

Political Economy of the Northeast Asian Regionalism

: Linkages between Economic and
Security Cooperation



*Political Economy of
the Northeast Asian Regionalism
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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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*Margaret McCown · Kyu-Ryoon Kim · Jong-Chul Park
Zhang Xiaoming · Tomoyuki Saito
Timothy Savage · Andrey Sorochinsky · Adiya Tuvshintugs*

Korea Institute for National Unification

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Welcoming Address

Young-Kyu Park

President
Korea Institute for National Unification



Experts and Scholars from the U.S., China, Japan, Russia, and Mongolia, Discussants and Presenters, 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.

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 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. And Northeast Asian cooperation can be effective in creating an environment to facilitate North Korea's entry into the international community, opening, and reforms.

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.

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 have not yet been undertaken.

Specifically, researches related to establishing necessary strategies for various sectors and creating collaborative network between the nations to realize the Northeast Asian era are insufficient.

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 conducted research on the infrastructure of regional cooperation in Northeast Asia, and we hosted an international conference for this issue.

This year is our second year of research and we are proceeding with our research on economic cooperation in Northeast Asia and link-coordination strategy in security cooperation. This research focuses on interrelations and ripple effects of economic and security cooperation in Northeast Asia, whose purpose is to find plans to create positive mutual relationships in economic and security sectors. We are especially focusing on finding plans for Northeast Asian cooperation in sectors connected with economy and security, such as communication network, energy security, environmental security, and human security.

Distinguished Guests,

As a follow-up to the project, the goal of this conference is to discuss about the theoretical framework necessary to find

linking strategies for cooperation in Northeast Asian economy and security and observe the positions and policies of related nations about the linked sectors. In addition, another goal of this conference is to discuss intellectual network formulation plan for future cooperation in Northeast Asia.

Let me thank you once again, Experts and Scholars, and Presenters from the U.S., China, Japan, Russia, and Mongolia, for making this long-distant trip to Korea, as well as Discussants from Korea, whose combined efforts made this conference possible. I would also like to thank Director Dr. Park, Jong-Chul, Research Fellows, and staff of KINU for organizing this event. Finally, I believe this conference will serve as a stepping stone to expand international common interests for cooperation in Northeast Asia and establish cooperative networks amongst the specialists.

Thank you.

Part 1

Alternative Frameworks
for Northeast Asian Regionalism



Lessons from European Regionalism*

: Linkages between Economic Integration and Security Cooperation

Margaret McCown

Introduction

The link between economic integration and collective security in Europe¹ was a fundamental goal of the statesmen who founded the present day EU and continues to be of understandable interest to comparative scholars. The security benefits of economic integration in Europe have always had both an inward looking focus - building peace between the combatant states of WWII - and an external one - countering the Soviet Union during the Cold War - and have been extraordinarily successful at both, along with stimulating tremendous increases in prosperity for the region.

The integration project itself, however, proceeded with relatively little explicit attention to collective security. Both

* This paper is the independent work of the author and neither reflects the views of the National Defense University nor the U.S. Department of Defense.

¹ For the purposes of this paper, when the author speaks of “Europe” or “European security cooperation”, the member states of the European Union are implied because it is the link between EU integration in economic issues and security cooperation that is examined.

technocrats and scholars focused on economic integration, while security cooperation lagged behind. Whether or not one should even have expected European economic integration to lead to further security cooperation is not agreed upon. Despite some foundational scholars ruling out of a link between spillovers in social-economic integration and security,² other scholars have pointed to precisely such a relationship, even in the relatively early days of pre-Maastricht defense cooperation under the European Political Cooperation structures.³ But, as this paper will argue, greater interdependence and, especially, the gradual construction of formal, enforceable legal institutions at the EU level created a space in which effective EU-level structures to deal with common security challenges could evolve and so the later development of security cooperation is, in retrospect, unsurprising.

Collective Security in Europe

A look at security requires that one look not just at classic military external force projection and the EU capacity to do so, but also the full array of threats that the region and its constituent countries face. And, inarguably, they encompass both classic defense policy issues - from EU Rapid Reaction troops in Macedonia, to new EU legislation creating a European coastguard,

² Ernst Haas, "International Integration: The European and the Universal Process," *European Integration*, M. Hodges, ed. (Harmondsworth: Penguin Books, 1972).

³ Michael Smith, "Rules, Transgovernmentalism and EPC," *European Integration and Supranational Governance*, W. Sandholtz and A. Stone Sweet, ed. (Oxford: Oxford University Press, 1988).

European boots are on the ground in a variety of venues and capacities. But subsequent to the London and Madrid bombings, it is clear that Europe doesn't just go to international security threats, but threats have come to Europe. Thus, for the purposes of a symposium such as this one, one must conceive of European security as both national security and what Americans would call homeland security.

This distinction is interesting because it maps fairly congruently on to the "common foreign and security policy" (CFSP) and "justice and home affairs" (JHA) policy areas that have existed in the EU since they were stipulated in the Maastricht Treaty in 1992. Expanding the notion of security to encompass these transnational, intra-European concerns under JHA is also worthwhile because, over the next few years, it may well be the area of EU witnessing the fastest institutional development and where the groundwork laid by European economic integration has the widest reach. Issues of migration, cross-border law enforcement, weapons and narcotics interdiction, smuggling and counter-terrorism have all been subject to rather rapid changes in the relevant legal framework in ways that could enable a fair degree of cooperation. Classic foreign security policy institutions have changed also, although in more limited way and more in terms of creating spaces for policy debate and consensus-building, as will be examined below.

This paper will look at the evolution of the institutions - both formal and informal - for security cooperation, broadly construed, and trace their relationship with economic integration over time, looking especially at the legal framework, as articulated in treaty, statute and court rulings and the gradual construction

of enforceable EU law on the process. I will argue, in particular, that it is not the market demands for greater efficiency in the defense domain that have driven security cooperation, but rather the gradual accumulation of a body of EU laws and norms that enabled it, making EU level solutions to security problems available but not inevitable.

History

Many economic historians have argued that the autarkic currency and trade competition between European countries in the inter-war period, what Kindleberger called the “disarticulation of the world economy”⁴ was a direct prelude to the military confrontation of the Second World War.⁵ It seems clear that the EU’s founding fathers meant to use trade and exchange to socially and politically knit together the European states. Indeed, the U.S. Marshall Plan for aid and development in Europe urged recipients to pursue economic integration and explore the potential of “something like a United States of Europe.”

However, for all that policy makers believed in a basic link between economic integration and general political stability in Europe, concrete security cooperation was slow to come. The proposal for a European Defence Community as a context in which to provide for the rearmament of (West) Germany and its integration into the security structure of Europe failed as early as 1952. Its successor, the framework for European Political Co-

⁴ Charles Kindleberger, *The World in Depression* (Berkeley: UC Press, 1973).

⁵ E.g. Benjamin Cohen, “A Brief History of International Monetary Relations,” *Organizing the World’s Money*, B. Cohen, ed. (London: Basic Books, 1977).

operation (EPC) did little but facilitate dialogue between foreign and defence ministers (but see Smith 1998)⁶ before the Maastricht treaty created the multi-pillar structure to the EU and the “Common Foreign and Security Policy.” But, the EU’s creep towards having an external policy and framework for giving aid and resolving external issues like trade disputes, began to create a framework within which CFSP could later be fitted.

Internal security issues, especially common policing also remained very sensitive issues of national sovereignty in this time, without even a NATO-like counterpart to broach the notion of transnational cooperation. Although InterPol, founded in 1923, created somewhat of an international precedent for information-sharing between police, EuroPol was only created in 1992, by the Maastricht treaty and didn’t come into effect as an organisation until two years later. In the intervening time, however, the EU did move ahead with defining at least basic rules with respect to migration and free movement within the EU, laying some of the groundwork for rule-making in this area of security. In the next section I will discuss how it is that the EU’s evolved institutional framework, rather than integration of the European economies per se, created an effective basis for subsequent security cooperation on both internal and external issues.

⁶ Michael Smith, “Rules, Transgovernmentalism and EPC,” *In European Integration and Supranational Governance*, W. Sandholtz and A. Stone Sweet, eds. (Oxford: Oxford University Press, 1998).

External Security in the EU

Historical Development

The EU's external security policy really came into its own after the Maastricht treaty created the three pillar system, consisting of the "European Community," centered around the supranational institutions and Common Market, and the two intergovernmental pillars,⁷ of which one was the "Common Foreign and Security Policy" (CFSP). It gave a formal framework to the EU for giving external aid, a large part of the EU's foreign policy, as well as providing a context for discussing security issues. It also gave the European Parliament a (quite limited) role in foreign and security policy through the requirement that it ratify any international agreements that the EU makes with third countries and by adding foreign expenditure to the budget, which the EP had long had the power review and approve.

The Amsterdam treaty expanded the EU's security policy sphere even further. It created the position of a "High Representative" for CFSP, a position to which Javier Solana was quickly appointed. It provided for the creation of an EU Rapid Reaction Force and provided for the formal phasing out of the WEU forces. And these troops have already been deployed as peacekeepers in Macedonia. Amsterdam also introduced the

⁷The "first pillar", the European Community, is the most supranational and integrated portion of the EU, in which the European Court of Justice reviews and authoritatively decides cases, the European Parliament has the greatest legislative say and the European Commission is an influential legislative agenda setter and executive body. The second and the third pillars (CFSP and JHA, respectively) are characterized by intergovernmental decision-making in which Member States retain veto powers and the supranational institutions have little say.

concept efficiency to the EU security policy by proposing the creation of a common market for armaments and promoting Europe wide common research and development on defense technologies, arguing that the EU needed the economies of scale of the full European market in order to be competitive in the defense industries. Although there seems to be promise of more development in EU external security cooperation and the foundation of EU level bureaus in support of that, thus far, the output has been marginal.

A Causal Link between Economic Integration and External Security Cooperation?

