, and South Korea are calling for outside help to finance what will be a multi-billion dollar project extending well into the future. Indeed, building up regional infrastructure will require bountiful foreign capital over the long term.³⁵⁾ Given the short-term political fuse of China, Japan and South Korea and the tendency for politics to trump economics, this will be no easy task. Moreover, it will be a challenge to attract and retain foreign capital. Last September, Royal Dutch/Shell Group and Unocal Corporation pulled out of a contract with China for exploration and production gas projects in the East China Sea, forgoing billions of dollars in the midst of China and

33) Hisako Tsuji, "An International Logistical Network in Northeast Asia," Economic Research Institute for Northeast Asia (ERINA) Discussion Paper No. 0307e, November 2003.

34) Wang, "The Role of Dalian in the Transportation Network in Northeast Asia."

35) Northeast Asia Economic Forum and East-West Center estimates that \$7.5 billion in annual net foreign capital is necessary for regional infrastructure development. S. Stanley Katz, "An Option for Northeast Asia: Establishment of the Northeast Asian Development Bank," in the Korea Institute for International Economic Policy (KIEP) publication *Enhancing Investment Cooperation in Northeast Asia*, December 2004.

Japan's increasingly confrontational stance on the disputed territory.³⁶⁾ Northeast Asian countries will have to strengthen their will to diplomatically work together to resolve disputes in order to capitalize on and retain foreign investment in the region.

Private capital is the way to go to finance regional infrastructure projects. Northeast Asian governments are unwilling to spend precious public funds and unlikely to see adequate funding for infrastructure from the Asian Development Bank and other international financial institutions. Attracting and retaining (foreign) private capital could entail creative joint-partnership schemes. Indeed, the wariness of regional powers to allow foreign investors free reign in their markets makes government-private sector or domestic-foreign investor shared projects all the more probable. Still, more work needs to be done to make the region safer and more amenable to foreign investment. South Korea and Japan in particular will have to remove stringent controls on foreign capital if they are to enjoy fully-funded infrastructure projects.³⁷⁾ China must better manage its bank debt problems and calm investors' fears of political intervention, with the government keeping in mind that its actions speak far louder than its words.

Creating a more favorable environment for both foreign and intra-regional capital is critical. This will be done by necessitating further economic reforms, removing more barriers to investment, and making national economic and investment policies more congruous and easily navigable for outside investors. China, Korea, and Japan could abet investment activities by launching commercially viable public infrastructure projects such as the energy grid or the integrated transport network. Moreover, governments could work together to develop "comprehensive development plans" linking particular sectors of the three

36) Erin Watkins, "Japan, China dispute drilling in area of East China Sea," *Oil and Gas Journal*, April 14, 2005.

37) Anna Fifield, "Seoul's new rules anger overseas investors."

economies in sub-regional economic zones.³⁸⁾ For regionalism to become a reality governments must find compatible and mutually beneficial ways to cooperate and not compete. Whether Northeast Asia's nationally-driven economies are ready for comparative advantage remains to be seen. Nevertheless, Japanese investment, Korean technology and, Chinese manufacturing comprise one joint arrangement with economic potential.³⁹⁾ None of this will be easy, but the potential benefits are immense. Regardless, a regional approach that focuses only on economic issues and infrastructure, leaving political and security issues aside, will lack a solid foundation from which to cultivate multilateral cooperation.

Implications for U.S. Role in East Asia

Northeast Asia is among the most important areas in the world to the U.S., which has half of its total global trade deficit tied up between China, Japan, and Korea.⁴⁰⁾ Indeed, many Americans have become alarmists over the idea of rising Asian power in both the security and economic arenas. For example, U.S. lawmakers recently raised opposition to a bid from China's third largest oil company, CNOOC to purchase the American firm Unocal on the grounds that it adversely impacted American national security interests. Francis Fukuyama writes that, "China has always presented a great conundrum for the United States. It is the kind of power Washington deals with the least well: A nation that is neither clearly friend nor clearly foe, simultaneously a strategic threat and a critical trade and

38) Jeffrey Schott and Ben Goodrich, "Economic Integration in Northeast Asia."

39) Chia Siow Yue and Lee Tsao Yuan, "Subregional Economic Zones: A New Motive Force in Asia-Pacific Development?" Pacific Dynamism and the International Economic System, C. Fred Bergsten and Marcus Noland. eds. Institute for International Economics, 1993.

40) World Trade Organization, http://www.wto.org/english/res_e/statis_e/its2004_e/its04_toc_e.htm.

investment partner.”⁴¹⁾

Faced with similar conundrums across Northeast Asia, the U.S. has reacted to Asian moves toward either economic or security communities with mixed results. It sponsored the Southeast Asian Treaty Organization and APEC (although neither specifically cater to Northeast Asian needs), but rejected the Malaysian plan for an East Asian Economic Caucus on the grounds that it excluded the U.S. Additionally, many Asian nations felt that the U.S. and U.S.-backed institutions such as the International Monetary Fund (IMF) failed to fill the void of the 1997-1998 Asian financial crisis, and instead pushed its market oriented agenda. The U.S. further exacerbated this sentiment, when it rejected the Japanese plan for an Asian IMF in 1999. The result was for Asian nations to create several ad hoc bi- and multilateral organizations such as the Chiang Mai Initiative, and ASEAN+3.

U.S. officials have also been displaying discontent with the plans for the 2005 East Asian Summit (EAS) to be held in Kuala Lumpur in December. In response to the financial crisis in 1997-1998 former South Korean President Kim Dae-jung formed the East Asian Vision Group, which later submitted a report entitled “Towards an East Asian Community” to the ASEAN+3 summit in 2001. The report called for the transformation from a “region of nations to a bonafide regional community with shared challenges, common aspirations, and a parallel destiny.”⁴²⁾ However, Condoleezza Rice voiced American concerns to Foreign Minister George Yeo on her February visit to Singapore. The primary concern seems to be around the idea of an “exclusive” or “inward looking” East Asian Community (EAC).⁴³⁾ Thus far, the ten ASEAN member states, plus China, India, Japan, and the Republic of Korea have been invited, with the option of including Australia and New

41) Francis Fukuyama, “Re-Envisioning Asia,” *Foreign Affairs*, Vol. 84, Iss. 1, Jan/Feb 2005, p. 75.

42) Axel Berkofsky, “China’s Asian Ambitions,” *Far Eastern Economic Review*, Vol. 168, Iss.7, Jul/Aug 2005, p. 20.

43) *Ibid.*

Zealand in the future. U.S. frustration now seems to echo its criticism of Malaysian Prime Minister Mahathir Mohamad's previous suggestion of East Asian Economic Caucus, as "Asia for Asians only."

Whether American frustration is well founded or not is an entirely different question. Hopes for December's summit to turn into something more substantive are generally low. However even more importantly, there is strong evidence to suggest that greater Asian multilateralism will in fact create a more stable and secure region. Many were concerned about China's entry into the World Trade Organization (WTO). However, four years later China has proven to be an accommodating member. In fact, even in the decade before it joined the WTO, China reduced tariff barriers so much that it had the lowest protection of any developing country in the world, and by mid-2002 had abolished or amended 2,600 legal statutes and regulations that were not consistent with its WTO accession agreement.⁴⁴⁾ Furthermore, China's participation in said organization has allowed quiet reforms to take place promoting transparency and rule of law. Surely, the U.S. finds such measures in its interest.

The U.S. clearly has two options. It can either continue to intermittently scuttle plans for Asian multilateralism in an attempt to isolate rising Asian powers, or it can embrace Asian efforts at multilateralism and in this fashion include itself in the process. One of the great ironies is that the fear of American conservatives over China's rising power may actually be a self-fulfilling prophesy if the U.S. continues to isolate itself from the process. Aside from Japan and Singapore, very few Asian nations want to include the U.S. in a potential community. The argument is often made that the U.S. doesn't understand that economic development, and not terrorism is priority one for most Asian nations. China does. In addition, they see China's commitment to a free trade agreement with ASEAN by

44) Neil C. Hughes, "A Trade War with China?" *Foreign Affairs*, Vol. 84 Iss. 4, Jul/Aug 2005, p. 94.

2010 as a sign that China will indeed be the benevolent leader for Asia that it promises to be. Thus, the absence of U.S. involvement can very well give China the opportunity it needs to step up and fill the void.⁴⁵⁾

Though never an easy task in U.S. politics, the Bush administration should attempt to coordinate efforts with the U.S. Congress, and embrace the growing efforts at Asian multilateralism, and more specifically Northeast Asian multilateralism. A natural first step, though one that did not happen, would have been for Condoleezza Rice to attend the ASEAN Regional Forum's annual meeting in Vientiane in August instead of sending Robert Zoellick in her place. By showing an increased interest in ASEAN, Americans can combat the criticism that they do not take Asian forums seriously to begin with.⁴⁶⁾ While some in Washington clearly believe in the benefits of the present system of U.S.-centric bilateral agreements, these benefits are short-term at best. Economic power relations are shifting in Northeast Asia, and the U.S. needs to recognize its long-term interest in keeping the region stable and economically healthy.⁴⁷⁾

Conclusion

Given the historical legacies and political realities of Northeast Asia, meaningful multilateralism, much less regional integration, is unlikely in the foreseeable future. This will require a level of trust and political will that is lacking today. Financing regional development will be a problem as long as China, Korea, and Japan remain primarily concerned with keeping their own economies stable and on track, even at the expense of one

45) Berkofsky, p. 22.

46) *Ibid.*

47) Fukuyama, p. 79.

another. At the same time, economic interdependence and energy needs are deepening, creating an environment conducive to regional infrastructure development. China's rise is driving regional economic growth, boosting Korea's and Japan's economy. And Korea and Japan are looking for creative ways to boost ties despite political concerns. Additionally, the U.S. will need to make a concerted effort to rethink its haphazard approach to multilateralism in Northeast Asia, as well as Asia proper.

Nevertheless, Northeast Asian regionalism is by no means unattainable. We expect economic links to continue to grow despite regional antagonisms, given that the private sector tends to seek economic linkages irrespective of government relations. Moreover, governments do understand that continued economic growth depends upon further economic cooperation. However, Northeast Asian relations remain precariously on edge, which could easily upset the stability necessary for steady growth of economic linkages, and of attracting foreign investment to finance badly-needed infrastructure projects. The recent shift in Japanese overseas investment from China to Southeast Asia provides a vivid example.

Although we remain skeptical as to the viability of creating institutions to manage regional development, the three powers of Northeast Asia certainly can accelerate economic growth and infrastructural linkages on their own by cooperating around areas of common concern. Such projects could work only if they do not threaten sovereignty or stability of the countries. Successful cooperation would have a positive impact on economic and political ties, and would facilitate foreign investment to build up the region's inadequate energy and transport infrastructure, a necessary precondition for continued economic growth and prosperity.

Russian Case on the Infrastructure of Cooperation in Northeast Asia

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Alexander Fedorovskiy

Political Infrastructure

International Talks

During the last decade, Russia has declared many times that North East Asia (NEA) occupies important place in its foreign policy. Nevertheless, in the 1990s it was not an easy task to accomplish. Increased by the legacy of Cold War stereotypes and some other reasons, domestic economic and political problems, Euro-centric and Atlantic-oriented priorities of powerful groups of political elite in Moscow, and the lack of confidence among the Asian partners in Russia's credibility as a partner are the main factors that undermined the development of relations between Russia and its Northeast Asian neighbours.

These problems cannot be solved overnight. Nevertheless, under Putin's government we witness a steady, if not considerable, increase in attention towards Asia and the Pacific. Asian countries are regularly visited by the Russian top leaders, and the regional leaders come to Moscow more often than in the past. Prospects for the long-term political and economic cooperation are discussed with the leaders of North East Asian countries on a regular basis.

Russia is satisfied with intensity and quality of RE-ROK political relations as dialogue between the two countries is developing constantly.

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About a dozen of meetings between Russian and South Korean presidents have been held since the establishment of direct diplomatic relations in September 1990. Ministers and high-ranking officials of the two governments, members of Russian and South Korean parliaments, military personnel and activists of public organizations are involved in regular exchanges.

Bilateral relations between Russia and North Korea are resumed now, although at a limited scale. Since the beginning of 2000, the new Russian administration tries to elaborate a flexible policy towards the Korean Peninsula, adequate to President Putin's doctrine of pragmatic foreign policy. According to a new concept of Russian foreign policy, which was adopted in 2000, Russia is going to develop relations with foreign countries not on ideological base, but on the principles of confidence and mutual benefit.

A new Friendship and Cooperation treaty has been signed between Russia and North Korea. This new treaty creates a legal framework for improved bilateral relations after the end of Cold War epoch. The RF-DPRK relations became «demilitarized» by excluding an article on military alignment and the treaty does not mean any confrontation with «the third side». At the same time, this treaty and President Putin's negotiations with the North Korean leader, Kim Jong-il, symbolized the normalization of bilateral relations between Moscow and Pyongyang. It also provided a base for political dialogue between the two countries interrupted a decade ago.

Meetings with the North Korean leadership are not only an important part of the mechanism for development of bilateral relations but also a mechanism of improvement of Russia's involvement in international cooperation on North Korean issues.

Among the key elements of modern Russia's foreign policy are regular contacts and negotiations between the political leaders of China and

Russia. In the last two and a half decades, the most important result in bilateral efforts to positively develop the RF-PRC relations is the significant improvement of political climate between the two countries.

Russia's political dialogue with Japan is not so intensive. On a large scale it depends on the territorial issue disputes. Nevertheless, direct regular meetings between the Russian and Japanese leaders and discussions on main bilateral and international issues may be valued as a positive trend in RF—Japan relations.

So, there is a plethora of positive talks going on between Russia and its North East Asian neighbors. The problem is that there is no institute or mechanism which would regulate political consultations on North East Asian issues between the participants representing all regional countries.

Similarities in Political System

It is rather difficult to compare the Russian political system with the political systems of Russia's neighbors in North East Asia. The main source of this problem is the specific character of Russia's political system which has not been formed yet. Russia currently is at the transitional stage from communist to pluralistic-democratic society. Meanwhile, it is possible to describe the political system in Russia only in general, basic terms and only in the context of political systems of North East Asian countries.

On one hand, Russian history and politics, as well as domestic policy, in many aspects differ from that of its North East Asian neighbors: mainly because Russia's political history and political system were closely associated with Europe. At the same time, Russia's political history and the political history of East Asian countries in the 20th century were closely interlinked. In that sense, Russian ideological influence upon China, Mongolia and North Korea was very significant.

Political systems in North East Asian countries differ from each other. For example, North Korea hasn't yet begun political transition from

totalitarian to a more open society. The prospects for political transformation of China are not clear yet, while Japan and the Republic of Korea are characterized by the existence of efficient and widespread democratic institutions.

On the other hand, there are some important commonalities between the North East Asian countries and Russia. In contrast with European political systems, none of them has a long history of democratic institutions. Nevertheless, the development of democracy is a vital element of political systems in Japan and in the Republic of Korea. The transition towards democracy will be strategically important for such countries as Russia and, in the long-run future, for China and North Korea. Even in Japan and South Korea the democracy and civil society are rather young phenomena. In any case, the establishment of political pluralism and democratic institutions in Russia and North East Asian countries is a long and difficult process. It means that in spite of some substantial political differences there are important common features which make it possible to evolve political cooperation.

During the last 15 years, Russia struggles to establish a democratic society. This process is uneasy for Russia because of many reasons. Authoritarian traditions and history are among the main obstacles for political development. Many aspects of Russia's domestic policy are criticized by some foreign countries, especially Russia's partners from the European Union. At the same time, the Northeast Asian neighbors can understand the problems of Russia's domestic policy much better than other countries. The legacy of troubled political history in these countries will continue influencing their political reality for some time in the future.

Moreover, there are many commonalities in the attitude to globalization in Russia and Northeast Asian countries. On one hand, all of them have to adjust their political and public institutions to global standards (making them more transparent, more open for international communications, etc.).

