

# Northeast Asia: The Last Frontier in Regional Cooperation

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## 1. The case for regional cooperation in Northeast Asia

The case for regional cooperation on peace and development in Northeast Asia has always been clear. Statistics show that although they occupy only 13% of the world's territory, the 6 countries and their respective territories in Northeast Asia accommodate nearly one quarter of the world's population. The subregion also plays an important role in the world economy, producing 19% of world output, employing 32% of its labor force and contributing 16% of the world trade as presented below<sup>2)</sup> :

Country	Population (millions)	Surface (ml.sq.km)	GNP (\$billions)	GNP per capita \$	Exports (\$billions)
Japan	126	378	4,089.1	32,350	436.45
ROK	46	99	398.8	8,600	156.70
China (including HK)	1,246	9,598	1,081.8	873	415.75
Russia (including Far East)	6	6,137	331.8	2,260	87.73
DPRK	23	121	est. 6.9	est. 300	est. 2.0
Mongolia	3	1,567	1.0	380	0.54
NEA	1,450	17,900	5,909.4	3,710	1,099.17
World	5,897	133,567	28,835	4,890	6,748.11
<b>NEA % share of world</b>	<b>24.6%</b>	<b>13.4%</b>	<b>20.4%</b>	-	<b>16.2%</b>

Source: *World development indicators*, 2000, World Bank

It is therefore ironic that Northeast Asia with the most populous country (China), the second largest economy (Japan), a military nuclear power (Russia) and South Korea which is now the 11th largest trading nation in the world - has not been able to advance as a subregional group.

And yet, the benefits to be derived by all its member countries are obvious: from the energy and natural resources of Russia, the large masses of skilled and semi-skilled workers from China, to the capital and technology of Japan and South Korea. All these factors can achieve an optimal efficiency of utilization, a multiplier effect if brought together by regional cooperation. With everyone in agreement on the benefits to be derived, the challenge is to develop a political framework acceptable to all for promoting such cooperation.

Northeast Asia remains the last frontier – and as far as regional cooperation is concerned, the situation is not only stagnant but retrogressing. Japanese Prime Minister Koizumi's bold initiative in visiting Pyongyang in July 2002 and opening normalization talks with the Democratic People's Republic of Korea (DPRK) held such great promise. But with the overhang of the nuclear and abductee issues, the initiative has not moved forward. Until these two issues are resolved, prospects at the moment are bleak for regional cooperation in NEA will advance any further.

## **2. The rest of the world moves on**

In the meantime, while Northeast Asia stands still, other regions have formalized regional arrangements for cooperation and are reaping the benefits from common regional approaches. Some of these regional groupings have moved from a consensus and institutional-building phase to a second phase which is that of moving closer to economic integration. This year – 2002 – has produced a flurry of new initiatives which have yielded significant results as follows:

### **• European Union**

In December, the EU welcomed 10 new members, mostly poor ex-Communist countries: Poland, Czech Republic, Hungary, Slovakia, Lithuania, Latvia, Estonia, Slovenia, Cyprus and Malta<sup>3)</sup>. This increased the EU's population from 370 million to 450 million or by 21.6% and GNP from \$7.97 trillion to \$9.0 trillion or by 12.9%. It is now the most integrated economic grouping of nations in the world with 25 member states, with 4 of the G-7 and the majority of OECD countries as members.

### **• The Americas**

NAFTA as it is known is expanding its membership beyond that of the United States, Canada and Mexico to include Chile and other Latin American countries. South American leaders at their economic summit in Brasilia in December this year have established a timetable to set up a Free Trade Area of the Americas by 2005<sup>4)</sup>.

### **• ASEAN**

In November, ASEAN signed an FTA with China to be achieved by 2010, signed a letter of closer economic ties with Japan and is contemplating negotiating an FTA with India.

### 3 . Existing arrangements for regional cooperation

It would help to examine the existing examples of regional cooperation in Asia and those in the developed world. In the Association of Southeast Asian Nations or ASEAN which has existed for 35 years, you have what some would consider the most developed model of regional cooperation in Asia. In South Asia with a population rivaling that of Northeast Asia, you have the South Asian Association for Regional Cooperation or SAARC which has been in existence for 15 years but has developed at a slower pace. Even the small island states of the Pacific including Australia and New Zealand have been organized into a Pacific Islands Forum for the past 30 years. In North America and Europe, cooperation has advanced even more so, through NAFTA and the EU, in trade agreements and further integration of their economies such as in adopting a common currency, the Euro this year. North East Asia or NEA therefore remains the last frontier to unite in Asia. Globalization, the end of the Cold War, more recent developments such as the North and South Korea Summit, the growing threat of terrorism, global issues such as the yellow dust, acid rain and cross-border pollution and the spread of the HIV/AIDS - present opportunities and challenges that Northeast Asia, if united, could tackle more effectively as a subregional grouping. The benefits to be gained are obvious – some of the achievements in the existing regional groupings are preferential trade agreements, greater investment within their subregions, cooperation in energy, transport, tourism and other sectors.