It is unclear that these developments were directly linked to economic integration in the sense of being driven by market forces or a by-product of greater market liberalization. Indeed, defense tends to be one of the most protected of any national industry and most shielded from market competition. The free movement of goods and services obligations that the treaties imposes on member states have long had derogations for defense related goods and occupations, which have been upheld numerous times in the EU's high court, the European Court of Justice (ECJ). Nor is there robust EU-level lobbying in favor of integration, such that one could point to market actors pushing for security cooperation. Indeed, Smith⁸ baldly asserts that on security matters, "issue-specific lobbying is virtually non-existent, compared to that which exists in [first pillar] Community affairs." There is little evidence that integration has created market-

⁸ Michael Smith, "Institutionalization, Policy Adaptation and European Foreign Policy Cooperation," *European Journal of International Relations* (2004). 10:95–136.

driven demand for EU level security cooperation or stimulated the formation of a European “military industrial complex.” Indeed, many academic scholars, brush off the economic aspects of integration and turn directly to questions such as identities⁹ or evolving norms of cooperation¹⁰ or simple interest at leveraging the power of other Member States as reasons. In fact, were there a direct causal relationship between economic integration and common security it might not be positive. One set of economists point out that if you consider defense to be a classic public good, then there is a risk that greater integration and more joint European spending on defense, will simply result in an increase in free riders and a decrease in overall investment in security.¹¹ This argument may be plausible, as it is more or less that which has been advanced with respect to the differentials between US and European spending under NATO. This is not to say that the existing state of European integration, at the time of this significant expansion of EU external security policies and competencies was irrelevant, however.

EU Institutions and External Security Cooperation

The developments detailed above, that solidified the EU’s disparate external security aims into the CFSP, were enabled by an existing network of institutions, both formal and informal.

⁹ Matthias Koenig-Archibugi, “Elaining Preferences for Institutional Change in EU Foreign and Security Policy,” *International Organization* (2004), 58: 137–174.

¹⁰ Helene Sjusren, “Understanding the Common Foreign and Security Policy: Analytical Building Blocs. *Arena Working Paper* 9/03 (2003).

¹¹ Marc Guyot and Radu Vranceanu, “European Defence: The Cost of Partial Integration,” *Defence and Peace Economics* (2001), 12:157–174.

One legacy of the EPC was the gradual linking of EC (or “first pillar”) resources and issues to security related EPC ones. It had initially been strongly asserted that the informal cooperation between Member States’ under EPC should be kept strictly separated from European Community issues and involvement by the supranational actors, but that gradually changed as the EC took on more external aid issues and relations between the supranational institutions evolved. This provided for a space in which the security dimensions of aid and other purely foreign policy decisions could be weighed and changed the norms associated with acceptable EPC topics of consideration. Furthermore, the set of technocrats associated with EPC - the bureaucratic networks linking them and communication between them - proved to be a resource important to the output of CFSP. EPC, therefore, created a network of experts who presented a ready body onto which the High Representative, created under Amsterdam, could be placed,¹² so that as the position of HR develops, it has had a ready-made set of resources and relationships to draw on.

Relations between EU actors with respect to CFSP have also been shaped and eased by pre-existing rules and informal norms. Existing EU rules governing the separation of powers between the EU’s supranational and intergovernmental actors - the European Commission, Parliament and Council and the Member states - provide somewhat of a framework within which new CFSP competencies have developed and conflicts can be resolved. Although the CFSP pillar of the EU generally excludes

¹² Michael Smith, “Institutionalization, Policy Adaptation and European Foreign Policy Cooperation” (2004).

the supranational organizations from involvement in the policy area, there is still some overlap (usually to do with funding CFSP initiatives) and they have been given some competences. The European Parliament, for example, is very defensive of its right to grant discharge to the EU budget and will tend to challenge legislative measures which it feels it has been insufficiently involved in.¹³ The European Commission has similarly conflicted with the Council over issues tangentially related to external affairs and, indeed, taken the Council to court over them. These tendencies towards political turf-conflicts would have had the potential to derail sensitive security initiatives over inter-institutional wrangling, were it not for the fact that by the time the policy area was created, a framework of reliable, enforceable mechanisms for resolving them had already evolved. By the time that cases began to be reviewed by the European Court of Justice about separation of powers conflicts over EU foreign aid the Court had, however, already crafted a case law and precedential basis for resolving these conflicts with maximum clarity and dispatch.¹⁴ Other scholars point to ways in which the European Parliament has used informal norms of consultation to actually expand its authority under CFSP.¹⁵

¹³ Hae-Won Jun, "Catching the Runaway Bureaucracy in Brussels: Euro-parliamentarians in Budgetary Politics," *European Union Politics* (2003), 4:421–445

¹⁴ Margaret McCown, "The European Parliament Before the Bench: ECJ Precedent and EP Litigation Strategies," *Journal European Public Policy* (2003), 10: 974–995; Margaret McCown and Hae-Won Jun, "Inter-Institutional Disputes in the European Union: The Constitution Dimension of European Integration," Paper read at European Union Studies Association Conference, at Nashville, TN (2003).

¹⁵ Jeffrey Stacey, "Inter-Organizational Sparring in the EU's Informal Sphere: the Case of CFSP," Paper read at EUSA Conference, at Austin, TX (2005).

The EU's external security policy has been marked more by commitment and rhetoric than action, however. Many scholars are adopting a wait and see approach, to weigh the consequences of CFSP.¹⁶ Some of this may be due to the fact that it is a fairly new area of EU policy, with very young institutions and organizations and relatively few existing structures onto which these new provisions could be attached. However, scholars do point to some already discernable results: the CFSP's norms of consensus manage, Hill argues to have maintained some coherence in EU foreign policy in the face of bitter debate over the war in Iraq and probably underpinned the very substantial financial contributions the EU has made to reconstruction in Afghanistan. And, to the extent to which some of the lack of foreign security policy output is due to what Deighton called the "inter-institutional maelstrom" (2001) caused by the changes in security policy inter-organizational relations since Maastricht, it may be that existing rules and norms for resolving inter-institutional relations ameliorate this with time. As Hill (2004)¹⁷ said, "European foreign policy is a long game" and history sustains this assertion. And it should be recalled that in addition to meaning that European foreign policy has been a long time coming, it also means it has been sustained over long periods of time, even in the face of considerable disagreement.

¹⁶ Anne Deighton, "The European Security and Defence Policy," *Journal of Common Market Studies* (2002), 40:719-741; Christopher Hill, "Renationalizing or Regrouping? EU Foreign Policy Since 11 September 2001," *Journal of Common Market Studies* (2004), 42:143-163.

¹⁷ Christopher Hill, "Renationalizing or Regrouping? EU Foreign Policy Since 11 September 2001," *Journal of Common Market Studies* (2004).

Internal Security and the EU

Historical Development

Internal security matters in the EU have, in contrast, developed rapidly in comparison with the CFSP. It also seems likely that they will continue to do so at an accelerated pace, relative to external security questions. Internal security questions in the EU, largely fall under the EU's Justice and Home Affairs pillar, although enough issues fall in other areas of EU policy making, that the Amsterdam treaty also defines a general "Area of Freedom Security and Justice" that encompasses both first and third pillar activities of the EU. These activities address a fairly wide range of issues, from migration, illegal, legal and defining the boundaries of the two, to transnational crime to include counternarcotics and counterterrorism. Harmonizing national criminal codes is a highly sensitive question and one that has not been significantly attempted, but creating procedures for trans-border police cooperation, information sharing and intelligence gathering has gradually evolved, an outgrowth partly of the fact that some longtime EU competencies such as customs do have a policing aspect. In this way, even on issues for which enforcement is left to the national level, where the applicable rules are European, the two levels of governance become more intermeshed. And the question of migration has been dealt with at length by both legislation and the courts.

Even though JHA issues have been as nationally sensitive as CFSP ones, because migration is a central issue in internal security and because it was an issue addressed in the earliest stages of the EU - the European Steel and Coal Community had

provisions for workers' mobility¹⁸ - there was a more articulated and longstanding institutional frameworks on which to graft the Maastricht and subsequent treaty developments than for CFSP. And, indeed, Maastricht codified the right to free movement of persons as one of the essential "four freedoms" in the EU.

Maastricht introduced the JHA pillar, creating additional structures such as Europol that fall strictly under the inter-governmental decision-making of JHA. Because Maastricht also explicitly defined free movement of persons as an EU right (as had been stated in the ECJ's case law and elsewhere in EU law for some time) there were, from the start, first pillar, or supranational aspects of internal security. Moreover, there were existing ECJ rulings about issues such as rights to employment of EU citizens in other member states that created an institutional framework on which to ground issues like mobility provisions. Sensitive issues such as asylum policy or cross border police detentions were left to JHA, however and national vetos. Still, however, it provided a basis for defining common internal security measures.

Subsequent developments in the Amsterdam treaty (1997) and the Tampere Intergovernmental Conference (1999) resulted in some significant changes with interesting implications. They also set the stage for even more rapid developments in recent years, in response to counter-terrorism security demands. Tampere created a series of soft law agreements to expedite the creation of internal security measures. Amsterdam transferred migration, visas and asylum questions to the first pillar of the EU and, thus, increasingly subjected these policy areas to ECJ judicial review

¹⁸ Willem Maas, "The Genesis of European Rights," *Journal of Common Market Studies*, 43 (2005).

and qualified majority voting in the Council.

Amsterdam also included two intriguing institutional mechanisms: Article 35 TEU allows Member States to, by choice, agree to allow ECJ review of third pillar matters and Article 42 allows for the transfer of issues from the third pillar to the first for legislative purposes. The EU has, moreover, made some use of these provisions. In 2005, the EP got the Commission to table a proposal to relocate several third pillar issues to the first pillar (P6_TA(2005)0227, 6th term). It has also reviewed cases under Article 35 TEU, for example *Gözütok v. Brügge* on crossborder police initiatives.¹⁹

The EU structure to AFSJ, then, is very distinctive in having allocated significant policy areas to both the first and third pillars and then creating treaty mechanisms to allow policy areas in the third pillar to allow intergovernmental actors to discretionarily take advantage of the more developed institutional mechanisms and judicial review of the first pillar. When pressed by events, very sweeping legislation has been achieved quite quickly under AFSJ. Monar has shown empirically that, even before September 11th forced several internal security issues to the fore, JHA issues occupied 40% of the meetings or workload of the Council Secretariat.²⁰ The Tampere IGC resulted in a series of soft law commitments to further develop, in particular migration policy with respect to asylum, which have, indeed, begun to come to

¹⁹ Nadine Thwaites, "Mutual Trust in Criminal Matters: The ECJ Gives a First Interpretation of a Provision of the Convention Implementing the Schengen Agreement," *German Law Journal-International and European Law* (2003), 3:<http://www.germanlawjournal.com>.

²⁰ J. Monar, "An Emerging Regime of Governance for Freedom, Security and Justice," *ESRC One Europe or Several? Program Briefing Note 2/99* (1999).

fruition.