On the other hand, it seems that not only Russia but all North East Asian countries strive to preserve their national identity, culture, traditions, etc.

Such political priorities are very important for these countries and pivotal for their attitude to regionalism. Regional cooperation became not only a mechanism of optimization of foreign economic policy for Russia as well as for Northeast Asian countries, but a mechanism of efficient resistance to negative influence of globalization on their political systems, social policy, culture, etc. Under these conditions, political security and cultural cooperation in Northeast Asian will differ from the same process as it is known in Europe and other parts of the world.

Economic Infrastructure

Trade

During the Soviet period until the early 1990s, economic links between Russia and Northeast Asia were insignificant for Russia's economic foreign policy.

Trade exchanges with the neighbouring countries began to play more important role in Russian foreign trade and in the development of the Russian Far East economy since the early 1990s. Although the share of the Russian Far East (RFE) in Russia's foreign trade remains proportionately insignificant (about 4% of total trade), if calculated in relation to the country's trade with Northeast Asia it is significantly larger and varies from 25% to 33% of Russia's export to and about 50% of Russia's import from this region. Among the main contributors to the RFE's foreign trade are Primorsky krai, Khabarovskiy krai and Sakhalin oblast.

In addition, there is unofficial trade between Russia and NEA. For example, the so-called "shuttle" or "communal" trade is aimed at importing consumer goods from China and South Korea. There is also sea trade:

Russian dealers often trade fish for fuel necessary for the Far Eastern fishing fleet without even visiting the Northeast Asian countries. The scale of different kind of unofficial trade is very significant—from \$2 to \$10 billion USD. It means that in general the RFE's share in Russian foreign trade is larger, reaching up to 50-60% of export. The official record of trade between Russia and China is approximately \$20 billion (2004), while the unofficial “shuttle trade” amounts to additional \$5-6 billion. Trade between Russia and Japan is officially \$6-7 billion, but unofficial trade activity brings another \$2-3 billion. For South Korea, the volume of unofficial trade with Russia reaches \$3-4 billion, while the officially recognised trade is \$5-6 billion.

During the 1980s, China's share in the former Soviet foreign trade turnover was about 2%. Nowadays, China's share in Russia's foreign trade is higher and continues to rise. Since 1999, during the first half of this decade, bilateral trade between Russia and China is increasing dynamically at the rate of 25-40% annually. China is now one of the top five export markets for Russia (beside Germany, Italy, Belarus and Ukraine).

Russia's share in Chinese exports and turnover is not that high: in 1994-2004 Russia occupied the sixth place among top sources of Chinese imports. Russia's place in Chinese imports is higher than in Chinese exports.

A few groups of goods occupy the leading position in Russia's imports from China. These are the products of food processing industry, agricultural goods, clothing, footwear, etc. These goods account up to 80% of Chinese exports to Russia. Recently, machinery and equipment have begun playing a more important role in Russian imports from China. In 1999-2004, the share of these goods in the Russian import has more than doubled.

Russian export to China is represented by the following commodities: ferrous metals, non-ferrous metals, wood and pulp, mineral fuel, chemicals, fertilizers, fish and marine products. Machinery and equipment

is an important item of Russian exports to China (25-40% of all exports). But it is necessary to take into account that this figure is variable and is based mainly on the export of military equipment and energy sources for nuclear power plants.

Several reasons made South Korea one of Russia's most important strategic partners. Import of goods, investments and know-how from South Korea is necessary for Russian economy modernization. Due to the development of economic relations with the ROK, Russia could diversify its foreign economic relations and avoid over-dependence on China's market. At the same time cooperation with the ROK is a good channel of Russia's integration into Northeast Asia.

Meanwhile, during the 1990s, economic ties between the two countries fluctuated. At times, trade with Russia made up only 1% of South Korea's foreign trade, and trade with South Korea was less than 2% for Russia.

Nevertheless there are some strong positive incentives for trade expansion of Korean business into Russia. It allows to buy not only fuel, minerals, agricultural products, fish and marine products in Russia at buyer's prices, but also steel and some chemicals. According to Korean businessmen, high-tech industries and R&D are among the most promising areas of long-term cooperation. In 1996, Korean foreign trade companies enjoyed the 50-100% average profit rate of import/export operations in Russia. Later this index has decreased but remains at around 20-30% level.¹⁾

At that period, neither side was satisfied with the rate of growth, scale and quality of bilateral economic relations. Thus, Russia and South Korea cooperated closely to improve the situation. These joined efforts and the improvement of domestic economies formed the main reasons for positive

1) Russia Journal, 19.11, 2001, www.rusjournal.com.

trends in economic exchanges between the two countries after 1998. As the result, the debt problem was successfully resolved and bilateral trade reached \$6 billion in 2004, doubling the level recorded in 2000. Also, it is necessary to take into account the so-called “grey” trade (Russia’s unofficial export of fish and oil to the ROK as well as Russia’s import of some South Korean machinery and electronics). According to one author the overall RF-ROK trade is estimated at approximately \$10 billion.²⁾

Trade between Russia and Japan for a long period has been fluctuating around \$6 billion. Due to the growing demand for investment and consumer goods in Russia and the price rise on energy overseas the bilateral trade between Russia and Japan has been growing during the last several years (along with metals, timber and seafood, energy and fuels became the primary items of Russian export). The prospects of Russia-Japan trade in a large scale will depend on investment exchanges.

Investment Exchange

There is a significant difference in involvement demonstrated by the European part of Russia and the Russian Far East in economic exchange with North East Asian countries.

The role of foreign direct investment in the Russian Far East during the 1990s was both insignificant and inadequate to the regional economic potential. Nevertheless, during the last several years this situation began changing. The scale of foreign investment reached \$1.5 billion in 2003. As the result, the Russian Far East began playing a prominent role in accumulating the foreign investments in Russia: the share of the Russian Far East increased from 7% (1990) to 18% (2003) mainly because of the Sakhalin-1 and Sakhalin-2 oil and gas projects. The main investors in the Russian Far East are Japan

2) E. Lobatsevich. The results of President Roh Moo-hyun’s visit to Moscow. KorusForum(In Russian), 2004/12. (No. 24).

and the United States, while the role of other investing countries, including China and the Republic of Korea, is still insignificant.

Although the massive foreign investment is mostly concentrated on the island of Sakhalin, it also brings positive influences to some industries located in other parts of the Russian Far East. For example, local constructing companies will participate as sub-constructors in the realization of a huge construction program of Sakhalin-1 project. A gas pipeline and a big LNG factory will be constructed in Sakhalin according to the program of Sakhalin 2 project.

In 2002-2005, investments from North East Asia focused predominantly on the European part of Russia because the demand for consumer goods grew more rapidly in that region. South Korean and Japanese car producers, electronics-producing companies and many other firms from North East Asia pay significantly more attention to that region.

The Korean direct investment in Russia is small in scale. Such investments totalled \$170 million in 2002 (about 70% of the earlier declared investment projects). After the financial crisis of 1997-1998, the Korean companies curtailed their investment activity in Russia. Simultaneously, deep financial crisis in Russia has negatively influenced Korean businesses. Following Russia's default on international obligations the Korean companies lost about \$0.5 billion invested in the Russian financial market. Their confidence in Russian economy and authorities has been seriously undermined.

Nevertheless, a number of projects in energy, oil refining, manufacturing and electronic industries, tourism, etc. have been recently endorsed by business and government institutions of the two countries. Several billion dollars will be invested in the near future to carry out these projects.³⁾

3) S. Suslina. New "dynamic stage" of economic cooperation between Russia and the Republic of Korea in XXI century. KorusForum(In Russian). 2005/06 (No. 25).

It seems rather difficult to estimate the scale of Chinese investments in Russia. First of all, it is because the relevant Chinese and Russian data differ considerably, making any attempts at comparing figures futile. Also, the Chinese and Russian statistic services tend to register only legal investments - i.e. a small part of the total investment figure. According to Chinese data, at the end of 2001 there were 450 Chinese-Russian joint ventures with the total volume of investment exceeding \$282 million. It is obvious that the scale of Chinese investments in Russia is small, accounting only for 0.5% of the total amount of Chinese investments overseas.

The regional distribution of Chinese-Russian joint ventures shows that this form of investment cooperation is mainly spread around Eastern Siberia and the Russian Far East. About 80% of all joint ventures with the Chinese capital are registered in the Russian Far East.

Unfortunately, neither Russian nor Chinese official data provides detailed information on the proportion of investment for each industry. Nevertheless, it can be seen from the indirect sources (such as opinion polls conducted among the Chinese migrants in Russia) that the mainstream of Chinese activity in Russia is in retail and wholesale trade: 35.4% of Chinese migrants are involved in this business in Moscow, 34.5% in Khabarovsk, 61% in Vladivostok, and 40% in Ussuriisk.⁴⁾

It is also difficult to estimate the real scale of Russian investment in China. According to the data provided by the Russian Ministry of economic development and trade at the end of 2001, more than 1,000 Russian-Chinese joint ventures were operating in China: the total amount of Russian investment in China reached \$200 million. The activity of Russian-Chinese joint ventures concentrates on energy generation and distribution, the production of chemicals, transportation, agriculture, electronic, car and

4) V.G. Gelbras, Chinese reality in Russia. Moscow 2001.

ship-building industries, etc. As in the case with Chinese investments in Russia, joint ventures built on the Russian capital usually belong to small and medium enterprises. In such companies, Russian investors normally control between 30% and 100% of the stock capital.

Although the recent trends in economic cooperation between Russia and North East Asia should be characterized as positive, it is ought to be said that Russian involvement in regional trade and investment cooperation is insignificant yet. Russia's economic ties with Northeast Asian countries are very traditional by nature. Although Russian companies are expanding actively in Europe and in the United States, Russian businesses are not deeply involved in economic partnership with regional businesses. Economic relations between Russia and Northeast Asian countries have not been institutionalized yet. Consequently, there is a danger that trade and economic exchanges between Russia and its Northeast Asian neighbors might be stagnating in the future.

Nevertheless if economic growth in Russia continues and infrastructure of economic cooperation is modernized, trade and investment exchanges between Russia and Northeast Asia would have a good chance to enlarge and become more diverse.

Energy and Transport Infrastructure Projects

On July 20, 2005, President Putin pronounced the construction of oil pipeline from East Siberia to the Russian Pacific Coast a strategic project of national importance.⁵⁾ By nature, this project is a technical one, economic, social and political simultaneously:

- The technical purpose of the project is the establishment of a colossal

5) www.strana.ru/print/254277.html 20.07.2005.

infrastructure network connecting the European and Eastern parts of Russia.

- The economic purpose of the project is the establishment of a unified national economic structure.
Neither of these purposes has been reached under the Soviet regime.
- The social purpose of this project is the modernization and development of Eastern Siberia and the Russian Far East with the aim to improve the living conditions in these areas. At first stage, such measures are expected to prevent the depopulation of this region and, later, to create favorable living conditions for the growth of population.
- The political purpose is a correlation of the strategic development of the Russian Far East in order to balance and stabilize the growth of Russia in general, strengthening of Russia's political role in the Pacific, especially in North East Asia.

At this point, it is necessary to stress that president Putin signed “A Law on Concessions” (July 2005). It means that the legal basis for involvement of private businesses (including foreign investors) for the realization of this long-run project is enhanced.

This project is strongly associated with the Russian foreign policy in the Pacific region. This is because the main factor for the realization of this project is broad-scale and close cooperation between the Russian Federation and its neighbors in North East Asia.

Energy Networks

The core of the abovementioned energy project is the construction of an oil pipeline between Angarsk and Perevoznaya Bay (the Russian Pacific coast) with an extra branch diverting from Skovorodino to Daqing (China).

When this project is realized it will be possible to export 30 million tons of oil directly to Daqing and 50 million tons of oil from Pervoznaya to the countries of the Pacific Rim. At the first stage of this project (2005-2008), the oil (approx. 10 million tones per year) will be exported to China by Trans-Siberian and Baikal-Amur railways.⁶⁾

Electricity export links between Russia and China are also developing. For example, electricity is already being exported to northern China from the recently constructed Bureya Power Station in the Russian Far East. There are more plans to export electricity from Russia to Japan and North Korea.

An enormous gas production and export project, Sakhalin-2, began coming to realization with the participation of European and Japanese investors. Under this project about 9 million tons of LNG will be exported from Sakhalin to Japan, the Republic of Korea and to other markets. Under the Sakhalin-1 project, gas will be exported to North East Asian countries through the pipeline. A South Korean company, KOGAS, according to the RF-ROK inter-government agreement, will start operating on the Kamchatka Peninsula and in other areas of the Russian Far East.

Meanwhile, the realization of energy projects is lagging behind the economic interests of Russia and Northeast Asian countries. The problem is in the low confidence and high deficit of cooperation on energy issues at the regional level.

Transport Infrastructure

As estimated by the Russian Ministry of Transport, the traffic between Russia and China in 2004 was 23 million tons. According to the Ministry's forecast, this figure will increase to 60 million tons by 2010.⁷⁾ Transportation traffic between Russia and other Pacific countries, first of

6) Expert (in Russian). No. 24, 2005.

7) www.strana.ru/print/254463.html 22.072005.

all in Northeast Asia, is developing since late 1990s.

It is necessary to take into account that the passenger traffic between Russia and the neighboring countries also has a potential for significant growth. The 2008 Olympic Games in Beijing and the growing traffic between East Asia and North America are also important factors which influence the dynamic of passenger traffic across Eastern Siberia and the Russian Far East.

The policy of Russian Federal Government in the Russian Far East Area under the Putin's administration is focused on the development and modernization of regional transport infrastructure. The reconstruction of Trans-Siberian railway has been successfully conducted. The Baikal-Amur railway has been finally completed. The road between Chita and Khabarovsk is being constructed to be finished in 2007. Even now, for the first time in Russian history, it is possible to go by car from Moscow to Vladivostok.

Nevertheless, transport infrastructure in the eastern part of the country remains to be developed inadequately to meet the new demands at home and abroad. In this relation, the Russian Minister of Transport, Mr. Levitin, has declared that budget investments into the development of transport infrastructure in Eastern Siberia and the Russian Far East will increase after 2006. He said that this increase will be counted by "times," in accordance with the new strategic priorities of the Russian government.⁸⁾ The development of transportation network between the Russian Far East and the countries of Northeast Asia will improve Russia's cooperation with its neighbors.

Cooperation between Russia and China on the development of border transport facilities and between Russia and the two Korean states on Trans-Siberian—Trans-Korean Railways project are attracting great

8) Ibid.

attention in Russia. However, where Russia-China projects have a good chance to be realized, it is difficult to forecast the prospects of Russia-Korea transport project.

Security Infrastructure

Military Power

Russia's military power has radically declined since the Soviet period. The Army, the Air Forces and the Navy are still undergoing reform and transformation. Under the Putin administration, Russia's military budget began rising to conduct the army reform and to modernize the military power. At the same time, Russia's military presence in the Asia-Pacific region and Northeast Asia appears to be limited, compared to that of the Soviet epoch.

Military Alliances

After the collapse of the Soviet Union, Russia's security policy in NEA has changed significantly. Bilateral treaties with both Mongolia and North Korea have been reviewed. Military troops are withdrawn from Mongolia. Nowadays, Russia is not a military ally to any North East Asian country. Recently, Russia has resumed its military cooperation with China within the Shanghai Cooperation Organization (SCO). Although the primary focus of this international organization is concentrated on Central Asia, it goes without saying that Russia-China military ties within the SCO influence the security and political situation in Northeast Asia as well.

Bilateral Security Cooperation

Russia does not intend to be involved in any military union in the Pacific region. During the last 15 years, Moscow tried to improve its

security relations with the neighboring Northeast Asian countries on a bilateral level. In this case, it is necessary to stress that the main purpose of Russia's security policy in the region since the early 1990s was the improvement of relations with neighbors as well as of the security situation in the region in general in order to overcome the legacy of the "Cold War" and old political conflicts.