Major characteristics of the various regional groupings are as follows:

Criteria	EU	NAFTA	ASEAN	SAARC	NEA
<b>Established</b>	1950	1994	1967	1985	?
<b>Population</b>	450 million	408 million	500 million	1.31 billion	1.45 billion
<b>No. of Countries</b>	25	3	10	7	6
<b>Total GDP</b>	\$9 trillion	\$10.5 trillion	\$737 billion	\$2.8 trillion	\$5.9 trillion
<b>High HD<sup>5)</sup></b>	15	2	2	0	2
<b>Medium HD</b>	10	1	7	3	3
<b>Low HD</b>	0	0	1	4	1

Source : ASEAN,NAFTA,SAARC websites,,World Bank,UNDP Human Development Report

In economic terms, NAFTA is the richest regional grouping but EU is not far behind. However, as far as economic integration is concerned, EU by far is the most integrated with strong unified economic and trade positions among its member states, a single currency, travel/visa arrangements under the Schengen scheme and other common economic arrangements.

In Human Development terms, North America leads the world with the EU a close second, even with the addition of less developed former Soviet bloc countries. The world's poor mainly reside in Sub-Saharan Africa and in Asia, are mainly in South Asia such as Bangladesh and India and in parts of China and in Southeast Asia, in countries such as Cambodia, Laos, Myanmar and Vietnam. Thus

in Human Development terms, SAARC, ASEAN and NEA lag behind and need to address poverty reduction as stated by the Millennium Declaration Goal of halving world poverty by the year 2015.

An interesting aspect of these regional groupings is that in the perception of many as “rich members” clubs. These so-called “rich” member clubs such as the EU and ASEAN are now taking on “poor” member countries where the disparity in economic growth is significantly wide. EU has taken the former Soviet republics of Estonia, Latvia, Lithuania and countries such as Poland, Hungary, Slovenia, and the Czech Republic which are distant in economic terms from the Western European countries. In Southeast Asia, ASEAN was joined by Cambodia, Laos, Myanmar and Vietnam in the late Nineties. If one looks at the GNP per capita figures of the richest and the poorest members in each regional grouping, the disparity within the “clubs” is shocking:

<b>“Poor” EU Member Country</b>	<b>GNP per capita</b>	<b>“Rich” EU Member Country</b>	<b>GNP per capita</b>
Lithuania	\$ 2,930	Germany	\$ 25,120
Slovak Republic	\$ 3,700	France	\$ 24,090
Estonia	\$ 3,538	Italy	\$ 20,160
<b>“Poor” ASEAN Member Country</b>	<b>GNP per capita</b>	<b>“Rich” ASEAN Member Country</b>	<b>GNP per capita</b>
Cambodia	\$ 260	Brunei Darussalam	\$ 12,245
Laos	\$ 290	Singapore	\$ 24,740
Vietnam	\$ 390	Malaysia	\$ 3,340
<b>“Poor” NEA Member Country</b>	<b>GNP per capita</b>	<b>“Rich” NEA Member Country</b>	<b>GNP per capita</b>
DPRK	\$ 300	ROK	\$ 8,910
Mongolia	\$ 380	Japan	\$ 35,620

Source: *World Bank Development Indicators 2001, ASEAN Statistics Handbook 2001*

The disparity in many instances is 10 times over. The task of economic integration of the less developed member countries is therefore a top priority for the regional organizations in order for the organization as a whole to move forward. In the case of the EU, there has been some success as demonstrated by the development of Greece, Spain, Portugal and Ireland in approaching Western European standards<sup>6)</sup>. ASEAN has launched its Integrated Assistance Initiative (IAI) to work on economic integration of the CLMV countries. If NEA forms a regional grouping, it will also have to work on the economic integration of its poorer member states such as Mongolia, DPRK and the less developed parts of China and Russia.