The most notable outputs of recent years however, were the rapid legislating of a Common European Arrest Warrant and an EU Common Terrorism Policy. The events of 11th September gave great impetus to both of these initiatives, but that substantive, functional legislation was passed so rapidly is notable. The Common European Arrest Warrant did require significant consensus on the harmonization of procedural aspects of national criminal law, very sensitive issues of national sovereignty (Jimeno-Bulnes 2004).²¹ The European Common Terrorism Policy, meanwhile, a package of legislation, created a common list of designated terrorist organizations and provisions for asset freezes and the like of designate groups. Some of this legislation built on existing statutes for investigating and prosecuting money laundering, for example, but are very noteworthy in that they essentially took on functions often performed by foreign ministries at the national level. (In the United States, for example, it is the State Department that maintains the list of Foreign Terrorist Organizations and monitors application of the associated sanctions.)

A Causal Link between Economic Integration and Internal Security Cooperation?

If one turns to examine a potential link between economic integration and cooperation on internal security affairs under AFSJ one is left with a negative, rather than positive linkage, if

²¹ Mar Jimeno-Bulnes, "After September 11th: the Fight Against Terrorism in National and European Law. Substantive and Procedural Rules: Some Examples," *Journal of European Law* (2004), 10:235-253.

any. There is certainly not a market-logic for any parties (except, perhaps, for criminals) to drive integration in policing and migration rules. It is true that EU citizens have brought court cases in which they pressed for rights under free movement of persons provisions and these rulings have become institutionalized as precedent. But it is not entirely clear that it is EU economic integration or variations in domestic policy and structural labor laws that make different regions of the EU attractive to workers from outside those areas.

EU states have argued for years that a downside of integration, especially common borders under the Schengen plan is that it creates a common market for criminals. So, in a sort of negative way, one could argue that economic integration created imperatives for some common policing provisions. But throughout much the history of the EU tariffs were higher and relative wage differences on the borders of the EU greater than now, creating strong incentives for crossborder crimes like smuggling, with relatively little resultant cooperation at the EU level. The rise of transnational terrorism and the general increase in sophistication of transnational crime that has been attendant on globalization may have provided rather more of an impetus to create transnational EU security solutions. But, it seems the case again in JHA as in CFSP that the existing institutions explain much of the instantiation of the policy area.

EU Institutions and Internal Security Cooperation?

Internal common security policy in the EU seems to have been significantly enabled by the existing network of EU rules. The first compelling example of a pre-existing institutional

structure enabling subsequent, quite radical development in the policy area was the 1986 Single Europe Act, which relaunched the Common Market program and focused on measures that were needed to complete market integration and so made provision for liberalizing movement of labor in the EU. In this way, it laid the groundwork for the four freedoms as articulated and elevated to the level of rights in Maastricht. This existing institutional framework, including ECJ rulings on EU legislation and the treaties, was then the context in which additional changes to internal security policy were added.

The really fascinating mechanisms were those added in Amsterdam allowing the Council and Member States to discretionarily avail themselves of the institutions of the first pillar. These mechanisms add greater weight to the argument that the existing network of EU rules are a factor which enable development in a policy domain. Although Member States retain much more autonomy to the extent to which they leave policy areas in the intergovernmental third pillar, the treaties clearly envisioned circumstances in which actors might wish to avail themselves of the more fully articulated institutional structure, or possibly legitimacy, of the first pillar. Even more compellingly, there are some instances in which this has occurred. And this may explain some of the divergence in legislative and intergovernmental output in AFSJ relative to the EU's external security policy.

If one turns to more recent changes in AFSJ, one can find additional instances of the existing EU rules, in the first pillar, being leveraged for the purposes of internal security provisions. The Common European Arrest Warrant was faced with the challenge of creating rules on things like extradition and evidentiary

requirements that could be applied in multiple member states. In a region that encompasses an extremely wide range of legal systems from common law to civil law and incorporating traditions from Napoleonic to Roman legal codes, rationalizing even procedural rules was an extreme challenge. Moreover, legislators were under a great deal of pressure to complete the legislation quickly as it was part of the EU's legal response to Sept. the 11th. In the end, they passed it in three months, extraordinarily fast by EU (and most national) standards. Where the Arrest Warrant relies in an interesting way on existing EU institutions is in its inclusion of a principle called "mutual recognition"²² whereby, absent a harmonizing EU norm, Member States agree to recognize each other's national laws. It was one of the soft law norms created in the Tampere summit in 1999, meant to ease technical difficulties in resolving cross national policing cases, but the principle was actually created in an ECJ precedent in a free movement of goods case (ECJ 120/78 *Cassis de Dijon*) some twenty years before. The *Cassis* decision went on to structure much of free movement of goods law and to be the ECJ's most-cited precedent²³ and has been the focus of extensive scholarship. This is yet another example, then, of how a robust existing institutional framework provides a basis for rapid development of new policy areas.

There has been so much activity in ASFJ that some scholars

²² Susie Alegre and Marisa Leaf, "Mutual Recognition in European Judicial Cooperation: A step too far too soon? Case Study – the European Arrest Warrant," *Journal of European Law* (2004), 10:200–217.

²³ Margaret McCown, "Drafting the European Constitution Case by Case: Precedent and the Judicial Integration of the EU," *Doctoral Dissertation, Department of Politics* (Oxford: Oxford University, 2004).

have questioned whether it is the “new single market”.²⁴ Indeed, scholars tend to focus more on whether potential future problems in this area will have more to do with implementing “the voluminous acquis”²⁵ than with sustaining the extraordinary momentum. It is clear, however, that EU policy making has taken off and become developed to a far greater extent with respect to internal than external security issues. One could of course argue that this is due to contingent events, such a competition between CFSP and NATO for resources and attention from politicians²⁶ or greater attention being paid to common policing issues as violent political crime becomes more salient, but these explanations seem unsatisfyingly ad hoc. In contrast, as many scholars would argue, the existing institutions shape and enable the evolution of newer ones, even those purported to be quite independent from the content or intention of the new ones.²⁷ In addition, a comparison of JHA and CFSP seems to show that, over time and across multiple treaty revisions, the existing density of institutions makes a difference to the growth and development of otherwise similar, and, indeed, even parallel, policy areas.

²⁴ Christian Kaunert, “Justice and Home Affairs (JHA) - The Construction of a New Single Market?” Paper read at Pan-European Conference (SGIR), at The Hague, the Netherlands (2004).

²⁵ Joanna Apap, “Problems and Solutions for New Member States in Implementing the JHA Acquis,” *CEPS Working Document No. 212* (2004).

²⁶ e.g. Hanna Ojanen, “The EU and NATO: Two Competing Models for a Common Defence Policy,” *Journal of Common Market Studies* (2006), 44: 57–76.

²⁷ Douglas North, *Institutions Institutional Change, and Economic Performance* (Cambridge: Cambridge UP, 1990).

Linkages, Contemporary Developments and Confidence Building

If one turns to the linkages between economic integration and security cooperation that this symposium seeks to explore, one finds, again, that scholars of Europe have spent time pondering this connection. In the post cold war period, researchers began to argue again that a link existed between economic security and political-military security²⁸ and pointed to the ways in which improving economic and social conditions on the borders of Europe, improved security within the EU. There is also an implicit acknowledgment of this in the history of EU integration. The tradition of coupling accession to the EU and to NATO in both the southern and eastern waves of accession of the EU suggest this understanding of an interdependence between them has been shared amongst politicians for some time. The understanding of this relationship also holds true for internal security issues, such as migration, counter-terrorism and smuggling.²⁹ The EU's massive amounts of funding to support the reconstruction of Afghanistan presumably represents a reasonable hope that promoting security and stability abroad will stem the tide of narcotrafficking (90% of Europe's heroin comes from Afghanistan) and terrorism that flows from the region. There are economies to scale to be leveraged whether it be a common European fund for defense

²⁸ James Sperling and Emil Kirchner, *Economic Security and the Problem of Cooperation in post Cold War Europe* (1998).

²⁹ Thierry Balzacq, Didier Bigo, Sergio Carrera and Elspeth Guild, "Security and the Two-Level Game: The Treaty of Pruem, EU and the Management of Threats," *CEPS Working Document No. 234* (2006).

research and development or information sharing through Europol across police departments.

Whether economic integration is to the benefit of collective security (the hope of the founding statesmen of today's EU) is a separate question, however, from whether it necessitates or directly prompts the creation of regional policy solutions on security matters. Here the causal evidence seems weaker. Economic integration in the sense of trade and financial liberalization may do little to promote the development of security policy either as represented by CFSP or JHA.

If one examines the question of mutual confidence that is of interest to this symposium, one concludes that while the economic and social aspects of security may build confidence between nations in ways that can ease cooperation, the existence and density of shared, enforceable norms underpinning economic integration may have a more measurable impact. This paper would suggest that the linkage between economic integration and security cooperation does, indeed, have to do with confidence building between Member States and that what builds that confidence is shared trust in and experience with a large number of rules, both formal and informal, that implement the economic integration project. Confidence in both their enforceability and the fact that they provide a basis for future institution building, so of efficacy, appears to provide an excellent basis for policy development. So much, so in fact, that even in very institution-free environments, such as the EPC of the 1970s, actors start to build informal norms to "fill in" these spaces and these norms do exert long term influence.

Certainly recent events, including, inarguably the end of

Cold War, the Balkans wars, the terrorist attacks in New York, Madrid and London and the attendant actions in Afghanistan and across the world have had an impact on European security cooperation. Actions taken in response to these events have, however, occurred very much in the context of the existing European institutional framework. Both the evolved norms in the second and third pillars and the existing legal framework of the treaties, EU legislation and even ECJ decisions set the stage on which subsequent actions have been taken and the legal constraints shaping them.