For Russia it is especially important to improve its security relations with China. As the result of bilateral negotiations, the military forces of both countries have been reduced at the border areas and withdrawn to internal regions. This agreement improved confidence between the two countries and created a good political climate for improvement in security cooperation.

Russia-China security cooperation has been developing quickly since the early 1990s. It is possible to identify several different levels in such cooperation: inter-government cooperation; trade in arms and military equipment; cooperation between military personnel.

After a long pause, in the 1990s, Beijing and Moscow resumed regular consultations on military and security issues. Delegations of military personnel and experts from both countries pay visits to each other on a regular basis.

Russia's export of arms and military equipment (about \$2 billion annually) is a very important element of bilateral security cooperation. Russia is one of the most important sources of modern arms for the Chinese Army and China (as well as India) is the largest export market for Russia's military industry.

The new stage of security cooperation began in August 2005 as Russia and China launched their first-ever military exercises, "Peace Mission 2005," in Primorie region in the Russian Far East and on China's Shandong Peninsula.

As for Russia's cooperation with other North East Asian countries, it is not as intimate as cooperation between Russia and China. Meanwhile, one can note that during the last decade the two-way exchanges of delegations of

military personnel and experts in Russia-South Korean and Russia-Japanese bilateral relations are expanding. Contacts between security and military experts (such as Russia-Japan rescue exercises) create a positive climate for future discussions on security issues. As a result, when emergency occurred, in summer 2005 Russia discussed a rescue operation with Japan in order to save the sinking Russian bathyscaphe near Kamchatka.

It is hard to claim that Russia and the North East Asian countries have already overcome old stereotypes and established closed security relations. Nevertheless, it is necessary to emphasize that the North Asian countries and Russia are no longer afraid of each other. It does not mean, though, that there are no more sources for regional conflicts in Northeast Asia.

Regional Disputes and Conflicts

One of the priorities set up by the Putin administration is the creation of better political and security relations with the neighboring countries in order to reduce the disputes and prevent conflicts in Northeast Asia. The Kremlin's policy, thus, should be characterized by taking into account this strategic plan.

For several decades the Russia's disputes on territorial issues with China and Japan have been exerting negative influences on the bilateral relations and political climate in Northeast Asia. That is why the Putin administration pays so much attention to this issue. First of all, Russia is now focused on the territorial disputes with China. President Putin has already demonstrated the political will to resolve this problem within a short period of time. He began addressing the problem which his predecessors had failed to resolve for several decades. It was extremely difficult for them to find a compromise with the neighbors. Any compromise on this issue meant the jeopardy of territorial integrity and a very negative political reaction at home. After intensive and successful negotiations between China and Russia the treaty on border issues was

signed in spite of the rigid criticism and political resistance of the opposition inside and outside of Russian Parliament—the State Duma. This decision has a very positive effect on the Russia-China relations.

For the same compromise decision the Putin's administration tried to grope together with Prime Minister Koizumi in order to give an impetus to the Russia-Japan's relations. Ultimately, Moscow has put forward a proposal to return to the Moscow Declaration of 1956. However, Tokyo's decision to decline Russia's proposal and its rigid political position on the return of the four Kuril islands as the only possible decision of the territorial dispute have undermined the possibility of success in negotiations on the territorial issue. Putin's policy towards Japan is rather flexible but it is difficult to expect him accepting the Japanese position on the territorial issue. It means that, at least in the foreseeable future, the Russia-Japan relations will be riddled by territorial disputes.

Migration to the Russian Far East from the Northeast Asian countries, especially from China, is another sensitive issue for Russia's political relations with the neighboring Pacific countries. The growing migration, especially illegal migration, is a source of anti-China public sentiments in Russia. According to the recent opinion poll conducted in August 2005, some 60% of Russian population is afraid of further expansion of the Chinese migration to Russia, especially into the Russian Far East.⁹⁾

There are two solutions to this problem. The first one is to curtail the number of immigrants going to Russia. This idea is absolutely unrealistic because Russia's economic development largely depends on the import of labor force.

The second possible solution is to make the immigration process civilized. This latter solution is more pragmatic and sensible. It seems that Russia is inclined to adopt a more pragmatic decision. On one hand,

9) *Izvestia* (in Russian), 16, 08, 2005.

Russia tries to limit illegal immigration. On the other hand, immigration regime will be modified in order to support the legal migration as part of federal economic policy.

In a large scale, regional security is linked to the situation on the Korean Peninsula. However, there is no evidence that the six nations are ready to discuss the situation on the Korean Peninsula in the context of regional security and stability. It is now the task for Russia and other negotiators to support the establishment of regional institutions adequate to the new realities in Northeast Asia. The primary purpose of these institutions would be to improve regional confidence and to overcome the Cold War legacy by stimulating regional security, economic, and humanitarian cooperation.

The Infrastructure of Culture

Cultural Homogeneity

Russia is a multinational country, but the population's cultural priority is determined by the European-oriented Slavic majority. Another significant portion of Russia's population is Muslim. Muslims have close relations with Central Asian regions and the Middle East.

Social Infrastructure

In the 1990s, Russia was not deeply involved in Northeast Asia's social infrastructure. Nevertheless, a number of important reasons made it necessary to radically improve the infrastructure of social cooperation between Russia and its neighbors.

Medical Care

One of the most urgent reasons for upgrading the level of international cooperation in medicine is the real danger of mass pandemics spreading

across the borders in Northeast Asia. For example, the spread of bird flu several years ago in China and that of 2005 in Russia made it clear that uncoordinated measures conducted by only one country are inadequate in preventing the danger of “importation” of this disease. It should not be expected that any disease can be stopped at the border. Cooperation in medical care and medical R&D may be more efficient a mechanism than administrative measures. Russia understands this reality and is ready to cooperate with Northeast Asian countries.

Education

Educational exchanges between Russia and China, as well as between Russia, Mongolia, and North Korea, began to be practiced on a large scale in the 1950s due to the close political relations linking these countries. However, later this type of educational infrastructure stopped evolving. Meanwhile, Russia (including the Russian Far East) is developing an adequate infrastructure to become an efficient element of regional education system in Northeast Asia.

It may not be unreasonable to take into account the significant potentials of Russian expertise in R&D. Since the early 1990s, cooperation in science and technology began to develop successfully between Russia and China (joint nuclear power energy programs, space research exchanges, physics and chemistry, etc.). Cooperation between Russia and South Korea in science and technology is mainly developing at a corporate level (Samsung research center in Moscow, etc.).

Cultural Exchanges and Cooperation

Historically, the Russian culture differs from East Asian cultures. The Russian culture is closely connected with the European culture and mentality. However, for hundreds of years, people living in Siberia and in the Russian Far East were influenced by the East Asian and, most of all,

Chinese culture.

Since the closure of the 19th century, Russia's economic and political expansion has been accompanied by the Russian cultural influence upon Northeast Asia, first of all on China and Korea. This influence increased under the Soviet period when the Russian literature, folk and classic music, movies, etc. became widely spread in the region. Of course, this influence was closely connected to ideological expansion. Russian culture was well known at that time in the region, especially in China.

A new stage of cultural exchanges between Russia and the North Asian countries began in the 1990s. This stage is characterized by the growing expansion of East Asian culture to Russia. Partly it was the result of activity conducted by the governments of North East Asian countries, non-government and public organizations represented in Russia (including such institutions as Japan Foundation, Korea Foundation, some cultural institutes, etc.). However, it is mainly the result of improved political relations in the region and of improved conditions for direct cooperation with cultural institutions and information exchange between the Northeast Asian countries and Russia.

Japan literature, South Korean movies, Chinese circus, traditional and modern East Asian painting, etc. are becoming very popular among Russians, particularly among the young generation. East Asian cultural and sport clubs, tea ceremony centers, Chinese, Japanese, and Korean restaurants are mushrooming. It is natural now to see a Japanese dancer performing as a member of the Bolshoi Theatre troop or Chinese and Korean musicians in the leading Russian orchestras.

In turn, Russia's cultural presents in Northeast Asia is also increasing. Russian folk and classic music orchestras, ice-revue groups, and ballet and opera theaters regularly tour around Northeast Asia. Many Russian musicians and circus artists reside and work in the countries of Northeast Asia.

At the same time, one can see the negative legacy of old xenophobia in

relations between Russia and Northeast Asia. The situation with cultural exchanges and cooperation has improved dramatically and is developing in the right direction.

It is necessary to stress that Russia and the Northeast Asian countries have a common strategic purpose at the epoch of globalization. All of them oppose to negative influence of globalization on culture and are interested in creation of better conditions for the national cultural development. It is worth noting, in this connection, that Russia – Northeast Asian cultural cooperation – does not undermine national culture or historical traditions but, on the contrary, supports the national identity.

Tourism

Tourist and humanitarian exchanges between Russia and the Northeast Asian countries began developing since the early 1990s. By that time, bilateral relations between Russia and China had improved significantly, while diplomatic relations between Moscow and Seoul had been established. Nevertheless, tourism between Russia and the Northeast Asian countries at that time was of very specific nature. Tourism, in fact, was a kind of business trip for many people both in Russia and China. Even now a lot of “shuttle traders” are often identified as tourists according to the national statistics in Russia and China. Nevertheless, the real tourism where the Russian people go to the neighboring countries, especially to China, for recreation has been growing steadily during last five years. The reason is the improved economic situation in Russia and the growing number of middle-class families who prefer to spend their vacations in China. In turn, the number of Chinese tourist groups visiting Russia is also growing.

In 2004, approximately 1.7 million Russians visited China and 800,000 Chinese visited Russia. China (together with Turkey) is the main tourist destination for the Russians. Meanwhile, only a quarter of people involved in bilateral visits are real tourists. A large segment of visitors are still

business travelers.

Under these conditions, Russia and China intend to increase the real tourist exchange by adopting some special measures. This summer, China officially endorsed tourism to Russia. It means that it will be much easier for the Chinese people to visit Russia for non-business tourist programs. At the same time, in August 2005, Russia made it easier for Chinese tourists groups to receive entry visas. The security measures making travel safe will improve. According to some opinions, as the result of these decisions, the number of Chinese visitors in Russia will double next year, reaching approximately 1.8 million people of whom 1 million will be genuine tourists.¹⁰⁾

The tourist exchanges between Russia and Japan, South Korea, and Mongolia are not significant. Nevertheless, the special and theme tourism (cultural, ecological, sport, adventure, etc.) is developing quickly in Northeast Asia. Russia has a good chance to be involved in this process.

The problem is that tourism industry is still underdeveloped in Russia, especially in the Russian Far East and in Siberia. The development of transport and energy infrastructure and the improvement of investment climate will stimulate investments in tourism industry in this area. Meanwhile, it is easy to forecast the growing numbers of tourists from Northeast Asia (first of all from China) visiting the Russian Far East or European Russia.

In turn, the growing interest in East Asian history and culture among the Russian people, as well as the growing level of income in Russia, will form a strong base for confidence in the growth of Russian tourism to China and other countries of Northeast Asia. The tourism industry may become a flourishing sphere of cooperation between Russia and Northeast Asia.

10) www.turist.ru/onevs/business/?2005/08/26/89646.

The Korean Peninsula and the Prospects of Regional Cooperation

As China, Japan, and South Korea demonstrated in the 1990s and at the beginning of this decade, their great potentials let them engage in the broad-scale cooperation on the bilateral and triangle levels. Without doubt, the three countries have many opportunities to increase this cooperation.

Nevertheless, the normalization of situation on the Korean Peninsula, including the stable and dynamic improvement of inter-Korean relations, will greatly stimulate the process of regional cooperation and infrastructure development. On the other hand, severe crisis on the Korean Peninsula may form a serious obstacle for regional cooperation in Northeast Asia.

The prospects of Russia's large-scale cooperation with Northeast Asia depend on the results of normalization of the situation on the Korean Peninsula. There are some objective reasons that from this dependence.

The six-party talks on the Korean Peninsula's nuclear issues can be a prominent mechanism of multinational consultation on the key regional political issues in Northeast Asia.

Decisions on military and security problems on the Korean Peninsula are acceptable for all six countries, improving the confidence and regional security cooperation in Northeast Asia. The establishment of a mechanism for averting regional conflicts and disputes near the Russian border may become the first step toward in this direction.

Under these circumstances the most favorable conditions will be created for trade and investment cooperation, first of all, for the realization of lengthy, extensive, and multinational projects in energy and transport which are very helpful for Russia's cooperation with Northeast Asia.

Finally, humanitarian cooperation in Northeast Asia will not be completed without North Korea's involvement in the process. It means that the positive trends on the Korean Peninsula give a good opportunity for Russia to develop broad-scale ties with Northeast Asian region.

Conclusion

The main task for the Northeast Asian countries becomes the creation of institutional infrastructure and mechanisms for cooperation in the region. In order to partake in this regional cooperation, Russia must build its regional policy on the basis of adequate infrastructure and be ready to undertake the modernization of this infrastructure in the future.

In so doing, the following priorities can be determined in Russia's policy towards Northeast Asia. The political and security priorities are as follows:

Russia is not a military superpower in Northeast Asia and is not going to be present in the region as a military state. Russia's military power will be only the evidence of defense capability, not the mechanism of regional foreign policy. However, Russia will continue cooperating with the North East Asian countries on security issues. Cooperation with China will be an important element of this policy.

The long-term goals in domestic and foreign policy will encourage Russia to radically modify its presence in the region in favor of economic, cultural, and humanitarian cooperation and to use mainly domestic non-military potential for the development of large-scale cooperation with Pacific neighbors.

In order to realize this course, Russia will focus on economic and social infrastructure of cooperation with the Northeast Asian neighbours. There are some limitations of Russia's cooperation with its Pacific neighbors in trade and investment and Russia has to overcome these problems. Russia has to discover new legal and institutional forms of economic cooperation with its Northeast Asian partners. Also, based on the Russian government's plans, the realization of energy and transport projects in the Russian Far East can propel the development of economic relations between Russia and the Northeast Asian countries. Meanwhile, the

realization of these projects will depend on the coordination of foreign economic activity between the Russian authorities and private businesses.

Russia has a long history of creative coexistence with Western and Eastern cultures. Therefore, Russia will play an important role of expanding the cultural infrastructure in Northeast Asia. Russia also needs to take part in the development of regional social infrastructure of an adequate scale. So it is necessary for Russia to make cultural, educational, scientific, and technological exchanges a core element of its policy towards North East Asia.

The establishment of adequate social and cultural infrastructure is closely connected with the optimization of immigration policy. The improvement of migration infrastructure (as well as tourism and human exchanges) is an important factor for successful development of the Russian Far East and its cooperation with the neighboring countries.

General trends in cooperation with Northeast Asia should be examined through the prism of situation on the Korean Peninsula. At least for Russia it is very important. The North Korean crisis is probably the first test for the regional community, including Russia, to establish efficient political and security cooperation as a necessary element for the regional security system and multilateral economic cooperation.

Russia is missing adequate infrastructure to become a full member of the Northeast Asian community. Nevertheless, it has opportunities to cooperate with Northeast Asian partners in many important areas successfully.

Position of Mongolia on the Economic Cooperation and Multilateral Security in Northeast Asia

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Baatar Tsend*

We live in a time of ever-increasing economic globalization, but there are also regionally based movements aiming to build regional economic zones. It is universally recognized that in the era of globalization and regional economic cooperation attracts many nations, provides new opportunities for further advancement, and determines future trends of development. For these reasons people in the world talk overwhelmingly about regional development rather than development of an individual country. In this regard, the term “economic regionalism” has already been coined.

Even though there are some positive trends towards multilateral cooperation in Asian sub regions, it seems still too early to talk about true multilateral cooperation in Northeast Asia. Regional countries are still searching for possible models of integration among themselves.

The reason is that the development of any country, sustainable political and economic development, and economic cooperation between countries strictly depend on global and regional security and stability. Therefore, the issues of security cannot be considered separately from economic cooperation.