Are any of these regional organizations a model for Northeast Asia? Can NEA adopt any of their frameworks? Not totally – However, it may be possible to derive some features from each model. In any case, NEA countries must develop their own model fully taking into account their common heritage and characteristics. For instance, one strong characteristic is the fact that three of the NEA countries are economies in transition from centrally planned to market economies and share a

common cultural heritage. However, the NEA still is one of the most diversified subregions – in terms of economic development, military might and political systems and have endured a past history of severe conflict among themselves. It will be important to promote their common strengths, while minimizing their differences in ideology or political systems and moving on from the past.

#### 4 . NEA membership in regional organizations

The six countries of NEA are members of different “clubs” as shown below. The clubs chosen are those that are relevant to Northeast Asia and these are: the UN Economic and Social Commission for Asia and the Pacific (ESCAP) established in 1949, the Asia-Pacific Economic Cooperation (APEC) in 1989, the Asian Development Bank (ADB) established under the auspices of ESCAP in 1966 and the Tumen Area Development Programme under the auspices of UNDP in 1995. Each play an important role. ESCAP is the UN’s regional arm and provides the widest intergovernmental forum for member states through its annual commission sessions and specialized meetings. It also publishes the Asia Pacific Economic Survey every year and provides some technical assistance to member developing countries. APEC is the latest regional organization and brings Asian countries closer to the United States and other Pacific rim countries such as Mexico and Chile. Member countries are primarily represented by their foreign and finance ministers. The ADB provides most of the concessional development lending to Asian countries along with the World Bank and the Japan Bank for International Cooperation. The Tumen is the only intergovernmental body of NEA states that exists, with a legal framework and accords. Regional cooperation can be hastened if all six NEA countries belong to all these clubs.

Country	ESCAP	APEC	ADB	TUMEN
China	Yes	Yes	Yes	Yes
DPRK	Yes	NO	NO	Yes
Japan	Yes	Yes	Yes	NO
Mongolia	Yes	NO	Yes	Yes
ROK	Yes	Yes	Yes	Yes
Russia	Yes	Yes	NO	Yes

Source: ESCAP, ADB, APEC and Tumen websites

As can be seen from the above compilation, unfortunately, only China and ROK belong to all the above clubs. Most significantly, DPRK and Russia are not members of ADB and Japan is still not a member of the Tumen Commission. Tumen is the only organization dedicated to the cause of NEA regional cooperation. It is also represented at the highest ministerial level. It thus represents the best platform there is for making the NEA region a more united one politically, a safer and a more cohesive and stronger one in terms of economic and social progress. However, the non-membership of Japan in the Tumen Programme is a major obstacle towards achieving that goal.

Another problem is posed by the non-membership of the DPRK and Russia in the ADB. This is a big obstacle in ADB funding of transport links such as railways between DPRK and China or Russia, Mongolia with Russia.

## 5. Current initiatives on NEA economic cooperation

There have been several major regional initiatives to promote economic cooperation in Northeast Asia, some dating as far as 1990. Some of the more prominent initiatives and the current issues surrounding each are:

### (1) North East Asian Development Bank

Northeast Asia needs about \$7.5 billion each year for infrastructure in the NEA region, most of it for the DPRK as estimated by the ADB. Hence the calls for establishing a Northeast Asia Development Bank by South Korea's former prime minister Duck Woo Nam and the NEAEF. The bank would be capitalized initially at US\$20 billion (50 percent subscribed and paid in and the rest callable) with "founding members" PRC, Japan, both Koreas, Mongolia, and Russian Federation providing the first-tier capital and others, such as Hong Kong, China, subscribing the second tier. Non-Asian members would have 40 percent of the total shares. The bank would aim to make up the difference between the US\$2.5 billion a year that ADB and World Bank might provide for Northeast Asian infrastructure and what is needed<sup>7)</sup>.

However, chances of such an initiative of taking off are poor at this time. Many question why another bank is needed when there is the ADB and the World Bank. Moreover, Japan would not be willing to put in share capital to the NEADB if the DPRK were a member of this bank. For the moment, this initiative while sound in approach and concept will lie dormant.

### (2) ASEAN Plus Three and the East Asia Vision Group

This has become the most important development in recent years with implications for both NEA and ASEAN. Instead of their own regional grouping, the "Big 3" in NEA – China, Japan and South Korea - have moved ahead and forged formal bilateral ties with ASEAN.