Conclusions

It is not, then, that economic integration created a demand for more efficient EU level security institutions (as it has been argued is the case for other institutions, see Stone Sweet and Brunell 1998)³⁰ or been based on a logic of increasing returns to scale. Although the language of efficiency is sometimes used to justify security cooperation – and, in areas like R&D, with a fair degree of justification – because security has been more subject to protection than any other area of law, it is unlikely that market forces drove cooperation. It is similarly unlikely that changes in the nature of threats facing Europe drove cooperation. Although the geographic scale of the terrorism threat is wider now than in the past, it is hardly a new phenomenon. And, it is not as if some European countries have not undertaken military action outside

³⁰ Alec Stone Sweet and Thomas Brunell, “Constructing a Supranational Constitution: Dispute Resolution and Governance in the European Community,” *American Political Science Review* (1998), 92:63–81.

of Europe prior to the evolution of the contemporary EU institutions. In that sense, economic integration hardly relied on EU level security cooperation and, to the contrary, preceded it by quite some time. What does appear to be the case, however, is that a fair degree of judicial and statutory integration was very helpful and possibly a necessary precondition for the flurry of activity in security cooperation that one has seen recently. It points to the requisite density of institutional rules necessary to underpin genuine security cooperation and, possibly, the extensive rule-making capacity that, if not absolutely necessary, helps matters. It is certainly true that somewhat of the same is visible in NATO, an interesting point of comparison that subsequent research could address.

In the context of this symposium's research, then, the link between economic integration and confidence building in security may or may not be direct, but it is mediated by the creation of dense institutions. The degree of economic integration visible in the EU has been marked by the creation of effective judicial review and ever more focus on prolific and speedy rule-making. This capacity for institution-building has had an impact on Member State's propensity to seek a European solution and the framework within which they've fit these solutions.

From a Northeast Asian perspective, this suggests that the key step to truly building the basis for intensive cooperation is the construction of shared, trusted, enforced norms. In explicit security agreements, these are often vague, highly politicized and therefore subject to a great deal of derogation (undermining the shared expectations of enforcement that may build trust). The EU's experience shows that the accumulation of a dense set of

these rules and the demonstrated enforcement of them and acquiescence to them, over a long period of time can promote this trust even when the rules are in policy areas only tangentially related to classic security concerns. Moreover, they can then be adapted and used as a basis for fairly robust security institutions as the need and pressure arises to do so. Squabbling over (and resolving in legally appropriate ways) the appropriate import duties on national treasures such as beer, pasta and pastries appears to have significant security benefits. The paper concludes then, with the by now banal observation that institutions matter. The variation on this theme that the EU experience highlights with relevance to other regional integration schemes is, however, that, rather more than the specific nature of those institutions, the density of them matters. Going ahead and proceeding with serious and deep market liberalization governed by organizations that can guarantee adherence to international agreements does have, it appears, spillover benefits to collective security.

Regional Cooperation in Asia

: Suggestions for Future Development

Kyu-Ryoon Kim

Introduction

The last decade has witnessed an explosion in the number of mechanisms for regional cooperation. Almost all countries of the world have now become signatories to at least one such regional institution. Although these institutions differ in size and mission, a proliferation of such regional institutions has undoubtedly occurred. The question of regional cooperation is not a new one to either policymakers or scholars. European integration, accompanied as it was by successive name changes (from the Common Market to the European Community to the European Union (EU)), was undeniably successful enough to attract the attention of other countries seeking to create or join a similar instrument aimed at regional cooperation for their own economic and/or political reasons.

The idea of European integration originated from the vision of European leaders. Following the Second World War, Europe was by no means a leading power in either the political and economic arena. No single European country was likely to be taken seriously as a credible actor in international relations if

it acted in an isolated way. In other words, Europeans sought desperately to reconstruct Europe and to adjust to a world of global competition where the United States had world economic and security supremacy. The process of European integration was born of this rather desperate situation.

Regional cooperation in East Asia has also undergone a process of development, although most international interactions have been managed through the mechanism of bilateral relations. The Association of Southeast Asian Nations (ASEAN) has the longest history in pursuing regional integration in East Asia. ASEAN has progressed rather sluggishly because of the Cold War. In fact, it was the Communist threat which made the formation of ASEAN possible. However, at the same time, it inhibited the smooth development of ASEAN until the end of the Cold War. Like elsewhere in the world, the East Asian region began to exhibit the multiple networks of regional arrangements concurrent with the decline of socialism. The ASEAN Regional Forum (ARF) and Asia-Pacific Economic Cooperation (APEC) were borne out of these international environmental changes.

The current article attempts to assess the status of regionalism movements in East Asia and to explore the ways in which regional cooperation may be enhanced. In doing so, various factors behind regionalism in East Asia shall be examined along with theories of regionalism. The article concludes with suggestions for the future development of East Asian regionalism.

The Theories and Practices of Regionalism

Theories

Theories on regional cooperation can be divided into three categories depending upon the theoretical focus. First, many scholars have attempted to deal with regionalism at the micro-level of international relations. These theories treat regional cooperative movements as primarily occurring within the existing state system. Thus they focus mostly on the cooperative processes among regional countries while these efforts do not touch upon the issues of sovereignty and national boundaries.¹

The second category of regionalism theories center on the approaches to rebuilding the state system. This group of theories interprets and prescribes the ways to enhance regional cooperation in a concerted manner. These scholars and practitioners actually played a key role in developing the processes involved in European integration. European countries had long been concerned about creating a war-free continent due to their experience of two major world wars, both of which were utterly devastating in their effects. A number of international relations scholars during the inter-war period insisted upon rather normative and grandiose theories to achieve world peace. As a result, they failed to suggest practical and detailed methods to successfully achieve international peace. In contrast, post-war theorists showed different traits from their predecessors in the sense that they tried to provide

¹ Among the concepts from adjustment theories, the following six regional cooperative actions are practically used in the international relations: co-ordination, co-operation, harmonization, association, parallel national action process, and supranationalism. For more detailed explanation about these, refer to A.J.R. Groom and Paul Taylor, eds., *Frameworks for International Co-operation* (London: Pinter Publishers, 1990), pp. 27-122.

practical ways to form a regional entity. Among the theories in this category, functionalism can be noted as being influential enough to attract the attention from both scholars and policy-makers. Indeed, the works of David Mitrany provided many useful insights into the issues surrounding European integration.² He suggested that functional integration was more important. In other words, propositions such as “form follows function” and “spill-over effects” have been noted and acted upon during the integration processes that Europe has experienced. Later, E.B. Haas reformulated functionalism and came up with neo-functionalism.³ The critical difference lies in the idea that neo-functionalism suggested the importance of political initiative in expediting integration processes.

Third, another group of scholars has been more concerned about the world-system level changes which could be effectuated by regionalism. They also pay attention to the other possibility that regionalism would be influenced by world systemic changes. Thus, these theorists emphasize the importance of regime change and try to prescribe regionalism as a remedy to world problems and to explain regionalism as a consequence of systemic changes.⁴

The existing regionalism theories have contributed a great deal in explaining and analyzing European integration. On the

² David Mitrany, *A Working Peace System* (London: Royal Institute for International Affairs, 1943), David Mitrany, *The Functional Theory of Politics* (London: London School of Economics and Political Science, and Martin Robertson, 1975).

³ E. B. Haas, *The Uniting of Europe* (Stanford: Stanford University Press, 1968).

⁴ Roger Tooze, “Regimes and International Co-operation,” in A.J.R. Groom and Paul Taylor, *Frameworks for International Co-operation* (London: Pinter Publishers, 1990), pp. 199–216.

other hand, they have provided prescriptions about how to deal with difficulties in achieving European integration. They occupy an important part of international relations theory even though their explanatory power has shown fluctuations depending on the circumstances. Perhaps one of the weakest points may be that they emphasize the importance of pluralism and democracy. These theories can best be applied to advanced societies such as Western Europe. Still, we can draw useful insights from the existing regionalism theories in analyzing the current regionalism movements occurring elsewhere and in providing more adequate ways to pursue regionalism in different contexts. As <Table 1> shows, each theory has its own strengths and emphases. This paper will attempt to adapt existing theories in order to explain the current regionalism movements in East Asia.

<Table 1> Traits of Regionalism Theories⁵

	Adjustment Theories	Integration Theories	World System Theories
Level of Analysis	Within state system	Rebuilding state system	Beyond state system
Major Components	Coordination Cooperation Harmonization Association	Functionalism Neo-Functiona lism	Regime Theory World Systems Theory
Primary Actors	Nation-state Political leaders Societal groups	Nation-state Political leaders Mass Public International Organization	Nation-state International Organization
Focus	Explanation	Analysis Prescription	Prescription

⁵ This table reorganized and summarized the contents of the edited volume. A.J.R. Groom and Paul Taylor, *Frameworks for International Co-operation* (London: Pinter Publishers, 1990).

Practices

Regionalism itself is not a new phenomenon. It can be traced back as early as the nineteenth century when multiple customs unions and trade agreements flourished in Europe. It reappeared during inter-war period and resulted in preferential trading arrangements among neighboring countries. This inter-war period regionalism, however, produced protectionist trade policies and caused deep depression.⁶

After World War II, regional arrangements were developed for the following reasons. First, regional security arrangements were initiated by the United States and the Soviet Union in order to strengthen the security capabilities of each bloc and to complement bilateral alliance structures. The North Atlantic Treaty Organization (NATO) was created as a deterrent and regional protection against possible Soviet aggression in Western Europe. In order to provide a balance against NATO, the Warsaw Pact was organized in Eastern Europe. These regional security organizations represented the Cold War rivalry of the two superpowers, the United States and the Soviet Union. A second type of regionalism was also created in the area of economics. The road to realize European integration began with the European Coal and Steel Community (ECSC) treaty in 1951.⁷ The European Union (EU) completed economic integration by introducing a single currency and is currently attempting to

⁶ Edward D. Mansfield and Helen V. Milner, "The New Wave of Regionalism," *International Organization*, Vol. 53, No. 3 (1999), pp. 589–627.

⁷ European Coal and Steel Community (ECSC) later became the backbone of European Economic Community (EEC), European Community (EC) and European Union (EU).

deepen political integration. On the other hand, the Council on Mutual Economic Assistance (CMEA) was founded in 1949 within the Soviet bloc. These initial efforts to realize regionalism in Europe were reflections of the East-West rivalry formed by the two superpowers. At first, these regional arrangements seemed to progress quite speedily. However, as the United States and the Soviet Union entered into detente in the early 1970s, the initial motivations behind post war regionalism began to be questioned. As a result, these regionalist movements experienced a long period of sluggish development during the 1970s and 1980s. In fact, European integration efforts somehow lost their momentum due largely to detente and following rapprochement between the United States and the Soviet Union because, it can be argued, European citizens felt a united Europe was becoming less of a determinant for achieving a permanent peace structure in Europe.