Although every continent and region has its own security system today, there is not any accurate system and mechanism for peace and security of the Asia Pacific region that occupies a large territory in its sub-region of

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North Asia. Measures should be taken immediately in order to create such a system for the region.

Worsening circumstances of one country not only harms itself but also affects its neighbors, even other countries beyond its boundaries too: economic collapse of one country probably results in recession for the world economy; spread of narcotics brings out increasing transnational crime. One country cannot solve these issues, and every country should participate in resolving them. This will virtually deepen the interdependence among the countries and promote the development of integration and regionalism. No country should be excluded and overlooked in the globalization process. Exclusion may cost much more to the international community.

With globalization, such evils as terrorism, drug and human trafficking, and money laundering are acquiring ominous international dimensions. Therefore, every nation of the world has to unite in its efforts to fight these evils. Unity among the leading powers against terrorism is especially important.

Mongolia is keen to join the Asia Pacific integration process including Northeast Asia because its independency, security and socio-economic development are dependent mostly on the future trends of cooperation and prosperity in this region.

At present, the process towards building for itself the foundation of reliable economic cooperation and partnership in both Northeast Asia and the Asia Pacific region is well underway in Mongolia.

Mongolia endeavors to find and strengthen its position in this region, making its own contribution to expansion of bilateral and multilateral cooperation by all means, providing regional security, and advancing the integration process. As underlined in its Concept of Foreign Policy, "one of the priorities of Mongolian foreign policy is to strengthen its position in Asia and appropriate participation in the political and economic

integration in this region”...“pay more attention to the development of Northeast Asia.”

We think that this position can help us to break our foreign relations of prejudiced treatment and balance the policy of the superpowers concerning Mongolia. Thus, our hope is that Northeast Asian region is one of the external factors providing possibilities for Mongolian security and prosperity. Notwithstanding that Northeast Asia is a region made up mostly of great powers with large internal potential, cooperation mechanisms don't exist yet, and must be drawn up. Apart from the political motivation there are some reasons to say that infrastructure is not developed yet. Therefore, I believe that it is time to discuss at this forum the issue of infrastructure cooperation in the region.

We realize that security as well as the infrastructure has a pivotal importance for the regional development and cooperation. This matter is in the center of attention of regional counties because of its direct impact on regional security, economic and infrastructure cooperation. With regard to this, let me brief you on the Mongolian position and participation in the security, bilateral and multilateral cooperation in the Northeast Asian region.

Multilateral Security in Northeast Asia and Mongolia

It is clear that in terms of the factors for the multilateral security environment in the Northeast Asian region, changes occurred there impact directly on security and development of Mongolia. On the other hand, foreign policy and political moves have been undertaken by our country in order to provide its security properly, strengthen its place among the world community, and take the definite position in peace, security, sustainable development and international relations.

As indicated in its foreign policy conception that “...result of the foreign

policy shall be firstly evaluated by how the interest of country's security and independence is provided for, and its international position is increased," the Government of Mongolia has carried out active, multi-pillar and open foreign policy making. In so doing it has made positive contributions to providing peace, sustainable development and security, strengthening trust in East Asia and the Northeast Asian sub-region.

Mongolia has considered the issue of her security, above all, in the context of relations established with her two great neighbors, as well as within the wider framework of peace and security in the world. It is evidenced by history that national security and development of Mongolia always depend on two neighbors. Therefore, we place our priority focus on the relations and cooperation supporting them and enriching them with new approaches as new situations emerge. Efforts are made to regularize exchanging high-level delegations with the Russian Federation and the PRC, advance and strengthen the scope and parameters of good neighborly relations in all area including political, socio-economical cooperation, as well as in the field of security and defense policy. Mongolia is in agreement with both neighbors to develop the partnership relations and cooperation as a result of higher-level visits over recent years. Moreover, long-term agreements on mutual relations and cooperation concluded with the other countries have played a paramount role in political, economic and social development of the country. For instance, Mongolia has concluded a "complete partnership" agreement with Japan, "mutually supplementary cooperation" agreement with the ROK, and agreement on "friendly relations and cooperation" with the DPRK.

Within the framework of the multi-pillar foreign policy, Mongolia seeks to deepen its bilateral relations and cooperation with the U.S. and ASEAN member countries.

Promoting relations with the US is the second priority for Mongolia's foreign policy. The President of Mongolia paid an official visit to the U.S.

in June 2004. During the visit, the two sides issued a “Joint Declaration” and agreed to develop the bilateral relations “up to the complete partnership- level based on common strategic interests.” It provides favorable conditions to broaden the relations between the two countries in all sectors of social life.

Mongolia has been included in the list of countries to be involved in the U.S.’s “Millennium Challenge Account.” Mongolia cooperates actively with the UN and other international organizations on a broad range of issues concerning security and development. For example, Mongolia has put forward for the 55th session of UN General Assembly an initiative on creating mechanisms for government-level dialogue on security issues within Northeast Asia and has made efforts to advance this issue.

Mongolia has been taking an active role in the activities of international and regional multi-faceted organizations such as the APEC, PECC, ACD, ASEAN+3, and ASEAN Regional Forum (ARF), etc. These organizations strive to make a contribution to ensuring regional peace and security, strengthening trust and cooperation, and providing themselves with a favorable external environment to be involved in economic integration and regionalization processes. We consider that joining this process will positively influence our country’s external security.

The country was amongst the first countries that gave consistent support to combating terrorism threatening seriously the worldwide peace and security, joined the international conventions against financing terrorism, and took legal and organizational measures inside of the country in order to close avenues of drug trafficking and dirty money laundering as a source of terrorism financing.

Mongolia has joined the Nuclear Non-Proliferation Treaty, the Chemical and Biological Weapons Conventions, and the Comprehensive Test Ban Treaty. In 1992, Mongolia proclaimed its territory as a nuclear-weapons-free zone.

Moreover, this status has been recognized by all 5 nuclear states. It was confirmed also with the Law of Mongolia on “Being free from nuclear weapon.” It was a specific contribution to strengthening regional peace and security and demonstrated our peaceful foreign policy to the world. As the country with nuclear-free status, Mongolia always promotes every initiative aimed at extending such zones and considers that it is necessary to conclude multilateral agreement so that the nuclear countries may give security guarantees to the countries which have joined the Nuclear Non-Proliferation Treaty.

The relations established with the two Koreas are of equal and great importance for Mongolia. Therefore, our country supports fully their unification. The country has been maintaining traditional and friendly relations with the DPRK already for over 50 years. The summits of the two countries have almost been completely regularized. In the first half of this year President of Mongolia paid an official visit to the DPRK. During the visit more attention was paid to bilateral economic relations. For instance, there were such suggestions as creating joint enterprises based on Mongolian rich raw ceramics, implementing joint projects in the sectors of agriculture and infrastructure, planting seeds and fruit with help of Korean experienced farmers to meet the needs of both sides, even more exports to the third countries, and giving the DPRK the chance to participate as a co-contractor in the projects being implemented in Mongolia with aid from international financial organizations.

In addition, the Government of Mongolia has positively resolved an issue on granting specific discount for hiring workers from the DPRK and expressed its interest in hiring the workers from the country for implementing large projects in the sectors of Mongolian agriculture and infrastructure.

Mongolia is not able to exert influence on solving the nuclear matter on

the Korean Peninsula within Northeast Asia. However, if the negotiations of the Six-Parties are expanded to a format of permanent dialogue on issues of regional security as desired the masses, Mongolia shall be very glad to join this process.

On the other side, providing security in Northeast Asia is a pretty important matter. Therefore, focusing efforts only on the North Korean nuclear or missile issues seems too restricted and ineffective. The position of Mongolia's Government is that security issues are only able to be solved through the multi-faceted dialogue with participation of all concerned parties. Additionally, the country carried out more energetic activities so as to take part in non-official channel for the six-party negotiation on the Korean Peninsula issues. Mongolia believes to join this channel when North Korea comes back to the six-party negotiation.

As for Mongolia, it has no refugee camps in its territory and has not yet joined the international conventions on refugees. The country proved several times to the regional countries that it will never make negligent steps that can lead to regional tension. We believe that Mongolia might be one of the most appropriate countries where official or non-official organizations of regional security and multilateral cooperation can take up quarters. The point is that Mongolia maintains friendly relations with all countries of the region and is the only country which has no matter of dispute with any of them.

Trade and Economic Cooperation between Mongolia and Northeast Asian Countries

During the last period, the Government of Mongolia has created a legal environment for trade and economic relations concerning encouragement, mutual protection of trade and investment, and avoidance of double

taxation, as well as concluded intergovernmental agreements with almost all nations in NEA.

The favorable conditions for expanding trade and economic relations with traditional and new partners in NEA were established thanks to the policy directed to developing foreign trade and economic relations which are as open and free as possible, and in conformity with international standards based on the principle of equality and mutual benefit.

Bilateral relations and cooperation are dominant in Mongolia’s trade relations with countries of the NEA region. Though the number of new partners increases in this sector, two neighbors remain as important trade partners for Mongolia, accounting for more than 50%. In 2004, the foreign trade turnover of Mongolia with over 90 countries reached US\$1.9 million. Please see export and import structures from the following table.

Table 9-1. Mongolia’s Foreign Trade Turnover in 2004

Countries	Export[%]	Import[%]
PRC	47.6	25.2
Russian Federation		2.4 33.5
USA	18.0	4.6
Great Britain	15.8	-
Japan	3.8	7.3
Singapore	2.3	-
ROK	-	6.0
FRG	-	3.3
Other	10.1	20.2

Source: Mongolian Statistical Yearbook 2004, Ulaanbaatar 2005.

As shown in the table, China and Russia are leading as before in Mongolian foreign trade. 80 percent of imports are technical goods, 20 percent are consumer goods. The main export products are copper concentrate, fluorspar concentrate, combed coat down, ball down, sheep

and coat skin, cattle and horse hide.

According to the above figures, over 70 percent of Mongolia's overall foreign trade belong to the countries of Northeast Asia and a tiny share of foreign trade of the countries of the region. Therefore, Mongolia has virtually no influence on the regional trading system. For this particular reason, Mongolia is striving actively to form a regional trading network in North East Asia.

For supporting our foreign trade activities, some countries in NEA, including the Russian Federation, PRC and Japan, carry out a positive policy on decreasing import tariffs and non-tariff barriers through negotiations. In 1990-2004, the U.S. granted the Most-Favored-Nation status to Mongolia by removing any quantitative and qualitative restrictions to its textile products. It was significant support to Mongolia's export drive. Currently this practice is continued by the European Union. Mongolia has received an official approval by the European Commission granting duty-free access for exports to the EU from July 1, 2005 under the EU's new trade preference scheme. This opens up a whole new door to the European market allowing Mongolia to export over 7,200 different products to the EU zone from 2005-2015 at a zero duty-fee.

In fact, it is my pleasure to inform you that the above facts give a great opportunity for businessmen from the NEA countries to increase an amount of their investment in Mongolia, moreover put on the European market with relevant discounts.

Mongolia carries out studies on the issue of concluding free trade agreements with the U.S., ROK, Japan and member countries of the European Union in the near future. We consider that FDI is one of the important factors for Mongolia's economic growth and development.

The Government of Mongolia has been paying close attention to the issues of foreign direct investment and, since 1991, has concluded Double Taxation Treaties (DTT) with 31 countries and Bilateral Investment

Treaties (BIT) with 37 countries. The trade agreements concluded by the Government of Mongolia, especially those with the U.S., and EU, resulted in Mongolia being offered status of the Most-Favored-Nation. This played a role in attracting FDI to Mongolia.

UNCTAD Inward FDI Performance Index ranks countries by the FDI they receive relative to their economic size, calculated as the ratio of the country's share in global FDI inflows to its share in global GDP. Reference to the Index, which covers 140 countries, indicates that Mongolia's ranking has risen from 82nd place in 1995-1997, to 73rd in 1997-1999, 62nd in 1999-2000, 45th in 2000-2001, 28th 2000-2002, and 15th in 2001-2003. This indicates the continued growth in FDI in Mongolia over the past decade.

UNCTAD 1999-2001 Inward FDI Potential Index, measuring the potential-based on a set of structural variables of countries to attract FDI, shows that Mongolia's ranking has risen from 95th place in 1993-1997 to 63rd in 2001-2003.

Many industrial, newly industrializing and advanced transition economies are in the front-runner category (with both low FDI potential and performance). In the 1993-1995 period Mongolia was in the lowest FDI potential and performance category. But in 1999-2001 and 2001-2003, it had moved to the front-runner, high potential FDI category. In recent years, Mongolia has made a new amendment to the Foreign Investment Law on July 1, 2003. The objectives of these changes were to create a more favorable and competitive foreign investment environment taking into account the Mongolian special advantages including its location, infrastructure, communication, work force, and market capacity, etc. As a result of the above measures, the volume of foreign investment tends to grow even if only by a little.

As of the end of 2004, 3,868 companies from 75 foreign countries have been registered in Mongolia since 1990 and made the total investment of US\$1.3 billion. As for sector breakdown of foreign direct investment,

mining and oil sectors account for 50%, information technology 15%, trade and catering 13%, light industry 6.7%, banking and finance 5.1%, construction 4%, agro processing 4.3%, transport 1.6%, and other sectors account for 14%.

By enacting the Law on Mongolian Citizen's Ownership of Land, the amount of FDI into the construction and finance sectors has increased. 56 percent of total foreign investment in Mongolia belong to NEA countries, 24 percent to North America, 9 percent to the European Union, and 11 percent to the other regions. As for countries, 40 percent accounts for China, 14 percent for Canada, 10 percent for America, 7 percent for ROK, 5 percent for Japan, 3 percent for Russia, and 20 percent for other countries. Countries such as China, ROK, Russian Federation, Japan, FRG, the U.S. are leading by the amount of economic entities registered for investment.

Mongolia is blessed with rich mineral resources such as gold, copper, uranium, coal, molybdenum and oil, and a great abundance of animal based raw materials, especially world famous cashmere, wool, and leather. 80 percent of the country still remain unexplored holding magnificent potential.

For these reasons, in recent years, foreign investment in the mining sector has grown intensively. Currently, this sector accounts for 17.3 % of DNP, 64.7% of total industrial products, 57.5% of export, 62% of investment, and 2.4% of employment which indicates that it is one of the leading sectors of the national economy.

The investment in this sector was US\$23.2 million in 1997-2000, whereas it reached US\$52.4 this year. Currently, 5,289 licenses for exploration and exploitation were registered, from which 4,477 were granted in the area of 62.5 hectares. Oil exploration is being conducted in 26 contract fields. The Government concludes Stability Agreements with the investors in this sector for 10-15 years. In addition, the new Minerals Law of Mongolia, passed in 1997, has greatly improved the legal environment for investors

by clearly defining legal rules, simplifying licensing process, and reducing royalty and exploration fees. Thus it is evaluated by the foreign investors as one of the ten best laws in the world. Following the mining sector investment, the capital flows intensively into infrastructure sectors, the power lines and railroads are being built at the Tavan tolgoi and Oyu tolgoi deposits. The Oyu tolgoi copper and gold mine being built by the Canadian Ivanhoe mine company in the Southern Gobi region of Mongolia will be in operation in 2007. Thus it will become one of the largest plants and rated 5th in the World. This news was distributed through the mass media in many countries. Therefore, some bigger foreign press agencies compare the Great Gobi of Mongolia with South Arabia that is rich in oil. Nowadays, China, Japan, Korea, and other countries began to invest in Oyu tolgoi. This deposit contains more than 10 million tons of copper and 500 tons of gold and is located just over 100 km far away from Chinese market. In future, the other bigger markets of Japan and Korea are waiting for the products from this plant.

With the establishment of this mine, the volume of our GDP will be increased 2-3 times, and the infrastructure of Gobi region, including paved roads and railways, have improved. Oyu tolgoi mine will be able to process 100,000 tons of ore as a result of the investment of US\$1.5 billion. Furthermore, the Olon Ovoot gold mine with a capacity of 5,000 tons of ore, Tsav mixed metal plant with a capacity of 20,000 tons of pellet metal at Dornogobi aimag will be in operation. When the Tumurtei metallurgical plant begins to operate, there will be a total investment of US\$450 million. Thus, the mining sector of the country has a bright future.