Heads of State of the ASEAN countries, China, Japan and South Korea met for the first time in 1997 in Kuala Lumpur. Since 1998, countries in East Asia have actively explored the possibilities of various bilateral free trade agreements (FTAs). In November 2001, the East Asia Vision Group formed at the suggestion of South Korean president Kim Dae Jung reported to the leaders of ASEAN +3 meeting on the vision of "an East Asian Community." The current situation can be characterized as "talking regional, acting bilateral," a reflection of competitive impulses as well as pragmatism for steady progress<sup>8)</sup>.

This latest talk resurfaced at the November 2002 ASEAN Summit with Singapore raising the issue of a East Asia Economic Community. At this Summit in Phnom Penh, there were other important developments such as the signing of a Free Trade Agreement (FTA) between China and ASEAN to be achieved by 2010. Japan also has signed

ASEAN+3 can be seen as moving in the direction of an East Asia Economic Group (EAEG) as envisaged by Malaysian Prime Minister Mahathir Mohamad. In fact, at this year's ASEAN Summit, Mahathir proposed the establishment of an ASEAN Plus 3 Secretariat to be based in Kuala Lumpur and to which Malaysia would contribute \$10 million over its first five years. This was opposed by ASEAN member states which felt that ASEAN as Singapore Prime Minister Goh Chok Tong is "trying to consolidate and deepen its cooperation"<sup>9)</sup>.

However, there are two issues: first, some parties point to the fear of domination by China or Japan by the most of the ASEAN member countries as exemplified in the headline of a leading Thai daily following China's signing a FTA with ASEAN "Future of ASEAN: ASEAN Plus 3 or 3 Plus ASEAN?"

The second issue is that this arrangement is only between "rich" members of each region and may leave behind the less developed NEA states of DPRK and Mongolia.

### (3) Tumen River Area Development Programme

The above programme started as a project by the UNDP in 1991. With the foresight and vision of certain key players such as Chinese Foreign Trade Vice Minister Long Yongtu from China, then UNDP Resident Representative Roy Morey and others and building on the goodwill among the five founding members – China, Democratic People's Republic of Korea, Mongolia, Republic of Korea and Russia – the programme became Northeast Asia's first formal intergovernmental organization with the signing of the Tumen accords in 1995 at UN Headquarters in New York. The UN is the repository of the Agreement on setting up the Tumen River Area Development Consultative Commission, the Tumen Development Coordination Committee and its Secretariat which is supported financially by UNDP.

At that time, Japan was also invited to join but it declined due to its lack of diplomatic relations with DPRK. However, in 1995 and even up to this day, the ROK does not also have diplomatic relations with DPRK. Nor did the ROK have diplomatic relations with China and vice-versa. Nonetheless, China, DPRK, ROK and Russia all joined in spite of lack of formal diplomatic ties. In the following years, diplomatic ties were established between China and ROK, Russia and ROK. Some say that surely in some indirect way, the TRADP contributed to this process.

TRADP's initial vision was for a multinational city or area to be built in the Tumen area where three of the Six countries converge – China, DPRK and Russia. These three riparian countries

comprise the Tumen Coordination Committee. The 3 plus Mongolia and ROK form the Tumen Consultative Commission. It was the hope that such an international area would become another Hong Kong or Singapore attracting much foreign investment – at that time, a figure of \$30 billion – was mentioned for an area with a population of only 4 million<sup>10)</sup>.

Several attempts were drawn to make progress towards this concept including the establishment of an international consortium where the shares of this city would be owned by the five member countries. However, there were formidable legal hurdles to overcome and the multinational area did not materialize. Foreign investment did not pour in as a result. However, it is claimed that the TRADP did spur local investment in the areas adjacent to the Tumen area with China investing over \$1 billion and Primorsky region of Russia citing an estimated figure of \$450 million likewise.

Today the focus of the TRADP has shifted to a more pragmatic approach. It has provided the opportunity for countries to work together on transport, energy, tourism and other sectors through workshops and advisory services. Under its auspices, trade and investment centers have been established in each country. Various measures have been taken on facilitating cross-boundary trade and movement. A regional tourism master plan has been prepared by the World Tourism Organization for the Tumen region.

## **6. Support for NEA cooperation from academia and other non governmental organizations in the NEA countries**

As earlier mentioned in the paper, there is a strong groundswell of support in NEA from government and non-governmental institutions, thinktanks, universities and the private sector. There are many conferences and meetings organized on the topic of enhancing regional cooperation in the political, economic and cultural spheres. The largest and oldest of these conferences has been the Northeast Asia Economic Forum (NEAEF) which started in 1990 and is serviced by the East West Center<sup>11)</sup>. Prior to that, the Pacific Basin Economic Council (PBEC) and the Pacific Economic Cooperation Council (PECC) have had within their format discussions on NEA cooperation.