<Table 2> Focus of Initial European Regionalism

	Motivation	Primary Method	Membership Openness	Key Players
NATO	Security	Coordination	Closed	U.S.A. & Allies
EU	Economy	Functionalism	Closed	Germany, France

The current pattern of regionalism in Europe was re-invigorated with the demise of the Soviet Union and consequent international changes. When the Cold War period ended, Europe grabbed another opportunity to unite its citizens. This time, the most important motivation behind integration of Europe was the prospect of economic prosperity. In other words, Europeans

felt free to concentrate on deepening economic integration without worrying about possible communist aggression. Rather, Western Europe met another challenge of enlarging its sphere to encompass Eastern Europe. This factor actually hastens the process of integration among members of the EU. Another variable to be noted here is that European leaders felt a strong need to have a comparable size of economy in order to compete with the United States in the world.

It should also be noted here that recent regionalism takes different forms from the ones originally suggested by integration theorists. The current patterns of regionalism show somewhat diffuse traits and encompass economic and security aspects at the same time. As regionalism spreads throughout the world, there have been efforts to facilitate communications among these regional arrangements across continents.⁸ These trends surely are reflected in the regional arrangements in East Asia. The next section shall be devoted to an analysis of the current patterns of regionalism in East Asia

Asian Regionalism

Past and Present Records

There exist multiple regional institutions in East Asia: ASEAN, APEC, ASEAN Regional Forum (ARF). The Northeast Asia Cooperative Dialogue (NEACD) performs the role of a security forum in Northeast Asia. The Tumen River Area

⁸ One of the most noteworthy examples is Asia Europe Meeting (ASEM) between the countries of Europe and Asia.

Development Program (TRADP), initiated by the United Nations Development Program (UNDP), has been running as a regional development project. First, ASEAN has existed for several decades. It has gone through several stages of development in the midst of what have sometimes been turbulent periods for international relations in East Asia. ASEAN, among the other regional institutions, has a longer history than the others and has become the backbone of regional cooperation. When ASEAN was founded in 1967, member countries had a great vision of achieving peace, stability, and prosperity.⁹ The Southeast Asian region, at that time, exhibited great instability in terms of security and degrees of economic backwardness. To make things worse, the region had been under continuous pressure from communist infiltration and insurgency for the first ten years of ASEAN's history. The fall of South Vietnam forced leaders of the region to reconsider the efficacy of regional cooperation. Additionally, continued conflict on the Indochinese peninsula hindered development of ASEAN. This rather sluggish development reached a turning point when the Cold War ended and Vietnam opened up its economy. With the admission of the Indochinese countries,¹⁰ ASEAN was at last in a position to initiate various measures aimed at regional integration.¹¹

Second, APEC was launched with a membership of twelve

⁹ History and Evolution of ASEAN, http://www.aseansec.org/history/asn_his2.html.

¹⁰ Vietnam, Myanmar, Laos, Cambodia

¹¹ In 2003, the ASEAN adopted a declaration to accelerate cooperation by promoting three communities by 2020: ASEAN Security Community (ASC), ASEAN Economic Community (AEC), and ASEAN Socio-Cultural Community (ASCC).

countries in 1989.¹² APEC was created as an international forum to discuss regional economic issues and continued to broaden its membership to accommodate twenty one countries.¹³ In addition to promoting regional economic cooperation, APEC has held annual summit meeting since 1993. APEC showed a peculiar characteristic as a regional organization: the principle of open regionalism. Unlike other regional institutions, APEC declared that it would not discriminate between non-member countries vis-a-vis member countries. Member countries also agreed to promote trade liberalization by 2010 for the advanced countries and by 2020 for the developing countries. It should be noted here that APEC led the conclusion of the Uruguay Round by declaring member countries would support further trade liberalization. Another point is the importance of the annual summit meeting because it includes the so-called four major powers. APEC also added security issues in its discussions among the leaders of the member countries after the September 11 terrorist attacks.

Third, ARF was launched in 1994 with the initiatives of the leaders of the ASEAN countries.¹⁴ ARF provides an annual forum for exchanges of opinions among member countries and discusses non-conventional threats such as peace-keeping, anti-

¹² Twelve founding members were: South Korea, the United States, Japan, Australia, New Zealand, Canada, Malaysia, Indonesia, Thailand, the Philippines, Singapore, Brunei.

¹³ Nine more countries had been added gradually: China, Hong Kong, Taiwan, Mexico, Papua New Guinea, Chile, Russia, Vietnam, and Peru.

¹⁴ ARF member countries are composed of ten ASEAN countries, ten extra-regional dialogue partners (South Korea, the United States, Japan, Canada, Australia, New Zealand, European Commission, China, Russia, India), and three countries (Mongolia, Papua New Guinea, North Korea).

terrorism, sea-lane security, etc. However, it lacks commonality among participating members because it includes too many diverse countries. One of the usefulness of the ARF may be that it functions as a discussion forum for diverse security issues. However, it shows a tendency to avoid confrontational issues and its powers to actually implement initiatives is questioned by many scholars.

Fourth, a regional summit meeting, called ASEAN+3, has been regularized between the members of ASEAN and three Northeast Asian countries (South Korea, China, and Japan) since 1997. Along with ASEAN+3 summit meetings, trilateral meetings among the three Northeast Asian countries have also been held. Moreover, an East Asian Summit (EAS) was held for the first time in 2005. Another two regional cooperative efforts are the NEACD and the TRADP. These two sub-regional entities are yet to be institutionalized: NEACD runs as a track-two forum and TRADP as a development program led by the UNDP.

The above regional cooperative mechanisms (with the exception of ASEAN) were launched along with other globalizing trends such as the end of the Cold War and the growing mood for trade liberalization. As a matter of fact, the activities of ASEAN became more vigorous since the early 1990s when the Cold War structure in East Asia was dismantled. The following table summarizes the characteristics of the existing East Asian regional cooperative arrangements.

<Table 3> Regional Cooperative Mechanisms in East Asia

	Institutionalization	Geographical Boundary	Primary Method of Cooperation
ASEAN	Strong	Southeast Asia	Coordination
ASEAN+3	Weak	Southeast & Northeast Asia	Forum
ARF	Weak	East Asia & Extra-regional members	Forum
APEC	Strong but diffuse	East Asia & Pacific Basin	Forum & Voluntary Coordination
NEACD	Weak	Northeast Asia	Track II Forum
TRADP	Weak	Northeast Asia	Development Project

Facilitating and Restricting Forces

East Asian regionalism movements have been promoted by many scholars and leaders. There have been numerous proposals about the formation of regional entity in East Asia. For example, Mahathir, the former Prime Minister of Malaysia, suggested the idea of establishing an East Asian Economic Caucus (EAEC) and an East Asian Economic Group (EAEG). Recently, the Roh Moo-Hyun administration of South Korea adopted a vision for constructing a Northeast Asian Community as one of its national development plans.¹⁵ What forces are at

¹⁵ The Roh administration established a presidential commission called the Northeast Asia Initiative. For more detailed reference to the future plans and overall vision of this organization, refer to www.nabh.go.kr.

work behind the initiatives and suggestions leaders and scholars for promoting East Asian Regionalism?

There exist a number of political and economic factors behind the movement for East Asian regionalism. The first, a political factor, is the longtime aspiration for creating a stable peace structure for the region. Regional countries want to enhance the security environment by establishing regional institutions because they have experienced conflict in a variety of forms, such as communist aggression, territorial disputes, and problems related to the proliferation of weapons of mass destruction. Second, most of the regional leaders prioritize economic development in order to earn legitimacy from the peoples of their nations. This is especially important because most regional countries are yet to be fully democratized. To guarantee economic development, a stable security environment is a necessary condition. Third, East Asian countries share a number of values and cultural traits such as the widespread use of Chinese characters, high expectations in terms of educational and professional achievement, and high levels of personal savings. It should also be noted here that Chinese immigrant communities living in the regional countries can potentially play an important role in shaping future forms of regional cooperation.

Economically, East Asian countries have shown remarkable growth records. The first and the most important economic power in the region was Japan. Japan showed unprecedented levels of economic growth after the Second World War. This phenomenon was followed by the Newly Industrializing Countries such as South Korea, Singapore, Taiwan and Hong Kong in the 1970s. Southeast Asian countries followed these trends in the

1980s and 1990s until the Asian financial crisis hit the region. China's economy has been booming since the initiation of economic reforms. All of the above economic growth trends of the region naturally have been accompanied by the ever-increasing interdependence among the regional countries. This growing interdependence could not be handled appropriately solely by bilateral means and negotiations. As a matter of fact, existing level of economic interdependence in the region may be sufficient to promote the economic integration of East Asia. Along with economic interdependence, regional proximity would play an important role for the formation of a regional entity in East Asia. To look at the other side of the economic development of the region, we can discern other necessities of regional cooperation. As regional countries' trade increases, many side-effects have surfaced such as ever-increasing pollution problems and illegal trafficking of labor. There is also an increasing need to find and equilibrium and a natural balance with other regional entities such as the EU. All these factors demand more concerted efforts on the part of the regional countries involved in and affected by these changes.

However there exist factors which restrict the formation of regional organizations in East Asia. First, East Asian countries exhibit diverse levels of political development. For example, China still maintains a socialist form of government even though it has clearly adopted a market-oriented economy. At the same time, many Southeast Asian countries have yet to be fully democratized in comparison with South Korea and Japan. Many analysts point out that shared plural democratic ideals would be prerequisites to the achievement of regional integration.¹⁶ The

existence of divided nations such as the two Koreas and China/Taiwan can also become a source of trouble during the course of higher integration. Second, the future course of regional cooperation would largely be dependent upon the roles of the world powers such as China and Japan. Even though the United States holds the position of the current hegemonic world power, China's potential to become a hegemonic power would have a great influence in promoting regional cooperation. Japan also has the potential to change the course of regional cooperation. It would be difficult for China and Japan to harmonize their global roles with regional ones if they were to become tied into and constrained by their regional interests. Third, the United States would also influence the processes of integration, if it were to happen in East Asia. It would most likely be opposed to the idea of exclusive regional integration in East Asia.