Today talks about using the Tavan tolgoi coal deposit are in progress. This deposit, occupying an area of 118,000 square km, is rated as one of the leading fields in the world. As estimated, not only Oyu tolgoi copper mine, but also Chinese metallurgical plant will be provided from Tavan tolgoi coal deposit. Its reserve is 5 billion tons of coal in 10x10 square. All mines

at these deposits will be the foreign invested ones.

Judged from the above there are some reasons to say that the mining industry can have an impact on the development of other sectors, thus becoming one kind of model for economic development of the country.

Mongolia offers the following competitive advantages to foreign investors:

- Strategic location. Mongolia is on the border with the resource-rich, vast Siberian region of Russia to the north and rapidly emerging China to the south. It offers easy access to the large international markets of these two neighbors and important global players.
- Competitive business costs. Inexpensive raw materials and operating costs along with competitive labor costs. Per hour manufacturing costs are significantly lower than that of most other nations. Rates for the rent of industrial premises and office space are economical.
- Young and well educated population. 70% of the population of Mongolia are young people under 30 years of age. High literacy rate exceed 90%. Educated, experienced, and highly competitive work force as well as effective labor laws. No human rights concerns.

With the adoption of “Concept of Establishing Free Economic Zones in Mongolia,” “Basic Law about Free Zones,” “Law on Status of Altanbulag Free Trade Zone,” and “Law on Status of Zamy-Uud Free Economic Zone,” a legal environment for the foreign investment was ensured. Moreover, a master plan for Altanbulag free trade zone is developed and has begun to be implemented. According to the related law, a Zamyn-Uud free economic zone will be established and developed in three directions such as tourism-service (including casino), trade and production. The “West

Paradise” (England) consortium (with international investment) won in an open bidding for completing an establishment of Zamyn-Uud free economic zone through a management contract.

According to preliminary estimates and the establishment of Zamyn-Uud free economic zone, foreign trade turnover will be increased 4 times compared to the present level, and the volume of tourism sector by 3 times separately. Thus favorable conditions for employment for the younger generation will be created.

The Zamyn-Uud free economic zone’s international significance is favorable and has a broad chance to set up an incorporated trade, investment and tourism network linking North East and South East Asia to Europe, as well as involving the country in worldwide exchange of capital resources, currency, finance, goods and technology.

Furthermore, Mongolia’s economy will become closer in a level to regional countries, and be opened to the possibility of taking an active role in East and North East Asian integration. We are looking forward optimistically for the opportunity to join in an incoming free trade agreement in the region with a fair share in the NEA trade turnover.

Cooperation between Mongolia and NEA Countries in the Infrastructure Sector

Making own contribution to the development of regional infrastructure and taking part in the project of bilateral and multilateral cooperation in this field are only outlets for Mongolia to be involved in the regional integration.

Mongolia has attached great importance to “the program for developing the Tumen River Area,” the major project for regional cooperation founded in the beginning of the 90’s. Notwithstanding the fact that the countries

participating in this project (implemented with support of the United Nations Development Program) differ in their social systems, the project has a great role for the future development of NEA. We think that the project will serve as an example of how countries can mobilize their efforts to supplement each other, and how these countries with different systems can cooperate effectively.

Mongolia sets forward the following objectives in its participation in the Tumen River Area Development Program:

- To find an appropriate means to join regional information technological and road network
- To improve a passage capacity for transport means using our own internal resources
- To establish a free economic zone in the East of Mongolia, develop the zone as one pole of the Tumen River Area development project
- To implement a large project on building an information technology park. In order to implement this project we repeatedly suggest not only to use our own finance resources but also to cooperate in obtaining financial assistance from the UN, international financial organizations, as well as Japan, Korea, and China.

For the last time the specialists from related organizations in Mongolia undertook active participation in training, workshops and introduction trips to the border areas and custom organizations organized within the countries of the Tumen River Area. A preliminary study is conducted in 4 versions with financial assistance of US\$85,000 from the Nordic Development Foundation of Sweden so as to connect the eastern part of

Mongolia to the “Tumen River Area” through the Chinese railway. As a result of this, we suggested making some technical and economical justifications for building railway in the direction of Choibalsan-Tamsagbulag-Sumber-Rashaant. This study was conducted with financial support from the Asian Development Bank and a final report was prepared. According to this report, the Planning Commission of MPR and Ministry of Infrastructure of Mongolia jointly developed the project on developing regional cooperation through railways and appealed to the Tumen River Area’s Secretariat with a request for financial support.

Participation in major projects such as developing infrastructure to be implemented within the region is important for the country. Such directions in the NEA incorporated transport network as a route from the 9th to the 6th passage or the Moscow-Ulaanbaatar-Beijing-Tianjin direction and the 4th route or from the eastern part of Mongolia to the Tumen River Area basin are able to be connected to the incorporated network through Mongolian territory.

The 6th route linking Moscow-Beijing is the shortest road with a total length of 8,015 km. The 4th route links the eastern part of Mongolia-Jilin province (China) to the Tumen River Area. This route can be an outlet to the sea for Mongolia. In the future, the country is able to connect with the Tumen River Area’s free economic zone via this route. The Government of Mongolia attaches great importance to this project on setting up the incorporated transportation network—representing a prominent infrastructure feature in NEA.

Mongolia considers that a domestic transport network is important for being connected to both regional and international incorporated road networks, and arranges a broad range of activities associated with implementation of “Millennium Road” Project. Construction of paved roads and bridges under this project is expected to be carried out within 8-10 years across vertical and horizontal axles. Mongolia implements these

specific projects in a step-by-step manner with assistance from regional countries such as Japan, China, ROK, as well as other international organizations. As a result, a total of 1,100 km long modern paved road from the southern border point Zamyn Uud to the northern border point Altanbulag will be in operation by 2010 in its full capacity. Thus, a historical event to link the NEA auto road network to Europe will soon come to fruition.

In 1995, our country joined the “ALTID” project for “developing land road transportation infrastructure” being implemented by the UN’s Economic and Social Commission for Asia and Pacific, and linked to the Asian auto road network through A-3 and A-82 auto roads. Also, it improved a total of 500 km of road within activities for innovating sections in the above roads.

During the regular session of the UN’s Economic and Social Commission for Asia and Pacific held in April 2004 in Shanghai, China , “the intergovernmental agreement on Asian auto road network” was concluded. By joining this agreement, Mongolia was able to carry out international transportation activities that will become one of the important factors accelerating economic growth and social development of the country.

Mongolia makes a great effort for the sake of joining the newly established ASEAN+3 regionalization, intensively developing within the NEA cooperation. Almost all member countries of ASEAN declared that they will give proper support to Mongolia in its joining this regional group. At the summit of ASEAN+3 to be held in Kuala Lumpur at the end of this year, the membership issue will be discussed. Mongolia cherishes many hopes for this forum because it believes that joining ASEAN+3 gives an important impetus to prosperity of the country.

Our country has a full reason to maintain supplementary cooperation with North East and South East Asian countries in the mining, agriculture

and tourism sectors. In this regard, I would like to emphasize that Mongolia’s internal economic situation has improved year by year, strengthening its ability to participate in East Asian integration. In this sense, I can cite some statistics. In 1993-2003, real economic growth has reached an average 3.3% a year, whereas this performance increased to 10.6% in 2004. The rate of inflation was in 53.1% in 1995, it did not exceed an average 10% a year.

Table 9-2. GDP Growth

	2000	2001	2002	2003	2004
GDP growth in percent	1.1	1.0	4.0	5.6	1,086

The tugrig exchange rate, one of the main indicators of macroeconomic stability was in stable over the last 3-4 years.

Public confidence in banking system, total assets of all banks and loan resources supporting economic growth has increased remarkably. Foreign investment in the banking sector increased and banks with foreign investments were newly established.

As a result of the privatization process and structural changes, currently the private sector accounts for about 80% of GDP in the country. With becoming a member of the WTO in 1997, Mongolia considers multilateral trade principle as a key to its development. Foreign trade accounts for 90-110% of GDP. It indicates that the country’s economy is more dependent on foreign trade. So, the Government of Mongolia promotes a more free and open policy on trade and investment, taking into account its landlocked location and economic specialties during this transition period.

Conclusion

Today's reality is that the Northeast Asian countries have become more interdependent, irrespective of their wishes due to the world globalization process. The notion that an economy of one country can develop independently is eroded already. If one of the NEA countries faces stagnation, it will impact inevitably to the others owing to "mutual reliance." Currently, the situation is complicated mostly with such serious circumstances as financial crises, SARS, bird flu and environment eradication. Neither economics nor disease-heed national boundaries.

This reality requires that NEA countries to put aside any "issues related to history," follow a strategic concentration principle, advance bilateral and multilateral relations, and take steps to accelerate regional integration process for the sake of common interests. The truth is that the countries in NEA in building their relations can only effectively realize their own interests by realistically appraising the interests and intentions of the partner and taking them into account.

In doing so, we need to regularize the summits of heads of states at bilateral and regional levels and develop the relations between them. In this sense, we cherish many hopes for the South Asian summit which is to be held at the end of this year.

It is not possible to deny that economic conflicts and territorial disputes may continue in the future alongside with discussion concerning the issues of history, security and a Northeast and East Asian commonwealth. And above all, we should ensure that conflicts don't spread. In order to do so we need to search for ways to create a powerful channel for solving the matter properly at the given level. It may become one of the means to regulate any future crisis.

It is also necessary to implement bilateral and multilateral joint projects and set up an incorporated network of regional countries. For instance, this

network may be based on information technology, finance, as well as in the sector of trade, tourism, energy and education. We consider that the implementation of the joint projects in direction of environmental protection, disaster prevention and mutual assistance involving every country of the region is important for the Northeast Asian integration process.

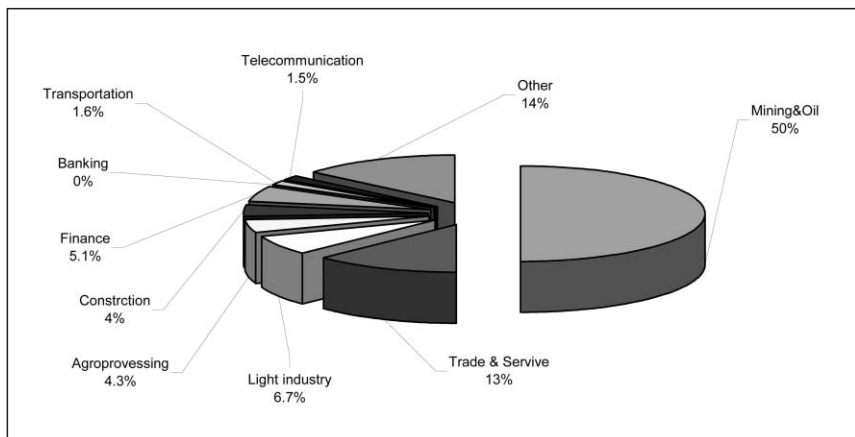
We believe that regional cooperation mechanism including a Northeast Asian Free Trade Agreement and an East Asian Commonwealth can make a large contribution to strengthening and innovating unstable and vulnerable relations between Japan-China, Japan-South Korea, and China-South Korea.

One of the significant factors for the development of relations between regional countries is to arrange interpersonal contacts. In doing so, it is desirable to establish a regional joint educational organization such as “East Asian Refreshment Institute” to prepare younger and skilled politicians, economists, journalists, scientists and heads of NGOs.

I think that the above suggestions will be useful for prevention of conflict arising from unexpected situations and crisis through monitoring them appropriately in advance. Today under the influence of the globalization the world and its regions have become more independent, and free flow of people and capital, as well as information and services prevails worldwide. At this moment I feel that there is no doubt we can find ways to jointly develop and prosper because of our aspirations to live peacefully under a common roof and in one region called Northeast Asia, which equally shares the values of a market economy and democracy.

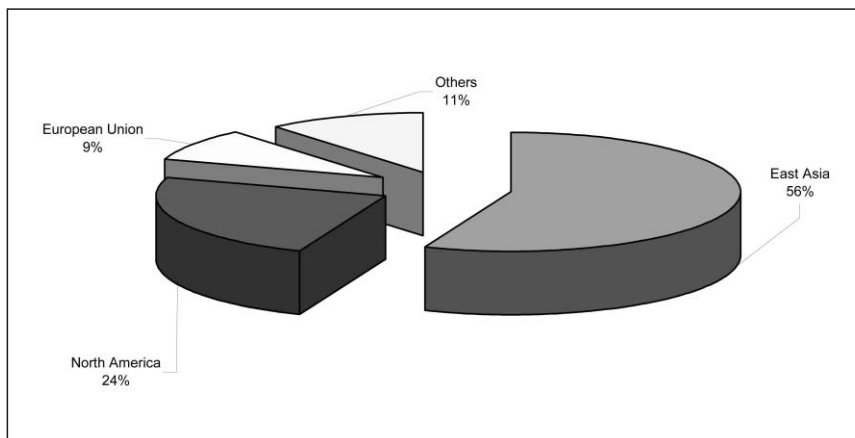
Distribution of FDI Inflow by Source Country

Figure 9-1. Sectoral Distribution of Cumulative FDI Inflow to 2004



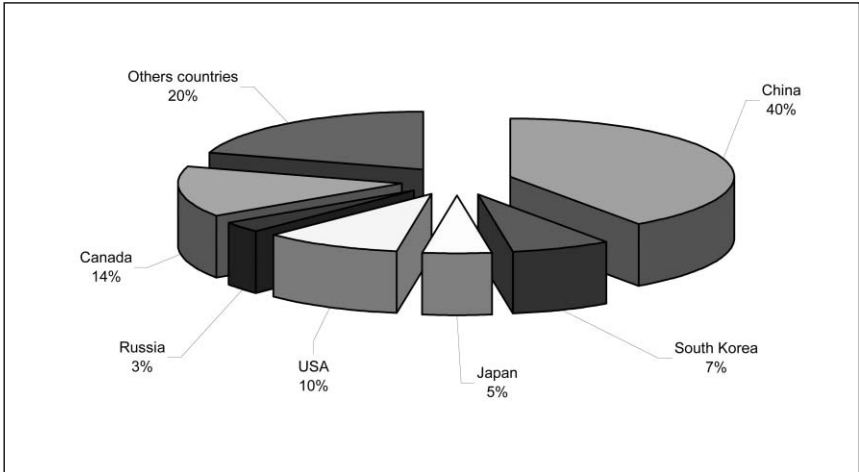
Source: <http://www.investmongolia.com>-<http://www.exportmongolia.com>

Figure 9-2. Source of FDI Inflow by Region



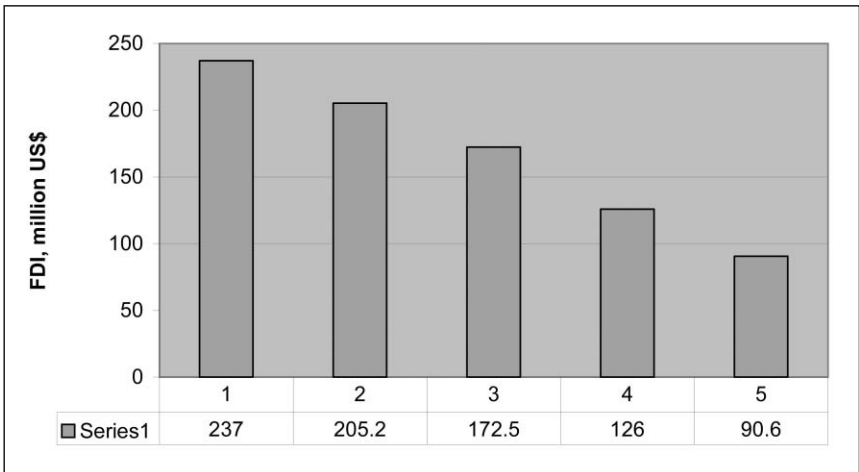
Source: <http://www.investmongolia.com>-<http://www.exportmongolia.com>