As a result many informal networks – among scholars, NGO personnel, business and other sectors - have been established. Such widespread support should be harnessed and organized for greater impact.

In Japan, ERINA and NIRA work on and there is strong interest in NEA cooperation in Niigata, Shimane. In South Korea, there is the Korea Institute for Economic Policy (KIEP) and Yonsei and many other universities doing research on this topic. In China, the thinktank of the State Council, The Development Research Center (DRC) and the Chinese Academy of Science conducts much research in this area and Jilin Province has a center devoted to promoting NEA cooperation and there are inter-ministerial working groups on subregional cooperation not only on Northeast Asia but other parts of Asia bordering China as well. In the Primorsky region of Russia and in Mongolia,

government and academic institutions pay much attention to the promotion of regional cooperation.

In March this year, Japanese Diet members in the Parliamentarians League for the Promotion of United Nations activities and the Ministry of Foreign Affairs of Japan, the Shimane Prefectural Government, the Matsue Municipal Government and the University of Shimane – organized a World Parliamentarians and Eminent Persons Conference on Northeast Asia Regional Cooperation and the Role of the United Nations in the 21st Century. Senators and members of Parliament from seven NEA countries including the United States and Canada participated and at the end of their conference issued the Shimane Declaration on improving progress in Northeast Asia. The Declaration reflected the discussions on and called for progress on peace and security, economic and sustainable development, the ageing society, education and international exchanges and regional cooperation<sup>12)</sup>.

## 7. ASEAN: an appropriate model for Northeast Asia?

As the most successful regional grouping in Asia, many argue there is much to learn from ASEAN for NEA. Still some say that ASEAN is more homogeneous in terms of economic development than NEA and hence it was easier for these Southeast Asian states to group together. However, the inclusion of the “4” in ASEAN in 1995-1999, that is, Cambodia, Laos, Myanmar and Vietnam (CLMV) which are all Least Developed Countries (LDCs) certainly refutes this argument as a wide gap separates these countries from the more affluent and developed “6” – that is, Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand. In fact, ASEAN has set as one of its top priorities the successful economic integration of the CLMV countries with the original member states.

A study tour organized in October 2002 by the Tumen Secretariat to the ASEAN Secretariat in Jakarta, Indonesia provided much insight to the NEA participants. All five member countries and were represented at a senior level - vice minister and director general levels. The purpose was to study the evolution of ASEAN and its secretariat. Some lessons learned were as follows:

- It takes much *time and patience* to nurture regional cooperation. It has taken 35 years for ASEAN to get to its present level of regional cooperation;
- ASEAN works on the principle that each member country has an *equal voice, one vote*. This is reflected in its funding of its secretariat and activities: irregardless of level of economic development, each member state contributes the same amount, bears the same share of the budget which was about \$7 million in 2001.
- ASEAN success is largely attributed to the fact that it operates on the principle of *consensus* and is represented at the Head of State and Government level.
- Its *secretariat* is fully funded by its member states and is a professional service with its staff drawn from ASEAN countries and recruited on merit. Considering its primary task of organizing approximately 400 meetings annually and other activities, the ASEAN Secretariat is

a lean operation with only 42 international staff and 150 local staff in Jakarta.

With this structure, mechanism and framework for regional cooperation in place, some of ASEAN's notable achievements over the year have been the following:

- ASEAN Treaty of Amity and Cooperation (1976)
- ASEAN Regional Forum on Security (1992)
- Preferential Trading Arrangements (1977)
- Free Trade Area or AFTA to start by 200
- ASEAN Plan of Actions on environment, science and technology, drug abuse control, combating transnational crime and other areas<sup>13)</sup>

Clearly there are lessons to be learned by NEA member states from ASEAN if they intend to move towards some common regional approaches and some form of economic integration. In spite of its success, ASEAN still has a long way to go. The outgoing ASEAN Secretary-General Rodolfo Severino in his statement at the Summit this year decried the fact that "Progress has fallen short of being commensurate to the challenges confronting our region. The other foundations for regional integration have not been built upon. Regional economic integration seems to have become stuck in framework agreements, work programs and master plans...Having a clear idea of its destination would enable Asean to proceed more rapidly and smooth-ly on the path of economic integration. Asean's lack of clarity had bogged down progress towards greater economic integration beyond mere tariff cutting." Citing studies on integrating capital markets, adopting an Asean currency unit, liberalizing financial services and removing restrictions on capital account transactions, Severino hints that consensus appeared out of reach and states that "some idea of the eventual objective has to take shape. What kind of integration should Asean strive for? Should Asean now aim for a customs union? A common market? A single market? An economic union?<sup>14)</sup>"