Suggestions for Future Development

We have analyzed the current conditions of East Asian regionalism with previously noted theoretical concerns. There is no doubt about the desirability of creating or promoting a stable and prosperous regional environment. Indeed, we could say that the current system of bilateral relations with the multiple layers of support provided by a multilateral framework for regional cooperation would be sufficient to pursue such a goal. However, as the founding fathers of European integration initiated a vision

¹⁶ Louise Fawcett and Andrew Hurrell, *Regionalism in World Politics* (New York: Oxford University Press, 1995).

for permanent peace, we could devise a new type of regional initiatives in order to achieve permanent peace in East Asia. In doing so, the current paper identifies several opportunities to pursue linkage strategies: the linkage between economic and security cooperation; between the existing multilateral institutions and Northeast Asian community; and finally, a linkage between domestic and regional developments. For each of these, I would like to suggest the most desirable paths to be pursued in achieving a viable Northeast Asian community in the region.

Firstly, let us deal with the linkage with the relationship and linkage between economic and security cooperation. As previously noted, most regional cooperative regimes began with economic cooperation. This would also be true for the Northeast Asian region. Thus we need to utilize our acquired experiences from current and previous economic cooperation to augment levels of security cooperation. At the same time, it is necessary for us to be appreciative of the peace dividends from the increasing economic interactions among the regional countries. Indeed, the security environment of the region in the post Cold War era became more peaceful than in the Cold War era even though North Korea still remains somewhat troublesome. We could begin multilateral cooperative projects in the areas of energy, transportation, and environment in the region because these sectors need to be addressed by regional countries altogether. We could discuss security issues in the course of developing pipelines and railroads throughout the region.

Second, it is necessary to harmonize attempts at Northeast Asian regional cooperation in line with the efforts of the existing institutions. As we know, Northeast Asian countries already are

members of the APEC, ARF, and EAS. Thus it would be unthinkable to formulate a scheme to construct a regional community without proper consultations with these existing institutions. As noted above, the regional institutions in East Asia are primarily forums, with the exception of ASEAN. They basically discuss issues and suggest desirable forms of cooperation. Additionally, in most cases, their decisions are followed by member countries on a voluntary basis. We may need to harmonize the activities of the existing multilateral institutions in the first place. More specifically, it is necessary for us to devise a plan to link the activities of APEC with ARF, APEC with ASEAN+3, APEC with EAS, APEC with ASEM and so on. In other words, we need to make the activities and functions of the existing institutions in the region more efficient. At the same time, we need to utilize the roles of internationally minded groups of people in the region. To look at the East Asian regional organizations geographically, it is evident that no multilateral institution covers Northeast Asia. It was impossible to form a multilateral economic organization in Northeast Asia during the Cold War years, but the recent success of China's economy has eliminated certain barriers to establishing a regional economic organization in the region. One could now be formed. Then we could synthesize a Northeast Asian regional organization with ASEAN in the future. It would be desirable to extrapolate this "sub-regional to regional" approach to other issues and areas.

The third area of linkage is related with the perceptions of the regional leaders. It is necessary for us to educate regional leaders about the importance of regional goals. More importantly, it is necessary to convince them of the fact that regional

cooperation would enhance their positions in their nations. In this way, regional leaders can become the forerunners in pursuing regional integration in Northeast Asia. In sum, we need to augment awareness of regional identity if we are to build a regional community in Northeast Asia. Initial efforts should be concentrated on enhancing regional awareness among the leaders. Then, it can spread out to the peoples of Northeast Asia. Since the possibilities for economic cooperation have been well sketched out by the various promoters of economic regionalism, let us now proceed with more practical measures to execute those programs so that we can show the actual outcomes to the inhabitants in the region. Then we could move ahead to promote multilateral security cooperation in the region.

In sum, the current regionalism movements in East Asia are different from the European experiences in the sense that they could not promote ideas beyond the sovereignty of member nations. It would be hard to initiate a bold plan to change the existing state system under the current international relations in the region especially because of the role of the United States, and to a lesser extent, because of the other major powers, Japan, China, and Russia.

In order to increase international cooperation in East Asia, regionalism should be strengthened. In a sense, we have seen flourishing ideas during the last decade and actual regional meetings. South Korea has a keen interest in formulating a regional entity in Northeast Asia because of the existence of North Korea. Indeed, it wants to utilize economic power to bring about changes in North Korea and on the Korean peninsula. What could be expected from the application of regionalism

approaches to Northeast Asia? I would like to suggest the following incremental approaches. We can start from more practical cooperative projects which can supplement the functions of the existing institutions. At the same time, we need to make an effort to effectuate the roles of the existing multilateral institutions. From this basis, we can then begin to build a regional community based on these cumulative experiences of regional cooperation.

Part 2

National Perspectives about
Linkage Strategy(I)



Korea's Perspective on the Linkage of Economic and Security Cooperation in Northeast Asia

Jong-Chul Park

Introduction

Korea's interests in terms of cooperation in Northeast Asia on matters of security and economics are as follows. First of all, Korea harbors hopes for multilateral cooperation on security that would complement the existing bilateral alliance for peace in Northeast Asia in the Post Cold War Era. Korea expects this kind of multilateral security cooperation to lessen bilateral conflicts such as those which exist between Japan and China, and the USA and China, and also act as a device that would resolve conflicts within the structure of multilateral cooperation.

Korea wants to resolve the extant issues between North and South Korea within some form of North East Asian cooperative framework. Just as Germany resolved their issues within the framework of the European Union, Korea has high hopes for solving North and South Korean issues and reunification issues within a similar framework for North East Asia. South Korea believes that North Korea could undertake a process of reform and openness, which would help it to reintegrate itself into the international society.

Korea expects that a framework for Northeast Asian economic and security cooperation would form a self fulfilling cycle of optimism. Korea has special interests in railways, cooperation in energy and environment policy; all being areas where a framework for Northeast Asian Cooperation for Security and Economics could be utilized more. This non-political and non-military strategic type of cooperation can be utilized at an early stage and contribute to the building of trust among the countries concerned. Korea, through this functional cooperation, hopes to institutionalize cooperation in each field.

Resolving Issues on the Korean Peninsula and Multilateral Security Cooperation in Northeast Asia

With the Cold War having come to an end, Korea came to realize the importance of multilateral security cooperation and looked into its possibilities from a variety of perspectives. Considering Korea's geographical position, surrounded by other Northeast Asian powers, a multilateral security mechanism could complement the present U.S.-ROK alliance. Korea, in particular, seeks resolutions that could bring Korea a state of peace, prevent conflicts among surrounding powers while it tries to aim for reunification, and secure Korea's own territory in the overarching framework of multilateral security cooperation.

Due to its place in Northeast Asia, Korea has shown more interest in the issue of Northeast Asian cooperation than East Asia cooperation. Korea's view of multilateral security cooperation encompasses not only China, Russia, and Japan, but also the U.S.A. which has a special relationship with Northeast Asia.

Korea also actively participates in multilaterally cooperative discussions on security like ARF which is inclusive of all East Asia. In addition, Korea seeks a cooperative relationship with such regional multilateral mechanisms like ASEAN and APEC.

Korea's official stance on Northeast Asia multilateral security cooperation has been brought forward since the end of 1980 and has evolved into many different forms to make its purpose and strategy more concrete. One example, amongst many, are the suggestions Korea made to the 6 Northeast Asian countries at the foundation of the Consultative Conference for Peace in Northeast Asia in the UN General Assembly address made by then President Roh Tae-woo in October of 1988.¹

This suggestion of holding a Consultative Conference for Peace in Northeast Asia has broadened others' perspective on issues of importance to the Korean peninsula. Korea sought through this venue a means of proactively resolving disputes in Northeast Asia. This suggestion was virtually Korea's first official announcement on its stance on Northeast Asian multilateral security cooperation. However, this suggestion of holding a Consultative Conference for Peace in Northeast Asia was actually based not on its potential to be realized but was rather in an effort to react to Gorbachev's proposed framework of Northeast Asia Multilateral Security Cooperation. This in turn was all part of a broader effort by President Roh Tae-woo's government to better define diplomacy in this area in order to

¹ Hong Gyu Park, *6-Party Northeast Asia Peace Agreement Community*, Analysis of Key International Issues by the Institute of Foreign Affairs & National Security, 88–86 (1988); Guk Jin Kim, *A Research on the Measures for Realizing Northeast Asia Peace Agreement Community*, Institute of Foreign Affairs & National Security policy research series 89–08 (1989).

improve Korea's relation with Russia. This suggestion, although welcomed by Japan and Russia, was not realized due to the fact that diplomatic relations between China and Korea had not been normalized, as well as the USA's and China's lukewarm position both of whom only wanted to maintain the status quo in Northeast Asia, as well as the clear opposition of North Korea.

President Kim Young-sam's government made it clear that it would go ahead with the strategic plans of developing Northeast Asia multilateral security cooperation as long as it would not hurt the U.S.A-ROK alliance. President Kim at the opening ceremony of the 26th PBEC held in May of 1993 announced its diplomatic policy that 'Korea will support Northeast Asian multilateral security cooperation and develop and improve the bilateral cooperation with America as the centerpiece of foreign policy at the same time' in order to come up with a framework for permanent peace for the region.²

The Minister of Foreign Affairs, Han Sung-joo, pointed out in his speech made at the Diplomatic Conference on May 31, 1993 that a small region based security mechanism is more feasible since it has the asset of regional similarity and allows an easier pulling together of common gains on security as opposed to the larger consultative entities like APEC, and suggested that a miniature CSCE type of Northeast Asia Multilateral security and cooperation framework should be established.³

² Sang Kyun Lee, "Measure for the Formation of Multilateral Northeast Asian Security Agreement System: EU Experience and South Korea's Choice," *National Strategy*, Spring and Summer 1997, pp. 200-201; Kyu Deok Hong, "Outlook and Challenge of Northeast Asia Cooperation for Security during the 21st Century," *Diplomacy*, No. 53 (2000. 4), p.15.

³ Sung-Joo Han, "Fundamentals of Korea's New Diplomacy: New Korea's

Against this backdrop, Korea proposed the notion of a Northeast Asia Security Dialogue (NEASED) at the first ARF-SOM in May of 1994. It was first suggested that the Northeast Asia Security Dialogue could take the form of 6 party talks (in the form of 2+4) by the Minister of Foreign Affairs, Han Sung-joo and the Secretary of the State, Christopher, in July 1993, and became the subject of an official announcement. Korea wanted to utilize NEASED to discuss North Korean nuclear weapon and missile development, conflicts between China and Taiwan and military build-ups in Northeast Asia. However, what NEASED suggested was nullified due to the indifference and lack of preparation of the countries concerned. The USA had as her own priorities the bilateral alliances in Northeast Asia and showed a great deal of indifference. China was skeptical of the whole idea of a NEASED which was to be led by Korea.⁴

The Peace and Prosperity Policy of the Roh Moo-hyun government concentrates on cooperation in Northeast Asia. The Peace and Prosperity Policy assumes that peace in Northeast Asia is a prerequisite for stability on the Korean Peninsula. The Peace and Prosperity Policy is a policy for both Northeast Asia and North Korea. The Peace and Prosperity Policy views security cooperation in Northeast Asia as important for the following reasons.