Figure 9-3. Distribution of FDI inflow by Country



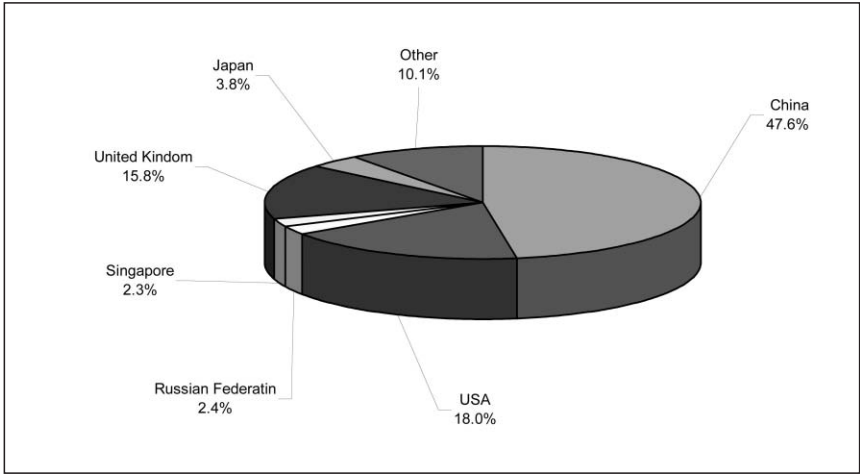
Source: <http://www.investmongolia.com>-<http://www.exportmongolia.com>

Figure 9-4. FDI Inflow, 2000-2004



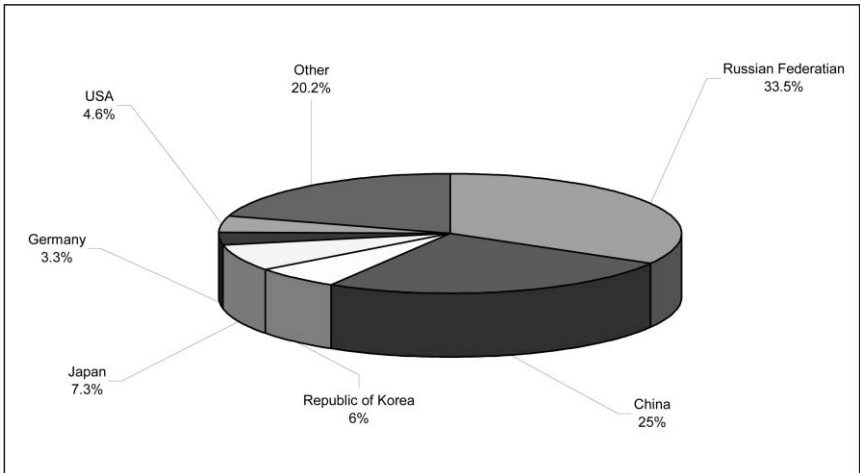
Source: <http://www.investmongolia.com>-<http://www.exportmongolia.com>

Figure 9-5. Export Composition, by Country 2004



Source: Mongolian Statistical yearbook 2004. Ulaanbaatar 2005

Figure 9-6. Import Composition, by Country 2004



Source: Mongolian Statistical yearbook 2004. Ulaanbaatar 2005

Figure 9-7. FDI Inflow in Mongolia 1997-2003

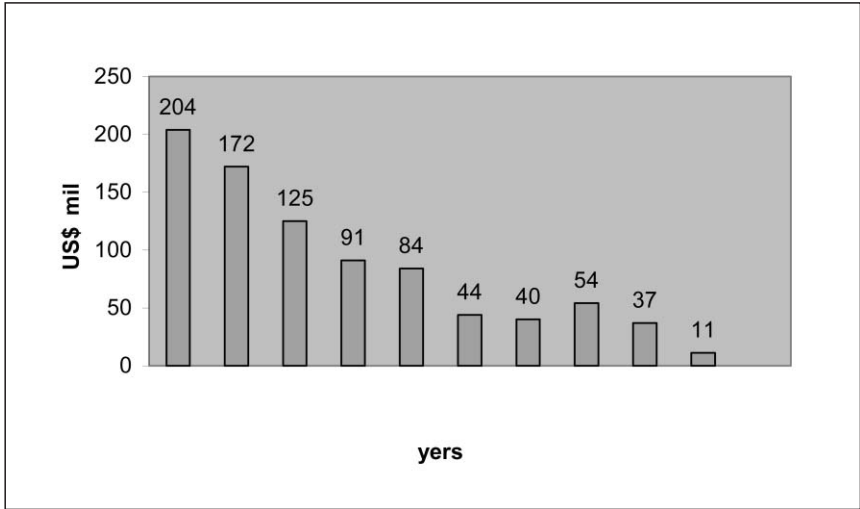


Figure 9-8. FDI by Countries in US\$ mil 1994-2003

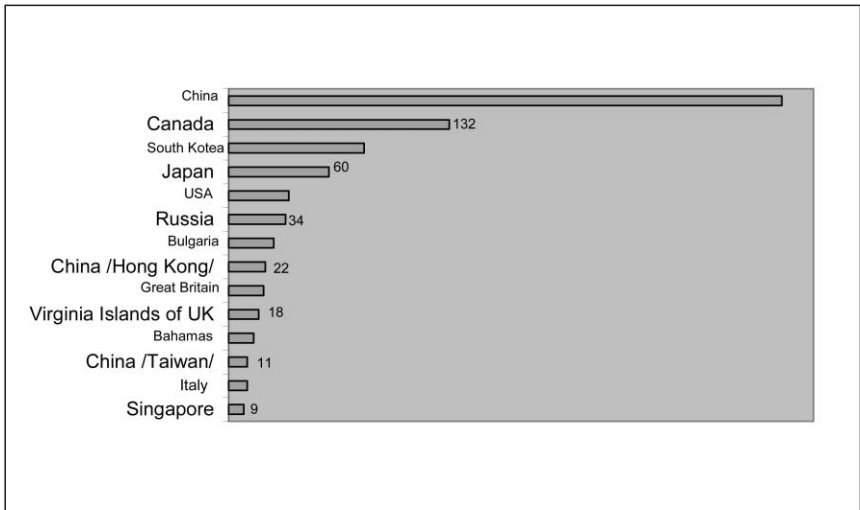
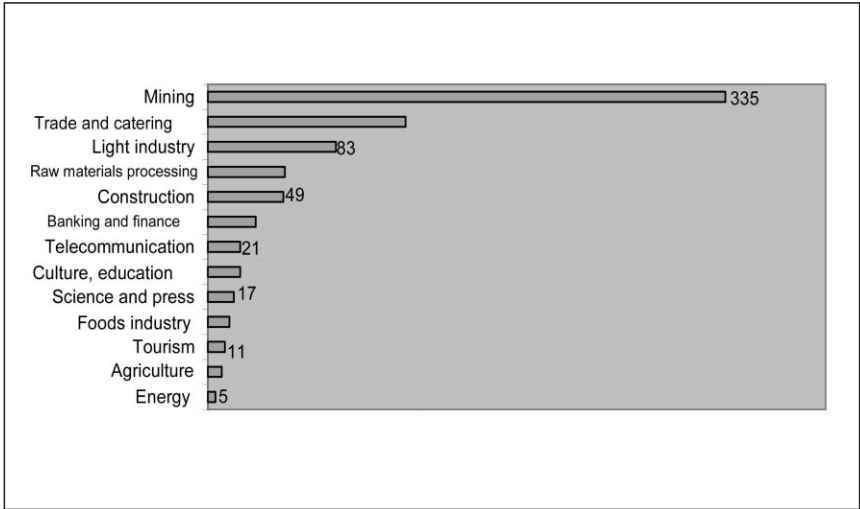


Figure 9-9. FDI by Sectors in US\$ mill 1997-2003





PROGRAM & PARTICIPANTS





PROGRAM SCHEDULE

► Wednesday, September 7

- Arrival of Foreign Participants
 - Reception (18:00 - 21:00)
-

► Thursday, September 8

- Opening Ceremony (09:20 - 09:30)
 - Welcoming Address - Young-Kyu Park (President, KINU)
- Session I (09:30 - 12:00)
 - Cooperation in Northeast Asia: Theoretical Background & Tasks**
 - Chair: Kyung-Mann Jeon (KIDA)
 - Presenters
 - Hak-Sung Kim (Chungnam National University)
“Rationale and Indexes for Infrastructure of Regional Cooperation in Northeast Asia”
 - Sung-Chull Kim (Hiroshima City University)
“Domestic Constraints on Regional Cooperation in Northeast Asia”
 - Doug Bond (Harvard University)
“Evolving Patterns of Northeast Asia Conflict and Cooperation Interactions: An Empirical Survey of National and Regional Interaction, 1990-2004”



- Discussants

- You-En Kim (Hanyang University)
- Myong-Sob Kim (Yonsei University)
- Chin-Soo Bae (Institute for Peace & Cooperation)

- Luncheon (12:00 - 13:30)

- Session II (13:30 - 15:30)

- Current Status of the Infrastructure of Northeast Asian Regional Cooperation, by Country (I)**

- Chair: Young-Ho Park (KINU)

- Presenters

- Chinese Case: Ni Xiayun (CICIR)
“The Nuclear Problem on the Korean Peninsula and Security Cooperation Mechanism for Northeast Asia”
 - Japanese Case: Ken Jimbo (Keio University)
“Regional Infrastructure in Northeast Asia: Japanese Perspective”

- Discussants

- Byoung-Kon Jun (KINU)
 - Soung-Chul Kim (Sejong Institute)

- Coffee Break (15:30 - 15:45)

- Session III (15:45 - 18:00)

- Current Status of the Infrastructure of Northeast Asian Regional Cooperation, by Country (II)**

- Chair: In-Kon Yeo (KINU)

- Presenters

- U.S. Case: Peter M. Beck & Melissa Hanham
(International Crisis Group)



- “Northeast Asian Economic Multilateralism: Obstacles, Opportunities and Implications for the United States”
 - Russian Case: Alexander Fedorovskiy (IMEMO)
 - “Russian Case on the Infrastructure of Cooperation in Northeast Asia”
 - Mongolian Case: Baatar Tsend
(Institute of International Studies, Mongolian Academy of Sciences)
 - “Position of Mongolia on the Economic Cooperation and Multilateral Security in Northeast Asia”
 - Discussants
 - Dae-Woo Lee (Sejong Institute)
 - Seong-Jin Kim (Duksung Women's University)
 - Pyong-Lae Lee (Kookmin University)
-

► Friday, September 9

□ Session IV (10:00 - 12:00)

Visions and Strategies for Cooperation in Northeast Asia

- Chair: Seo-Hang Lee (Institute of Foreign Affairs & National Security)
- Presenters
 - Jeong-Ho Lee
(Presidential Committee on the Northeast Asian Cooperation Initiative)
 - “Goals and Tasks to Realize Cooperation in Northeast Asian Era”
 - Jong-Chul Park (KINU)
 - “Comprehensive Framework for Security and Economic Cooperation in Northeast Asia”
- Discussants
 - Kurt W. Tong (U.S. Embassy, Seoul)
 - Kyu-Ryoon Kim (KINU)
 - Kang-Taeg Lim (KINU)



DISCUSSION



You-En Kim*

The author looks through the overall liberal theories of regional cooperation and integration. Based on this general overview, the author presents indicators to measure Northeast Asia's regional cooperation infrastructure in terms of the economic and security issues. This paper is outstanding for, more than anything else, the author's endeavor to develop relevant indicators, especially the detailed indicator items. These indicators will be useful in defining the measurement of the regional infrastructure for cooperation in Northeast Asia. However, the paper leaves something to be desired in its way of unfolding the logic for the indicator development. If this shortcoming is made up for, the paper will be more complete. In this regard, I would like to share some of my opinions and recommendations.

For a starter, my question is whether the author took the uniqueness of Northeast Asia into consideration in setting objectives of the regional cooperation to develop the indicators that the paper presents. The author expresses his intention of setting goals for Northeast Asia in light of the regional uniqueness and presents "a pluralistic security community" as a result. He defines the "pluralistic community" as a perceptual social entity that is formed based on the shared aspirations for peace and prosperity with each nation maintaining their independency as a sovereign nation, by which he includes the regional economic cooperation issue in the concept of a security community.

In general, today's multilateral security cooperation is based on the concept of cooperative cooperation. A security community is the ideal

* Hanyang University

form of security cooperation presented by constructivists. In the 1990s, I. Adler and M. Marnett refined the notion of a pluralistic security community which was introduced by K. Deutsch in the 1950s, defining a security community as an ideal of security cooperation and divided its development into the infant, maturing, and matured stages. They regard Europe where the Organization for Security and Co-operation in Europe (OSCE) is functioning as yet to reach the matured stage.

In this regard, it is difficult to see a pluralistic security community, as the objective for Northeast Asian cooperation, as an ideal model after a full consideration of the uniqueness in the region is undertaken. Of course, a security community can be discussed as an objective for regional cooperation in Northeast Asia. If this is a result made after considering Northeast Asia's uniqueness, this paper needs to analyze differences between Northeast Asia and Europe in the context of the international environment and the suitability of existing theories of regional cooperation in Northeast Asia.

Second, the inclusion of "economic prosperity" in the concept of a security community could be controversial. Generally, security cooperation and economic cooperation is mutually reinforcing. While a regional security community could promote economic co-prosperity, it is unusual to include economic prosperity in the notion of a security community. Therefore, it is advised that in developing infrastructure indicators, the paper consider security cooperation levels and economic cooperation levels separately, and explain the effect of the interaction between the two in the indicators.

Additionally, the author's security community concept has a hint of constructivist approach in the phrase "a perceptual social entity." If the pluralistic security community was discussed based on the constructivist concept of security community, common awareness, policy coordination, research, formation of international bodies or rules must have been

considered and the fundamental focus must have been placed on indicators related to identity and trust. Or regardless of a constructivist approach, the author could focus on the levels of institutionalization if he were to set an objective of regional cooperation considering the characteristics of Northeast Asia. For example, in the security area, the goal could be the creation of a multilateral security regime or organization, and in the economic area, it could be a pan-Northeast Asian FTA or, though seemingly unlikely, a single Northeast Asian currency.

In the meantime, if the indicators were developed with a security community being the ultimate goal, the author needs to clarify how he set the utmost levels of the infrastructure indicators that represent the completion of a security community. Only then, the infrastructure indicators, if applied to Northeast Asia, could measure the level of regional cooperation. The author classifies the indicators into 8 categories. If a differentiated weight considering the uniqueness of Northeast Asia were added to each of the classes, the indicators could be more persuasive. Extra explanation about how to make a general assessment of the results of the indicator classes would have made the paper even more complete.

The paper shows some confusion in concept. The author quotes R. Väyrynen to point out that constructivism contributed to expanding the concept of region and that a growing number of regional cooperation cases are going on based on the concept of functional, rather than geographical, regions. In addition, he argues that is why the United States should be regarded as a member of the Northeast Asian region. However, Väyrynen defines physical regions—based on geographical and strategic differences—and functional regions—based on economic, environmental and cultural differences. He also just points out that physical regions and functional regions are not identical in some cases. Rather, I. Adler’s “cognitive region” or “imagined community,” which is formed by countries with common interests regardless of geographical proximity, is more appropriate in

explaining why the U.S. should be considered as being a Northeast Asian country.

Lastly, I would like to raise a question. After touching upon various theories on regional cooperation, the author used Amitai Etzioni's social integration theory, without specific explanation, to decide the scope of indicator infrastructures. So I would like to ask why the author chose this theory from among many other possible choices.

In closing, let me express my respect to the author for his outstanding endeavor to develop the indicators.