With ASEAN facing these issues, it is apparent how far behind NEA is. If NEA decides to take the same path that ASEAN did over 30 years ago, it will also have to tackle the same issues and arduous process of building up consensus on what the ultimate goal of the NEA group is economically as stated above. It will also have to decide whether to branch out from purely economic integration issues and also include human and social development issues and transnational issues as ASEAN eventually did.

## **8. Next steps: moving towards a framework**

Some may ask: Is the time ripe for creating an Association of NEA States? For such a historic undertaking? Others may be more pessimistic saying that unless there is genuine peace on the Korean Peninsula, regional cooperation cannot move forward. In Japan, the issue of the missing or kidnapped Japanese in North Korea has remain the stumbling block to any Japanese-North Korean rapprochement. The nuclear issue has stopped Korean Energy Development Organization (KEDO) in

its plans.

In spite of these developments, the door must remain open for all concerned countries including the United States to conduct peaceful dialogue. As for the timing to have a regional framework, there will never be a “best” time and one must work in increments if necessary. The speed of course matters but what is most important is that a process has been set in motion. The process would consist of the following steps:

The *first* step therefore would be to achieve a political consensus towards a basic agreement. There is no need to start from scratch here. There are the Tumen River Commission Agreements to build on. These could be revised and the scope could be enlarged beyond the development of the immediate Tumen area towards a broader framework for regional cooperation in the NEA region. A technical working group, as what was organized at the origins of APEC, could work on what would become the NEA Charter. Here at the same time, UNDP and the countries will have to decide on how to sustain the local government initiatives started under the Tumen River Development Programme.

The *second* step would be as in ASEAN’s case for the six countries to set up their own NEA secretariat to carry the process forward. For this to be sustainable and completely owned by the countries, the staffing and financing of the secretariat should be completely borne by the countries themselves. Again in ASEAN’s case, this would operate on a “one voice, one vote” principle with all 6 member states bearing equal share of the funding.

The *third* step would be to establish an agenda that could be discussed and acted on at annual sessions of the NEA. Workplans could be prepared on a yearly basis. This would set its future direction in concrete terms

The *fourth* step would be to create special working groups on the priority areas for regional action as determined by its members. This could be organized along sectoral lines such as Energy, Trade, Transport or cross-cutting themes such as the Environment, Regional Security, Private Sector Development. Again using the ASEAN model, it has standing groups such as the Asian Regional Forum on Security and the ASEAN Business Council. These groups could be supported by a network of regional academic and research institutions such as has been formed by the Development Research Centre (DRC) of China, the Korea Institute for International Economic Policy (KIEP) and the National Institute for Research Advancement (NIRA) of Japan.

The *fifth* step would be to take concrete actions such as facilitation of trade, harmonization of customs procedures, building transport links among the Six, promoting intra regional trade and investment, joining together in solving cross-boundary pollution and other common problems.

The *sixth* step which would take much more time would be for the NEA to become a political bloc in international negotiations. In an increasingly global economy, if the NEA is to have any

influence in shaping the emerging architecture of the global economy and the new structure of international finance, it may have to follow the footsteps of the EU, NAFTA or ASEAN in forming common positions on these issues. The NEA can also become an effective advocate and positive force for global causes such as the Environment, HIV/AIDS and the UN Millennium Development Goals.

At the same time, the Six must continuously strive to improve the stability and peace in the region. Perhaps the establishment of a NEA Forum on Security or even a special working group within the Asian Regional Forum on Security may be helpful. Because without peace as UN Secretary General Mr. Kofi Annan keeps on emphasizing, there can be no development.

With a framework in place as described above, there will be more opportunity among the Six to build up trust and confidence among each other through more frequent interaction and dialogue. This will lead to better understanding, such as advocated by many parties and at many conferences such as that held in Shimane and hopefully the burying of past historical enmities.

## 9. Roles of each party

To move the process forward, it is important for every party to play their role and make their contribution towards achieving regional cooperation in the NEA.