First of all, multilateral cooperation in Northeast Asia is essential for the resolution of North Korea's nuclear issue and

Diplomacy toward the World and the Future," *Korea and World Affairs*, Vol. 17, No.2 (Summer 1993), p. 239.

⁴ Tae Am Eom, "4-Party Talks Vitalization and Measures for the Use of Northeast Asia 6-Party Meeting," *Security Policy Book 2* (Seoul: National Security Council, 2002), pp. 329-331.

establishing a peace regime on the Korean peninsula. Additionally, Northeast Asian security cooperation is also expected to bring North Korea into the light of openness and reform. Northeast Asian security cooperation will guarantee the survival of the North Korean regime through the multilateral approach, helping North Korea to conform to international norms.

Secondly, Northeast Asian cooperation could create an environment that is beneficial to resolving issues on the Korean Peninsula through the loosening of tension in Northeast Asia. As competition develops between China and Japan in terms of their respective military build-ups and as tension grows over territorial issues or trade conflicts, Korean security would be at risk, creating unfavorable ground for peace keeping on the Korean peninsula. Therefore, Northeast Asian security cooperation will contribute to peace on the Korean Peninsula by reducing the potential for an arms race among nations and by accelerating dialogues on security.

Thirdly, Northeast Asian security cooperation is needed in order to build cooperation with neighboring countries for the process of Korean reunification. As Northeast Asian security cooperation proceeds, cooperative schemes for the two Korea's reunification could be discussed. Additionally, a framework for Northeast Asian security cooperation can play a key role in furthering stability and development after Korean reunification is achieved.

The Peace and Prosperity Policy's key characteristic is that it seeks to resolve security issues on the Korean peninsula within the context of Northeast Asia. The Peace and Prosperity Policy has as its central focus the creation of an external environment

for peace and development by expanding its scope throughout the Northeast Asian region. It also hopes that the Korean peninsula, which has come to personify conflict and confrontation, will become a key element that would lead to peace and development in Northeast Asia.⁵

On the other hand, South Korea is proactively participating in the existing multilateral security dialogues in East Asia. The multilateral security organization in East Asia that Seoul is most proactively involved in is ARF. ARF derived from ASEAN in 1994 and has as its priority the creation of a cooperative support mechanism for security in the Southeast Asian areas, but having secondary interests in matters related to issues on the Korean Peninsula and North Korea's nuclear issue. Nevertheless, South Korea is accumulating experience of multilateral cooperation by actively participating in ARF. Korea has been taking part in the decision making entity, ARF-FMM as well as ARF-SOM, and ISG that concentrates on issues of trust building. Moreover, South Korea is participating in such workshops as the Conference for Presidents of the University of National Defense, the PKO Seminar, the Linguistics School of National Defense Conference, the Piracy Control Workshop, the Relief Conference, the Preventive Diplomacy Workshop, and the Conference on the security cooperation in the Asia Pacific Region, Drugs/Intelligence Crime/Money Laundry/Terrorism Workshop.

Additionally, Korea is also active as a member of CSCAP, (the Council of Security Collaboration in Asia Pacific), a non-

⁵ Jong-chul Park, "Theoretical Base and System for Peace and Prosperity Policy," Jong-chul Park and others, *Theoretical Base and Issues related to Peace and Prosperity Policy* (Seoul: Korea Institute for National Unification, 2003), pp. 31–33.

government organization that concentrates on regional security in the Asia Pacific region. The Korean branch of CSCAP was founded in 1994 right after the CSCAP was founded in 1993. Korea also participates in a semi-governmental organization on multilateral security cooperation in Northeast Asia called NEACD. Officials of the Ministry of Foreign Affairs and Trade, the Ministry of National Defense and the Ministry of Unification, and civil scholars take part in NEACD. Korea also participates in a non-governmental conference for eliminating nuclear weapons from Northeast Asia called LNWFZ-NEA.

South Korea's Peace and Prosperity Policy and Implications for Linkage between Economic and Security Cooperation in Northeast Asia

Northeast Asian countries as well as East Asian countries, in terms of their roles as trading partners are very important to South Korea. South Korea's trade with the USA, Japan and China is well over 40 percent. Trade taking place with Asian regions including Southeast Asia is more than 60 percent of the total trade. What needs particular attention is that China (18.11%) outdid USA (17.65%) as a trading partner in 2003. This is significant considering China's fast growth in her economy and diplomatic advancement in the East Asian region as shown in such mediums as the 6 Party Talks.

South Korea's Roh Moo-hyun government at the outset of its departure actively brought economic cooperation in the Northeast Asian regions into the picture, and pushed forward an 'Economic Hub of Strategy' in order to secure the position of

Korea as the hub for economic cooperation in the Northeast Asian region.

South Korea is approaching inter-Korean economic cooperation within the wider framework of economic cooperation in the Northeast Asian region. For North and South Korean economic cooperation to develop, multilateral cooperation among Northeast Asian countries is required. North and South Korean cooperation on the economy can be activated through an organic relationship and economic cooperation among Northeast Asian nations. Additionally, North and South Korean cooperation on the economy could arguably help in mediating the institutional development of Northeast Asian economic cooperation in more general terms. For instance, business projects between North and South Korea can lead to multilateral economic cooperation in Northeast Asia.

South Korea intends to liberalize trade in the Northeast Asian region by signing the bilateral and multilateral FTAs. Presently, joint research is underway regarding FTAs between South Korea, Japan and Singapore. However, talks for the South Korea-Japan FTA are losing momentum due to the nature of the industry structure whereby the FTA is at present unfavorable to South Korea. Moreover, conflicts between South Korea and Japan over such issues as Japan's history textbook revisionism and the territorial dispute over Dokdo Island are roadblocks to the FTA.

As an alternative, South Korea is pursuing a FTA with the US at first. Moving on from this, South Korea plans to develop a comprehensive form of FTA that embraces the Northeast Asian region based on the South Korea-China FTA and the

South Korea-China-Japan FTA. Moreover, instead of limiting itself to economic cooperation in Northeast Asian region, it even envisages the formation of an Asian Free Trade Agreement (EAFTA) for East Asia including the South East Asian countries of ASEAN.⁶ Realistically, given that the formation of an FTA in Northeast Asia is not easy, it could be said that it is necessary to first establish summit meetings between South Korea, China and Japan, as well as ministerial level meetings within the framework of ASEAN+3, and to form a South Korea-China-Japan economic cooperation community.⁷

In the process of pursuing a Northeast Asian economic cooperation strategy, however, South Korea began to realize the close linkage between Northeast Asian economic cooperation and security cooperation. Dynamic bilateral relations in the Northeast Asian region such as North Korea-U.S., U.S.-China, and China-Japan relations are external factors that influence the Northeast Asian economic situation. Moreover, the North Korean nuclear issue, territorial disputes, peace on the Korean Peninsula and other security issues influence the direction of Northeast Asian economic cooperation.

Being aware of these connections, South Korea realized the need to approach the question of Northeast Asian economic cooperation together with security cooperation. Within this context, The Presidential Committee on the Northeast Asian Cooperation Initiative, an advisory organization for the President,

⁶ Geun Chan Bae, *Outlook on East Asia Regional Cooperation: Centered on the Outcome of the 7th ASEAN+3 Summit Meeting*, Institute of Foreign Affairs & National Security report on policies (2003. 12).

⁷ Hyo Seung Ahn, *Outlook on the Pursuit of Northeast Asian FTA*, Institute of Foreign Affairs & National Security report on policies (2003. 7).

came to include economic cooperation and security cooperation in a more comprehensive manner in July 2004. South Korea's plan for the era of Northeast Asia is to realize peace and prosperity in Northeast Asia in the post Cold War era, mutual economic reliance, a sense of cultural homogeneity and so forth by solving the North Korean nuclear issue, dealing with the rise of China, competition between the U.S. and China for hegemony, Japan's re-armament, territorial disputes and so forth. South Korea intends to play the role of a bridge and link for the Northeast Asia network, and the hub of logistics in the region, as well as contribute to creating a win-win situation for the Northeast Asian region.⁸

The Roh Moo-hyun government intends to develop a community of prosperity and a community of peace in the Northeast Asia whereby mutually positive effects can be exerted.⁹ South Korea's goal in the longer run is to form a framework for multilateral security talks (an advancement of the 6 party talks, establishment of a Northeast Asia Peace Disarmament Center etc.) to prevent the aggravation of conflicts between the nations in the Northeast Asian region. Meanwhile, it plans to develop the structural means and organizations needed to expand Northeast Asian economic cooperation.

Moreover, South Korea plans to induce the reform of North Korea as well as its entry into the international community through the framework of Northeast Asian cooperation, and to

⁸ Geung Chan Bae, *The Northeast Asian Era and South Korea's Diplomatic Assignment: Centered on Regional Cooperation Strategy*, Institute of Foreign Affairs & National Security, Analysis of Key International Issues (2004. 7).

⁹ The 16th President Mu Hyeon Roh's Inauguration Speech (February 25, 2003).

create the global atmosphere needed for the peace and prosperity of the two Koreas. By mitigating North Korea's concerns for its collapse, it intends to induce North Korea to act as a rational actor in the international community, and plans to build mutual trust between the two Koreas. That is, it intends to use the framework of Northeast Asian economic cooperation to support economic advancement in North Korea.

Linking Cooperation on the Korean Peninsula and Northeast Asia

Linking railways on the Korean Peninsula and Northeast Asia's Cooperation for Railways

South Korea sees that cooperation in railways in Northeast Asia is closely connected with the linking of railways on the Korean Peninsula. The initiative to link railways between North and South Korea, along with its symbolic value (of linking divided national land), will upgrade inter-Korean relations, and herald a new era of cooperation among Northeast Asian nations. Just as the railway network in Europe accelerated the formation of the EU by integrating Europe's economy, society and culture, this initiative to link the two Koreas through railways is one of the core projects to lay down an infrastructure of cooperation in the Northeast Asian region. This in turn can lead to a new era of peace and prosperity in Northeast Asia.