Myong-Sob Kim*

Thank you, Mr. Chairman, for giving me the floor. I'm very glad to be here with other distinguished panelists. I could get a lot of insight from Professor Kim Sung-Chull's paper. His intuition based on his academic activities in Japan, Hiroshima, very symbolic city for the history and future of Northeast Asia is shedding a new light on the topic of this conference. As a designated discussant, I'd like make some comments and questions regarding this precious paper.

First of all, I'm wondering if territory, history and energy issues are really domestic constraints. Seems to me, these issues are not necessarily domestic, but international issues. According to my comprehension, the major domestic constraint that Prof. Kim has mentioned is nationalism which might misuse any international issue. According to Prof. Kim's conclusion, the hard shell of nation-state is the most favorite choice for the nationalists who attempt to logroll the public for the thrusting of backlash. The principle of "non-intervention in domestic politics" is the best menu for the inward-looking political leaders who try to persuade the public for becoming patriots instead of citizens. In this regard, I'd like to raise a question to Prof. Kim. Is it really advisable that more Japanese NGOs intervene in the domestic politics of North Korean Human Rights? This is my first question and comment. In my humble opinion, even though we have a strong skepticism about Kim Jong-il's regime, Japanese NGOs' activities violating North Korean sovereignty could provoke more dangerous situation. Kim Jong-il's regime is one thing and the DPRK is

* Yonsei University

another, even though Kim Jong-il has been trying to combine North Korean people with him through the ideology of SooRyong which contends that leader and people compose one body.

My second question is about the relationship between nation-state and regional cooperation. Actually, the assertion that our thinking get out of the straight jacket of Westphalian obsession regarding state sovereignty has been getting more audience. But the post-Cold War world order can be categorized into three spheres: neo-medieval sphere, modern sphere, and chaos sphere. According to each sphere, the Westphalian concept of sovereignty has been playing a different role, so it is to be evaluated differently. In modern and chaos spheres, the salad-typed international relationship based on the concept of nation-state is still relevant as much as the spaghetti-typed international relations based on the accumulating civil interactions and networks, which is more relevant to neo-medieval sphere such as Western Europe.

In this regard, it is necessary to differentiate the concept of «Pax International» from the concept of «Pax Imperial». During the 1st World War, the SI (Socialist International) has followed the way of anti-national. But in this age of «imperium», it is worth reevaluating the concept of «international» based on nation-state. Northeast Asian meta-stability is due largely to the absence of a Peace Treaty between North Korea and Japan since World War II; and to the absence of a Peace Treaty among North Korea, China, and the United States after the Korean War; and to the North Korean violation of the inter-Korean non-nuclear declaration; China's quest for the recovery of a 'traditional' Sinocentric order; the reluctance of the Japanese to follow the German way of closing the war memory; the unresolved territorial issues between Russia and Japan; and, last but not least, the unstable relationship between China and Taiwan. Even though Peace treaty could not be the final solution of Northeast Asian meta-stability, it is also undeniable that Peace treaty is a «sine qua

non» for more solid stability of Northeast Asia. Before aiming a post-modern paradise based on the web of civil interactions, we have to pass the stage of Peace treaty based on nation-states.

My third comment goes to the relations between nationalism and international cooperation. Quite contrary to the widespread hypothesis, an empirical analysis based on another nationwide survey in South Korea indicates that the Korean nationalism has a positive correlation with the level of trust for the United States. How can we interpret this different empirical finding? Comparing to the case of Arab nationalism causing fierce anti-Americanism, the Korean nationalism is positively correlated with the U.S.-ROK alliance. The imposing Sinocentrism and Japanese imperialism in modern and contemporary international history gave the birth of Korean nationalism being supported by American intervention. Even though the U.S. recognized Japan's sphere of influence in Korea by the Taft-Katsura secret agreement in 1905, many Koreans have been deeply appreciating the U.S. role in their liberation from the Japanese occupation. While the U.S. one-sided support for Israel is an underlying cause of the inverse correlation between Arab nationalism and Arab trust for the U.S., the U.S. has never unilaterally supported the antipode of Korean nationalism in East Asia. Thus, how to manage the U.S.-Japan alliance, being very sensitive to Korean nationalism, could determine the future of the U.S.-ROK alliance in East Asia. Thank you for your attention.

Chin-Soo Bae*

I greatly appreciate being given this valuable opportunity to be a discussant on Dr. Bond's excellent article. Personally, I was pleased to read Dr. Bond's event-data type of analysis, since I myself conducted this type of analysis about 10 years ago, and, except for Dr. Jong-Chul Park's (another event-based research) have not seen a great deal since. Referring to data banks, the ICPSR (Inter-university Consortium for Political and Social Research) at the University of Michigan has hundreds of data banks. As far as I am concerned, for the Korean Peninsula, any type of event-data set has not yet been accumulated or developed so far, while the Middle East has several event-data banks such as the "Middle East Military Event Data" or "Middle East Political Event Data" banks. In this regard, I am sure that Dr. Bond's event-data type of analysis, focusing on this Northeast region will be both informative as well as being a highly valuable research article. It seems to me that most members of the audience here are not accustomed to this type of analysis. Here I will attempt to comment on a few things related to methodological issues rather than the theoretical context.

According to the Introduction (p. 1), "conflict and cooperation are assessed independently in this survey to better understand the dynamics of their interaction and inflections." For assessing both the "conflict" and "cooperation" dimensions independently, in other words separately, I absolutely agree, being myself someone also interested in event-data analysis. Though these two sorts of charts must be highly informative as

* Institute for Peace & Cooperation

well, I'd like to take into consideration whether there are any other further steps (I mean, "methodological tool") to utilize your event data in this Northeast region. In this context, I'd like to ask, very cautiously, if these tools that I am suggesting here might be employed in your future analysis or not.

Q1. The possibility of overall scores of incorporating both conflict based and cooperative dyadic events?

In the article, the presenter presented two separate charts - one for the positive (namely, cooperative) dyadic events, and the other for the negative (namely, conflict based) dyadic events for a given country towards other countries in the Northeast Asian region. Isn't it possible to draw just one chart incorporating both conflict based and cooperative dyadic events at once? For example, among one of the previous studies in this type of event-data study, Dr. William Dixon developed the concept of the so-called "Affect score" in a 1983 AJPS article, whose score incorporated both the conflict based and cooperative dimensions. I guess you might be more familiar to this concept than I. If we use this kind of score incorporating both conflict based and cooperative event data, we can evaluate more easily the overall level of the relationships of any directed dyad in this northeast Asian region.

Q2. The possibility of incorporating both directed dyad events for a given dyads into just one score?

Concerning the dyads between two countries in the Northeast Asian region, in case of your article you examined two "directed dyadic events" respectively. Firstly, South Korea's directed dyadic events toward North Korea on the one hand, and on the other hand, North Korea's directed dyadic events towards South Korea. Isn't it possible to use just one chart for incorporating two separate charts of directed dyadic events for a given dyad between two countries, something like one chart for country A to B and the other chart for country B to A in reverse? For example, Dr.

Goldmann in the 1970s has already developed so-called “tension” scores incorporating both two directed dyadic events. While Dr. Goldmann’s “tension” scores focused on only the conflict based events, other event-data researchers such as Dr. Dale Smith developed the so-called “climate” scores incorporating both directed dyadic events focusing on both the conflict based and cooperative dimensions. I myself also have utilized this type of “climate score” between North Korea and South Korea as well as other dyads in this northeast region about 10 years ago. By employing this concept of “climate scores,” we could easily identify the degree of correlation between the dyad of South-North Korea on the one hand and the dyad of North Korea-U.S. on the other hand, etc. In conclusion, certainly we need to develop this type of event-data analysis especially for the Northeast region, where the six key countries are involved in such complicated interactions. We expect that research activities such as Dr. Bond’s article focusing on the event-data of Northeast Asian regions continue to advance our knowledge in this area. Thank you very much.

Kurt W. Tong*

Given that the Six-Party talks will be reconvening next week, I would like to make a special appeal to people to help me out by please not, I want to be open and very frank with you all today, so please do not speak to any journalists about anything that I might say. I am not an influential player in Six-Party talks but the North Koreans are very interested in, like, you know, dragging the discussions off-topic and I don't want to provide any opportunity for that to take place and Ambassador Hill will not be happy with me. First of all, thanks to Mr. Lee for very clear statement of the Republic of Korea's hopes and principles, in particular its desire to serve as the bridge in developing Northeast Asian cooperation. Those hopes and principles are admirable and thank you for that presentation. I gave a very close look to, what I think is a rather a brilliant paper by Dr. Park from KINU. The presentation of various options for, in its discussion of particular, sequencing, in the development of cooperation in Northeast Asia, I think, is a very important contribution that I found extremely interesting and useful. One thing that I would want to point out from the start is the little bit of disconnect between the text and the paper and the chart at the end. In the text and the paper, it seems that resolving the North Korean nuclear issue was step one. But then when I looked at the chart, it talks about creating a formula for resolving and then pursuing a formula for resolving, with the pursuing a kind of being, becoming now, step two. And I think, this is not going to be an unfamiliar opinion coming from an American, but the getting that nuclear issue solved upfront is absolutely

* U.S. Embassy in Seoul

critical to the pursuit of all these discussions. Because, precisely because, if we're going to involve North Korea in Northeast Asian cooperation, we really need to know whether they want to cooperate or confront. Because there is an argument that North Korea's real intention is continuing a confrontation because that supports the political regime there and strengthens the political regime there. Now the United States, and this is not just a personal view, this is something that reflects very considered thought within our government, is interested in a cooperative framework for Northeast Asia. We get a lot of people running around telling us that our real intention is a confrontation and that is not the case. We are very interested in development of cooperative framework. And getting there is, that's why these talks in Beijing are so crucial. I found in Dr. Park's paper, the statements on the first page to be particularly useful and interesting so I'll just repeat them. Because they really kind of stuck out for me as important thinking on the sequencing question, in first, favorable climate, then increased substantial cooperation, and then institutional cooperation, sort of solidifying it all, coming in thinking in those stages. And then, the statement that economic cooperation in Northeast Asia should be pursued in parallel with collaboration in the security area, that's absolutely right. They need to be calibrated and move along together. Dr. Park brought some interesting questions about the regional identity or sort of the membership. What is Northeast Asia? How would we define it? Institutional format and actors. On the security side, as opposed to the economic side, I think that, and this is more of a personal opinion, I think, than the government one, my own sense is that the direction that we need to be going is in the direction of an OSCE model, the European Organization for Security Cooperation. That sort of non-binding to semi-binding government-to-government framework is precisely what's needed in thinking through security cooperation in the region. This is, I think sort of, if I was reading between the lines of Dr. Park's paper, he seemed to be

coming down on that as the right kind of organization as opposed to trying to make the Six-Party talks and shove that into a security cooperation framework directly. I glanced at Dr. Lee's paper and he also seemed to be headed in that direction, which I found very interesting. That kind of relates, then, to the question about who the actors are. And on the security side, I must say that I think that if the Six-Party talks can be successful, what we probably want to do is jump directly to a framework that involves governments. Particularly in the case for North Korea, lots of work on a Track II basis, I think, may have limited utility, primarily because North Korea doesn't have the Track II. So, essentially the same North Koreans talking to the other countries' Track I, and then to their Track IIs, and maybe the Track Is are saying the different things as Track II's and Let's see if we can talk around that for a while and rather than actually getting directly into the discussion of real issues between governments. And I think if the Six-Party talks are successful, it will provide a moment of momentum that could be utilized to sort of leap-frog lot of this kind of other stuff that we need to work through, the historical issues. Well, yes, the historical issues are important so we need to work through, the trust building and everything and just jump right into it because Northeast Asia is behind. It is behind other regions in developing that kind of framework and so it needs to get started and do some remedial work and get caught up. Who is Northeast Asia? I think that it's in the couple of papers, including Dr. Park's, the idea that Six-Party is being Northeast Asia is, I think, a useful starting point for discussing cooperative organizations, and particularly on the economic side, as well as the security side. Those seem to be the ones that need to be involved. The plus-three arrangements, there are lots of plus-three meetings taking place, which is a good thing. China, Korea, and Japan are having lots of discussions amongst themselves, and a remarkably broad range of topics at the government level. But I think that in areas where it's applicable, we

should be thinking about jumping fairly quickly, over the coming years, to a five and then perhaps to six-party arrangements, bringing in Russia and the United States. Plus-three institution is useful but, I think in a lot of areas, things like energy, maybe finance, infrastructure, and also security cooperation, jumping to having five participants as opposed to three would make the dialogue richer and certainly be reassuring to the United States, and I would assume to Russia, as well. In some ways, plus-three formulation is sort of artificial formulation that is being imposed by ASEAN because of ASEAN+3, which is primarily an economic organization and has its own dynamic, in terms of how the three big Northeast Asian economies relate to Southeast Asian economies. And that's fine. But that seems to have created a lot of momentum to a plus-three framework to, and we should probably be thinking more about a five-party action. On the economic side, I think Dr. Park called it a Northeast Asia Cooperation Organization, thinking about institutional frameworks, I think sort of economic OSC would be the goal and that is not a very clear term but somewhat loose organization, inter-government one, thinking about promoting the economic development in the region should be the goal. I would warn against excessive institutionalization at early stage, that having a clear dialogue and bringing in, on the economic side, having a lot of private sector participants at an early stage would seem to be really important to the success of that framework. In particular, I sort of often react strongly to this idea of Northeast Asian development bank. It seems to be sort of building the concrete before you have the substance of the institution. There is an Asian Development Bank, there is a World Bank, there is lots of lending institutions, including private banks, including very well-developed capital markets in Tokyo, Seoul, and increasingly in China and in the United States, where we could be launching growth funds for Northeast Asia or the North Korea development fund. It will be high-risk high-reward, hopefully private

operation rather than leaping right into the sort of traditional institutionalized development bank framework, which seems to be sort of heading down a certain direction that may or may not produce the most, best returns in terms of economic development and cooperation with the private sector in doing that. And it also creates a problem for the United States, I'll be very honest about this. Going to the U.S. Congress and asking to create another development bank, when we already pay quite a lot for IMF and World Bank and ADB and Africa DB and Inter-American DB and everything, this would be an uphill battle. Whereas using institutions like the Asian Development Bank, there is like Afghanistan fund in the Asian Development Bank, something special for Northeast Asia would be an easier road for us, anyways. So those are some thoughts.

Kyu-Ryoon Kim*

It seems that some of the presenters of the workshop interpret the concept of infrastructure differently from the intention of the host side, and I would like to know what they really understand about the concept of the word.

To discuss regional cooperation, the following five concepts are essential, and I would like to ask the presenters their opinions concerning them and whether they could kindly give a brief definition of them:

- “Region”
- “Cooperation”
- “Conflict” (as in the opposite of “Cooperation”)
- “Integration”
- “Multilateralism” (again, as in the opposite of “Bilateralism”)

Although all the countries in the region will not disagree with the notion that cooperation between them should be further promoted, opinions concerning the ways to solve conflicts and to set up mechanisms which can facilitate this in the region will be varied. Therefore, it is very important to set a priority in increasing regional cooperation. Regionalization and regionalism are two different concepts: Regionalization means deepening interdependence between countries in a region as a result of unintentional acts, while regionalism indicates deepening interdependence between countries in region as a result of intentional acts. In this context, I would

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like to ask the participants of the workshop their opinions regarding regional cooperation in Northeast Asia.

Additionally, what do you think are the origins of this Northeast Asian community proposed by Korea? The idea regarding a Northeast Asian community is based on a multilateral approach, and what do you think are the advantages and disadvantages of this approach when compared to a bilateral approach? A theoretical basis for the multilateral approach is based on the principle of “one vote for one country” as in the UN system or the principle of equality, meanwhile disparities in the national power of the concerned countries are likely to widen in a bilateral approach. Considering all of the above issues, what do you think is the best approach to promote cooperation in the Northeast Asian region?