For the *six countries*, it can only succeed if they take firm ownership of the process, exercise strong leadership and make the necessary political and financial commitments.

The *United Nations* – UNDP as well as other UN agencies – can help facilitate this process and bring in international best practices and expertise.

With regard to financing, the role of the *Asian Development Bank* will be critical for feasibility studies, infrastructure and other supplementary funding to the countries' own resources. In this regard, the notion of a NEA Development Bank has been floated. In the author's personal view, there is no need to create a new organization. The ADB can fulfill that role. This is more cost-effective. However, DPRK and Russia will have to become members of ADB.

With its proximity to the NEA region, the *United States and Canada* have a strong interest in its security and development and can support that process, politically and financially as well.

*Japan* has a crucial role to play in advancing the NEA regional agenda. It is the most powerful among the six countries, economically and has the highest standard of living. It is also the main contributor to the Asian Development Bank. Its relations with Russia, China and DPRK are key to the advancement of regional cooperation.

*Parliamentarians* in all six countries will play the most important role in shaping up the political will and consensus to pursue regional cooperation despite the many obstacles in its way. This is why it was good to see the deep interest of the Japanese parliamentarians and those from other countries

at the Shimane Conference in promoting regional cooperation and in supporting the role of United Nations.

## 10. Conclusion

As can be seen from the preceding section, the different players can contribute to the process of cooperation-building. Unfortunately, these players do not play together; there is some coordination but little collaboration. For NEA economic cooperation to become a reality, all forces must pull together. The basic ingredients are there: economic and resource complementarities and geographical proximity. What is missing is a political framework which brings together all the following success factors:

Success Factors	Existing Arrangements	Other considerations
<b>Political Commitment and coordination</b>	Tumen Intergovernmental Agreements, Parliamentarian groups	From the highest levels of central and provincial governments
<b>Financing for Infrastructure Development</b>	Asian Development Bank	Proposed North East Asia Development Bank, membership of DPRK and
<b>Private Sector Participation</b>	APEC Business Council, PBCC, PECC	Russia Risk, Guarantees, matching investment in public works
<b>Research on regional issues</b>	ERINA, NIRA, DRC, KIEP, others	division of labor, staff exchanges
<b>Networking</b>	NEAEF	Knowledge-sharing and collaboration through its meetings and IT

All the above ingredients for success are present. However, bilateral issues such as the lack of diplomatic ties, disputes over territories and the nuclear issue today pose the greatest obstacle to progress. However, multilateral organizations have their share of blame to shoulder. They do not work together. In recent years, there has been some movement towards exchange of information, consultation, some coordination, participation at each others' conferences. But this is not enough. The equation for success in NEA cooperation thus can be constructed with every party making its contribution and playing its part as follows:

<p>+ <u>Political consensus</u> from all 6 NEA countries built under the Tumen Programme;</p> <p>+ <u>Infrastructure development</u> led by ADB with contributions from Japan, ROK, other bilaterals;</p> <p>+ <u>Investment</u> from the private sector;</p> <p>+ <u>Research</u> on various regional issues such as transport, energy and tourism from the NEAEF, its member research organizations and universities</p> <p>= <u>Success and Genuine Economic Cooperation</u> in Northeast Asia.</p>
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A bold initiative would be for all 6 countries to hold their first Northeast Asia Summit to draw up a political framework and a Plan of Action such as ASEAN did at its founding 30 years ago. It does not have to be so elaborate. ASEAN was founded on the basis of a Declaration signed by the foreign ministers of its five founding member states.

Back to back with that, a general conference of all the above players from multilateral organizations, bilaterals, corporations, research institutions and universities, NGOs – all supporters of NEA cooperation – could be organized to discuss how they would all work together to provide support to the NEA Plan of Action.

Taking the complex relationships and differences in development among the Six countries, any framework to be considered should be a very basic one to start, with broad principles and limited objectives. It should maintain a balance between what is desirable and what is realistic. The framework should also be one of open architecture, flexible for it to adapt and grow with the times. With regard to speed of the cooperation, it should be allowed to develop at its own pace but not too slow to lapse into inactivity as some regional organizations have. It should have and maintain a vitality but that will depend very much on the key players described above.