Which country do you think would be the most appropriate choice in leading regionalism? As a recently developed country, Korea is advocating the formation of a Northeast Asian community, and do you think Korea is the country to lead the formation of the community? I would like to know original thoughts of those countries which played a leading role in the process of establishing ASEAN and APEC. Did multilateral organizations such as ASEAN and APEC have true legitimacy when they were founded? Additionally, do you think of Northeast Asia and East Asia as two different regions?

Do you think that regionalism in Northeast Asia will have an influence on the ongoing globalization when it is more fully developed?

Kang-Taeg Lim*

Considering these discussions overall, debate and consultations concerning the necessity of strategic economic cooperation seem to fall short when compared to the other pressing matters. Although there is no doubt that security cooperation such as the ongoing North Korean nuclear issue has loomed large as an outstanding issue, we need to pay more attention to strategic economic cooperation, given the fact that resolving the North Korean nuclear issue will not be easy and the process for settlement will take a long time. This strategic economic cooperation is also needed to successfully manage the current situation, and induce changes in North Korea, avoiding the deepening or worsening of further tensions in the region. In short, we need to pay more attention to economic cooperation in the region for the promotion of peaceful cooperation at the strategic level.

As questions directed to foreign participants of this workshop, I would like to ask the followings: The first question is related to the incumbent ROK government's vision for Northeast Asia. The second is related to a follow-up process of this workshop. Concerning the first, the vision for Northeast Asia, set and driven forward as the ROK government's major national agenda, has been evaluated poorly in terms of reaching consensus with neighboring countries, and I would like to hear your voice concerning the matter: What do you think are the advantages and disadvantages of this vision for Northeast Asia? Are there any suggestions and advice to the

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ROK government in terms of developing advantages of this vision for Northeast Asia?

The second question is as follows. To expand cooperation in Northeast Asia, discussions and planning at the non-governmental level will be very important, as well as joint efforts between professional expert groups, which exert an influence in the process of the government's decision-making. Although efforts toward the expansion of regional cooperation are under way in various forms and in different places, there have not been any fruitful results. This is due to the fact that discussions have been made in a scattered manner without central driving forces. Therefore, it is essential for the participants of this workshop to have concrete discussions, developing a basis for the necessity of shared cooperation. I would like to hear the opinions of the participants.

Byoung-Kon Jun*

Prof. Ni Xiayun's article reviews a possibility for the on-going six-party talks to develop as a multilateral security cooperation mechanism for Northeast Asia and presents a Chinese perspective concerning the issue. Specifically, the presenter reviews the negative and positive aspects of the six-party talks, focusing on U.S.-North Korea relations as being a core issue in resolving the North Korean nuclear issue. To develop multilateral security cooperation in Northeast Asia, the presenter proposes that inter-Korean talks, U.S.-North Korea talks, the Six-Party talks aimed to provide aid toward the North, the talks related to military and security issues should be pursued in a gradual phase, and that these talks should transcend the North Korean nuclear issue. She adds that China wants peace and stability in its neighboring region to help it realize a 'well-off society,' and strengthen its role as a mediator and a persuader for multilateral security cooperation since China intends to become a responsible big power in the region.

Although it is important to maintain stable and constructive China-U.S. relations for multilateral security cooperation, a recent strengthening of China-Russia cooperation will result in a strengthening of the U.S.-Japan alliance, increasing the probability of inducing more competition than cooperation in the Northeast Asian region. If this turns out to be the case, it seems that this is a contradiction of China's envisioned role being a constructive mediator.

The presenter mentioned that there should be dialogue among the

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concerned parties, whether multilateral or bilateral, to achieve multilateral security cooperation in Northeast Asia, and I agree with that idea. However, talks between China and Japan will be essential to that end. Cooperation in the fields of politics, security, and military still fall short compared with the economic interchange between the two countries, and the forces of economics cannot be disregarded in the region. I think that it will be impossible to establish multilateral security cooperation of any kind without cooperation between China and Japan, the two big powers in the region, and I would like to hear the opinions of the two experts from Japan and China.

For the six-party talks to develop as a multilateral security mechanism, the presenter mentions that the talks should transcend the North Korean nuclear issue, as it should transcend beyond a viewpoint focused only on the area of security, considering that the proposed mechanism is within a framework of cooperation, dealing holistically with all aspects of relations and interchange in Northeast Asia. Despite the fact that economic cooperation and exchanges in the region have been active, a single FTA has not been concluded. In addition, despite the homogeneity in their cultural backgrounds and active exchanges among Korea, China, and Japan, it seems difficult to form a cultural community in the region. I think cooperation and exchanges at the economic and social / cultural level will contribute to resolving tensions in Northeast Asia region, and I would like to hear the two experts' opinions regarding the issue.

Soung-Chul Kim*

I thank Dr. Jimbo's for his presentation and paper, which was excellent and very interesting. It was also very comprehensive, including many new ideas. There is not a great deal more to say about his paper and his presentation. However, I'd like to repeat some of his points and ask some questions. I think, first, he mentioned, there are many multilateral forms and frameworks in East Asia. However, they lack some kind of substantive institutional structures. In addition, he also mentions Japan-China relations. There are some conflicts and a problem of trust between them and some unresolved history issues. Therefore, how can we see the change of Japan-China relations? Is it possible for the two countries to change their relationships? That's my question. I think he mentioned the Six-Party talks and the abduction issues. There are some people who would say that the abduction issue is not the most serious problem in dealing with North Korea. I mean when compared to resolving the North Korean nuclear problems, abduction issues may not be a very difficult problem. Therefore, what do you think about the opinion that the abduction issues can be resolved easily, relatively easily, and then we can go on to more difficult issues like missiles or the problem with nuclear weapons. I think also that Dr. Jimbo mentioned that Japan is ready for providing economic assistance to North Korea if they solve everything and then start normalization talks. Actually, when Prime Minister Koizumi visited Pyongyang and made that announcement, when they declared the Pyongyang Agreement, I think they really seriously considered normalization between Japan and North

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Korea. However, currently, I think Japan does not have a serious intention to undertake normalization with North Korea. By this I mean they have so many obstacles before North Korea and Japan start talking about normalization, for example, missile issues amongst others. I would like to ask whether Japan is really seriously considering resolving the nuclear weapons problems and whether they are really thinking of normalization and are ready to provide economic assistance to North Korea. Additionally, I think many people would say that when the North Korean nuclear problem is resolved, the Six-Party talks can be developed into a multilateral security framework in Northeast Asia. Do you think Japan thinks that the Six-Party talks framework can be developed into a multilateral security framework after the nuclear problem is solved. In addition, what do you think about a multilateral economic cooperative framework in Northeast Asia? Something along the lines of a China, Korea, Japan, free trade agreement, probably including Russia, ASEAN, or United States. Do you think it's possible for Northeast Asia to have a free trade agreement or an economic cooperative framework in this region? You mentioned the current Six-Party talks are basically China's creation, and that the Chinese have basically sponsored the Six-Party talks. Therefore, do you see any kind of difference between the current Six-Party talks and the Japanese idea of the Six-Party talks. I think you said the latter kind of network type bilaterally related multilateralism, which is a kind of current states of regionalism and development of regionalism. But I think a Japanese type of bilateralism is based on the U.S.-Japan alliance and Japan can try to build bilateralism in terms of Japanese type of selective strategy, Japan-Singapore alliance, Japan-South Korea trade agreement or Japan-U.S. Therefore, a kind of bilateralism can be based on global strategy, more like a globalized form, and somewhat different in nature to a true Northeast Asian regional bilateralism. If we just place more emphasis on bilateralism, then it may be a little different from East Asian regionalism.

What do you think about that idea? I'm referring to an APEC or the PSI or U.S. anti-terrorist kind of network related alliance. They are all related to a kind of global strategy, not East Asian or Northeast Asian regionalism. Finally, on September 11th, Japan will have a general election and many people would say that Koizumi is going to win the election. If Koizumi wins, do you think Japanese foreign policy is going to change or what do you think about Koizumi's stance towards China or North Korea, South Korea, and the Yasukuni Shrine issues? Thank you very much.

Dae-Woo Lee*

Although the theme of the workshop is concerned with economic cooperation(integration) in Northeast Asia, discussion on which country is included in the region of Northeast Asia should be preceded in advance of the theme discussion. In this workshop, the US and the ASEAN are included as countries for economic cooperation in Northeast Asia in terms of their functionality. While China does not include the US as part of the economic community in Northeast Asia, Japan includes the country in the community. In the meantime, Korea puts emphasis on a role of being a hub connecting continental power - China and marine power - the US and Japan - without particular discussion. Therefore, clarifications on how we classify countries in the context of the region should be preceded before further discussion.

As to the formation of an economic community in Northeast Asia, there are two contradicting opinions: Considered as a realistic but pessimistic view, one opinion regards the economic community in Northeast Asia would be that it is difficult to realize due to unstable security as a result of hegemonic competition between China and Japan. However, based on the expansion of the EU and the NAFTA, the economic community in Northeast Asia is expected to expand as well. Although there are areas of consensus regarding the necessity for regionalism in Northeast Asia, it is debatable as to who will lead economic cooperation in the region, particularly between Japan and China. The other view is that the formation of the economic community will be difficult for the time being.

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The third view is that as trade increases in the 21st century, economic interdependency among countries rises, and regional stability in the region will also be strengthened through economic cooperation. If the economic community in Northeast Asia is actually formed, Northeast Asian influence will be greatly increased in the international community, given the fact the region's productivity including purchasing power already passed that of the U.S. and the EU in the year 2000.

Although I agree with the presenter in the overall contents, I still have a number of questions on the following issues:

1. Although the goals of the workshop is the establishment of an infrastructure for regional cooperation, particularly concerning the establishment of economic infrastructure, definitions of 'infrastructure' are not settled. In this workshop, the term 'infrastructure' means a 'basis' for the formation of the economic community or economic cooperation in Northeast Asia.

In his article, however, it seems that the presenter understands the term 'infra' as social overhead capital(SOC). Instead of discussing construction of a gas pipeline and a project for railway connection at a level of energy cooperation in Northeast Asia, lifting the status of the ADB to resolve the issue of financing as stated by Mr. Beck is an obstacle for economic cooperation in Northeast Asia. Meantime, establishment of Asia Monetary Fund(AMF), the subject of which is no longer for discussion due to an objection by the U.S. should also be worthy of consideration. Cooperation in financing should be preceded more than anything else, and a complete floating exchange rate system for the Chinese Yuan should be adopted.

In addition, the FTA agreement among the concerned countries should be preceded. Once the FTA between Korea and Japan is concluded, an economic bloc between Korea and Japan will be established. This will enable Korea to take advantage in concluding the FTA agreement with the future big power, China, which will lead to a basis for conclusion of the

FTA with ASEAN. Ultimately, an East Asian free trade area should be pursued.

2. The presenter insists on page 4, that European integration would have been impossible if the Berlin Wall had not collapsed. Considering China and North Korea, the two countries which still adhere to socialism, inter-Korean issues, and the Cross-Strait issue(excluding Taiwan), what do you think about the establishment of an economic community in Northeast Asia? Do you think it is possible?

3. On page 6, the presenter cited Yoshio Okawara's contention that 'the current political environment in Northeast Asia is good for cooperation.' Contradictory to this point, the author insisted that 'the security situation is getting worse in Northeast Asia' on page 11, and what does he see as the basis for such a contradiction?

4. On page 12, the presenter insists that there is a regional identity in Northeast Asia, and I would like to ask him what the regional identity is since I don't think there is any in Northeast Asia.

5. On page 15, the presenter insists that North Korea will have leverage once the gas pipeline is completed in Northeast Asia. Would this mean that the pipeline could be locked if necessary? Korea and Japan, not to mention China and Russia will not want to see this situation become a reality, and I do believe there will be a plan to prevent it. I would like to know what the presenter thinks.

6. As the presenter talked about the role of the U.S., the U.S. should set goals concerning its particular role in international relations. The role of the U.S. with regard to economic cooperation in Northeast Asia will be different in accordance with the goals. What is the role that the U.S. is currently playing? Is it participating in the economic community (or cooperation) in Northeast Asia? Or is it to take a leading role in the aftermath of the formation of the economic community? I hope the presenter clarifies which one of the above is true according to his opinion.



Seong-Jin Kim*

I would like to ask a couple of questions: First, I found that the argument of this paper is in line with the Foreign Policy Concept, National Security Concept, and Military Doctrine issued in 2000, particularly in the perception of external threats. What would be the most serious threats to the Russian Federation at present? Secondly, Moscow and the regional governments do not seem to share the same view on Chinese migrants in the Russian Far East. What is the current position of Moscow, and relation with *krai* and *oblast* governments in this regard. How would you evaluate the relationship between the centre and regions in the Russian Far East? Finally, I assume that the role of regional government is growing particularly in the process of globalization. I'm wondering whether you could make a brief comment on the possibility of the developing role of local/regional government in the process of regional cooperation in the Asia-Pacific region.

* Duksung Women's University

Pyong-Lae Lee*

You said that the basic direction of Mongolia's diplomacy is toward open-door diplomacy and multi-polar diplomacy and that the relationship with Russia and China is the top priority and the relationship with the U.S. is the second priority. As I understand it, this is the "two neighbors and a third neighbor" policy often mentioned by Mongolian scholars in recent years and understandably so given Mongolia's situation of being restricted by Russia and China when it comes to security and her economy. Nevertheless, I cannot but get the impression that recent Mongolian diplomacy is excessively tilting toward the U.S. I think that Mongolia-U.S. relations are developing into a virtual military alliance: The two countries are exchanging military personnel frequently; U.S. forces are deeply involved in Mongolian military reform, military training, and modernization of military equipment; and the two nations are conducting the Magic Balance and other joint military drills, some of which with U.S. military engineers. The discussion of a possible U.S. military presence on Mongolian soil seems to be explained in this context as well. As such, the close military ties between Mongolia and the U.S. could be provocative to Russia and China as pointed out by Russian scholar G.S. Yaskina, causing security concerns in the region. What do you think about this?

Second, I would like to ask your opinion on the issue of cooperation with North Korea. You said that North Korea is Mongolia's 50-year friend and Mongolia needs to work closely together with the communist country

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and cited President Natsagiyn Bagabandi's visit to Pyongyang and economic cooperation projects discussed during the visit as a case in point. Inter-Korean economic cooperation has been influenced by external factors, notably the U.S. position both directly and indirectly, as much as domestic debate. I conclude that Mongolia's economic cooperation with North Korea should be studied in the same context, particularly in that political, economic and security cooperation between the two nations are strengthening recently. Do you think the reinforcement of the ties with North Korea is possible concurrent with ongoing consultation with the U.S.? Are there any other purposes than economic ones in the frequent contact with North Korea? Additionally, the agreement between President Natsagiyn Bagabandi and his North Korean counterparts includes the issue of using North Korea's labor force. As you are well aware, North Korean workers have already long been working in Mongolia. I believe you know, to some extent, how efficient the North Korean workers are. Would you please share your opinion on this issue?

My third question is what you think about the Tuman River development plan. Your presentation helped me see that the project is very significant for Mongolia's economic development. Especially, the plan to link Mongolia's eastern part to Northeastern China with a railway is very urgent for an inland country like Mongolia. Regarding the Tuman River development or Northeast Asian economic cooperation, why is the eastern Mongolia often mentioned? Are there any other reasons rather than the railway linkage? Would you explain why the eastern region is more advantageous than other regions, and specifically in which areas is the cooperation more beneficial? Additionally, some Mongolian scholars argue that Mongolia must put more efforts into other East Asian communities, for example, ASEAN+3, citing the inefficiency of the Tuman River development project despite the positive prospects for the plan made by you. I want to know what you think about this opinion.

Last, I would like to ask you about the so-called "Millennium Road" project to expand the road system. The shortage of roads has been one of the biggest obstacles to Mongolia's economic development. So I want to know whether the project to expand the road system that would crisscross the nation is in its planning phase or whether the planned roads are under construction. Your presentation shows that the South-North trans-Mongolian road which spans 1,100 kilometers (Zamyn-Und-Altanbulag) is planned to open by 2010. Would you give me some details on the progress made in the construction so far?

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