As the Tumen agreements will expire by the end of 2005, member states are now looking at ways and means on how to continue beyond it. The Tumen agreements can offer that political intergovernmental platform for NEA states to move vigorously toward regional economic and social cooperation. They can be renamed and revised and expanded to be the inter-governmental agreement for NEA cooperation. It can form the basis for a NEA Charter. The Tumen programme can still continue as a local government but a two-tier approach as presented in a paper to the Sixth Commission of TRADP was advocated supported by a knowledge network of the research institutions and funding from an expanded partnership with ADB, bilaterals and the private sector<sup>15)</sup>.

With bilateral efforts at an impasse in the NEA region, it is important to keep up with multilateral approaches and the United Nations, the Asian Development Bank and other such players in the region must continue with its efforts at brokering trust, peace and development in this difficult environment. What can be done by multilaterals? UNDP stood by ASEAN for over 30 years as it struggled to become a viable force for regional cooperation. The ADB has assisted regional cooperation in the Mekong delta through its GMS initiative. It will take that kind of determination and persistence to help a nascent NEA make its first tentative steps towards some form of economic cooperation. In Northeast Asia, there is too much at stake – and too much potential that remains untapped for all concerned parties not to persist and join forces to make it happen.

## Notes

- 1) Romulo V. Garcia is currently Chief, Northeast Asia Division, United Nations Development Programme. This article is based on his presentation at the Fourth World Parliamentarians Conference on the Role of Northeast Asia and the United Nations in the 21st Century Shimane, Japan on 22 March 2002. The opinions and views expressed are his own and do not necessarily represent UNDP's.
- 2) Gombo, Tsogtsaikhan: *Issues of regional cooperation*, ERINA Conference, Niigata, Japan, January 2002.
- 3) New York Times page A10, 13 December 2002.
- 4) Associated Press: *Latin America reaches deal for trade agreement*, Philippine Star, page B-10, December 9, 2002.
- 5) HD stands for the Human Development Index is a composite measure of income, longevity and literacy thus measuring people's well being not only in economic terms but quality of life. An annual survey is taken by UNDP to measure the level of Human Development in both developing and developed countries - a total of 162 countries.
- 6) Fisher, Ian: *In Vast Expansion of the European Union pluses but also Perils lie ahead* New York Times, December 13, 2002.
- 7) Rowley, Anthony: *NEA: Does it need its own Development Bank?* Asian Development Review, Manila, December 2002.
- 8) Munakata, Naoko: *Northeast Asia* Brookings Working Paper, June 2002.
- 9) Asia News Network: *Malaysia proposes ASEAN Bureau with links to 3 Northeast Asia states*, The Straits Times, November 2, 2002.
- 10) Husband, David: *The Tumen Programm*, Northeast Asia Economic Forum, July 1998.
- 11) Cho, Lee-Jay: *Northeast Asia Economic Forum Framework for Regional Cooperation*, ERINA Conference, Niigata, Japan, January 2002.
- 12) Fourth World Parliamentarians and Eminent Persons Conference: *Shimane Declaration on Northeast Asia and the Role of the United Nations in the 21<sup>st</sup> Century*, Matsue, March 2002.
- 13) ASEAN Secretariat *An Overview of ASEAN*, 1999, Jakarta, Indonesia.
- 14) Severino, Rodolfo: *Statement at ASEAN Summit*, November 2002, Phnom Penh, Cambodia.
- 15) Babson, Bradley: *Northeast Asia Economic Cooperation Assessment and Possible Future Directions*, New York, July 2002.

## Annexures

### I. List of Acronyms

ADB	Asian Development Bank
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CLMV	Cambodia, Laos, Myanmar, Vietnam

DPRK	Democratic People's Republic of Korea
DRC	Development Research Center
ERINA	Economic Research Institute for Northeast Asia
ESCAP	UN Economic and Social Commission for Asia and the Pacific
FTA	Free Trade Agreement
GNP	Gross National Product
GMS	Greater Mekong Sub-Region
KEDO	Korea Peninsula Energy Development Organization
KIEP	Korea Institute for International Economic Policy
MRC	Mekong River Commission
NAFTA	North America Free Trade Agreement
NEA	Northeast Asia
NEADB	Northeast Asia Development Bank
NEAEF	Northeast Asia Economic Forum
NGO	Non-Governmental Organization
NIRA	National Institute for Research Advancement
PBEC	Pacific Basin Economic Council
PECC	Pacific Economic Cooperation Council
ROK	Republic of Korea
SAARC	South Asian Association for Regional Cooperation
TRADP	Tumen River Area Development Programme
TREDA	Tumen River Economic Development Area
UN	United Nations
UNDP	United Nations Development Programme

## II. List of References

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