South Korea plans to link four railways between South and North including the Gyeongwon and Geumgansan lines after linking the Gyeonggeui and Donghae lines. Linking of railways between South and North Korea will mitigate uncertainty in the

field of inter-Korean economic cooperation in the short term, as well as contribute to the vitalization of the Kaesong Industrial District and Mt. Keumgang tourism. Moreover, linking of railways between South and North Korea will improve investment conditions in the Kaesong Industrial District through logistics cost savings and so forth, and make Mt. Keumgang tourism easier. Moreover, as the South and North Korea trains would traverse the DMZ, military tensions between the two Koreas will be mitigated, leading to confidence building. During the process of linking the railways between the two Koreas, a “peace corridor” of sorts was formed in the DMZ regions along the Gyeongui and Donghae lines to de-mine the region, and telephone lines were established between both militaries, which in turn encouraged trust building.

Railway cooperation between nations in Northeast Asia is mostly focused on the cooperation of Russia. Russia is supportive of the railway project because it anticipates the development of a currently underdeveloped Far East and Siberia and hopes for an increase in the volume of freight coming from South Korea. With these expectations, Russia was most active in the TKR-TSR linking initiative, starting from early 2000. In the South Korea-Russia summit meeting held in Seoul in February 2001, cooperation for TKR-TSR connection was discussed, and both parties agreed to the establishment of a Transport Coordination Board and a Representative Office of Railways to pursue this initiative. In December 2001, South Korea and Russia signed the Korea-Russia Railway Coordination Compact and the Agreement for South Korea-Russia Transport Coordination Board. Moreover, President Roh Moo-hyun and President Putin agreed to joint

research on the 3-party railway research during the APEC summit meeting held in 2003.

In March 2006, a three-party meeting for railway managers was held in Vladivostok for the TKR-TSR operation between South Korea, North Korea and Russia. This meeting was meaningful since it was the first meeting between the three presidents of the railway cooperatives. Russia's railway cooperative announced that it was ready to start construction for the Najin-Hasan line, and North Korea emphasized that it is necessary to attract investment for the construction of the TKR. The three parties agreed with the need to conduct additional studies for the competitiveness of the TKR- TSR, and agreed to continue holding talks at the working level to discuss details on this project.

Three party cooperation between Russia, North and South Korea is important. In particular, if and when the construction initiative for the Najin-Hasan region is pursued, it can be a pilot for the TKR-TSR initiative. Moreover, it is expected to add significant momentum to the future talks on the modernization of the railway system in North Korea. North Korea can expect real benefits from this initiative such as the redevelopment of antiquated railways, vitalization of the economy in the Naseon region, reinforcement of North Korea and Russia cooperation and so forth. Russia is expected to derive benefits by developing Far East area. Through these railway project initiatives, South Korea will pursue actual cooperation between South Korea, North Korea and Russia. A positive synergy effect is expected for both South and North Korea economic cooperation.¹⁰

Energy Cooperation in Northeast Asia and Inter-Korean Energy Cooperation

Despite the security instability in Northeast Asia, the levels of bilateral and multilateral economic cooperation between the North East Asian nations' are on the rise. In particular, the ability to supply energy in a stable manner does not merely affect the economy, but security as well. As the size of the Northeast Asian economy expands, energy supply is expected to be a great concern.

The North East Asian region took up 20% of world energy consumption in 2004, and this figure is expected to rise to 30% in 2020. However, this region is particularly vulnerable when it comes to the supply of petroleum since there is no stable petroleum market in the region, which in turn leads to unstable supplies. Moreover, the supply of energy in the Northeast Asian region is expected to be aggravated significantly by China's greater demand for energy following its rapid growth. Northeast Asian nations' high reliance on Middle East oil is a major problem of the energy security of this region. While Western Europe and the U.S. respectively rely on 22% and 23% of their oil needs coming from the Middle East, South Korea and Japan respectively rely on this region for 74% and 87% of the oil needs.

North East Asian region's energy cooperation can be divided into two fields; firstly, whereby individual issues are addressed and secondly, into the field where multilateral issues are related. First, cooperation for energy that is centered on individual issues pertains mostly to Russia's gas and oil. In

¹⁰ Hee Seung Na(Presidential Committee on Northeast Asian Cooperation Initiative) Interview, 2006. 6. 13.

particular, the report “Russia’s Energy Strategy 2020” includes details that are important for the Northeast Asian nations. This plan entails building a transportation network to transfer petroleum and gas of East Siberia and Far East regions. Here, construction of a petroleum pipe line network, gas pipe line network, power network, and transportation network that includes the Siberia railway, are included. However, roadblocks include Russia’s increasing control over its resources, regulation on foreign investments, and preference for bilateral cooperation with Northeast Asian nations.

Second, the Senior Officials Committee on Energy Cooperation in Northeast Asia, convened by the UN ESCAP, serves as a multilateral energy cooperation framework. This committee intends to pursue a diverse set of initiatives to strengthen cooperation for energy in the Northeast Asian region such as sharing of information related to energy, increased investment and trade and so forth.

However, roadblocks for multilateral cooperation for energy in Northeast Asia include Japan and China’s lukewarm reaction, and the lack of trust between China and Japan. Moreover, South Korea, China, Russia and other actors in Northeast Asia have different policies for energy cooperation. South Korea prefers cooperation based on the involvement of the six Northeast Asian nations while Japan prefers the ASEAN + 3 cooperation framework. Meanwhile, it pursues energy policy on a bilateral, regional and global level. Russia prefers bilateral cooperation which is favorable for the development of its own energy resources.

Accordingly, it is necessary for related nations to narrow

these gaps, and to reach some kind of agreement on the target, scope of and details related to cooperation for energy. By suggesting clear goals and expected gains of economic cooperation, it is necessary to induce the participation of related nations, and to form an energy cooperation consultation committee to ensure effective resource development and transport of energy in Northeast Asia.

In the first stage, it is necessary to execute practical projects and discover partners for cooperation for each business project. Through this, sharing the potential gain of cooperation and trust between related parties will be accumulated. In the second stage, it is necessary to strengthen actual cooperation measures such as cooperation on the petroleum logistics facilities between South Korea, China and Japan, development of a joint oil price system in the oil market among South Korea, China and Japan, the formation of a Northeast Asia energy cooperation consultation committee and so forth. In the third stage, it is necessary to establish a Northeast Asian energy cooperation organization, and to lay down the details on a framework for Northeast Asia cooperation for energy such as its organizational structure, operating methods, fund raising and so forth.¹¹

South Korea approaches inter-Korean energy cooperation from the perspective of Northeast Asia energy cooperation. That is, it intends to mitigate energy shortages in North Korea, to connect multi-tier energy cooperation in Northeast Asia, and promote inter-Korean energy cooperation. In particular, the initiative for the traversing of the Siberia oil and gas pipeline into

¹¹ Jae Young Lee(Korea Institute for International Economic Policy) Interview. 2006. 6. 14.

North Korea is one of the main initiatives. This initiative will not only mitigate the energy shortage in North Korea, but also deepen inter-Korean cooperation.

Environment Cooperation in Northeast Asia and Inter-Korean Cooperation

Environmental issues in the Northeast Asian region are becoming a main issue in relation to the development of the economy in the Northeast Asian region. Due to differences in the pace of development amongst the Northeast Asian nations and in their industrial policies, the levels of interest in environment issues and ensuing measures amongst individual nations are also different. Despite this, however, joint counter-measures on the regional level are necessary since environmental problems affect all of the region without regard to national borders.

Among the environmental issues of importance to the Northeast Asian region, air pollution, water pollution, and natural calamities are the most serious. Firstly, air pollution in the Northeast Asian region is a serious environmental problem that significantly affects the entire region. The yellow dust originating from China's Takla Makan Desert and Gobi Desert continues to negatively influence economies and health, worsening every year. Moreover, acid rain is a formidable issue. Acid rain, resulting from China's use of low quality carbon influences the entire region.

The Northeast Asian region's water pollution and water shortages are also bound to cause conflict. Water pollution in the Abrok River and Tumen River that traverse the boundaries of China and North Korea and the question of managing water

resources pose sensitive issues for the two nations. Moreover, management of river ways that traverse the border areas of the two Koreas such as the North Korea River and Imjin River and their joint use demand some form of cooperation.

Marine pollution and water resource issues are also key issues in the Northeast Asian region. Pollution in the East Sea, Yellow Sea, East China Sea and South China Sea, and the destruction of the marine ecosystem are becoming increasingly serious every year. The Northeast Asian region has the world's largest continental shelf, and the number of fish types that are captured for commercial ends amounts to 100. However, all types of waste water and pollutants stemming from China flow into the ocean of this region, causing serious damage. Moreover, joint measures are needed when it comes to the damage to the region's marine resources, caused by over-fishing and marine pollution and so forth.

Meanwhile, natural calamities in the Northeast Asian region resulting from the green house effect, destruction of the ozone layer, and the decreased diversity of plants are also major problems. Increase in the demands for fossil fuels resulting from fast economic growth in the Northeast Asian region is adversely affecting climate change.¹²

It is argued that the formation of a Northeast Asia environment committee at the government level, together with cooperation among private organizations, and cooperation between South and North Korea are needed to address these

¹² Hee Sung Chung, "The Question of East Asian Environment Resource and State of Affairs in the Korean Peninsula," *Peace Studies*, Vol. 7, No. 1 (2006), pp. 4-19.

environmental issues. First, the formation of a consultation committee conferring on environmental issues at the government level is necessary. Understanding the realities of the environmental problems in the Northeast Asian region and pursuing joint counter-measures should be the main roles of this multilateral committee. Through this committee in Northeast Asia, the most urgent initiatives should be selected, and should be the subject of pilot studies at first instance, with further action as needed.

Moreover, it is necessary to form a private environment protection committee comprised of NGOs, private companies and research groups in the Northeast Asian region. This committee should attempt to form consensus and build awareness of the environmental issues, and play the role of suggesting policy alternatives for government level cooperation. Moreover, it could indeed play a role in pursuing pilot initiatives along with NGOs and private companies.

South and North Korea should consider environmental issues within the process of pursuing inter-Korean economic cooperation. In particular, because North Korea has been largely negligent of environment issues until now, effort is required to increase its interest in this matter. To move forward here, it is necessary to design a comprehensive development strategy reviewing both economic efficiency and environmental elements in North Korea's economic development and in the wider context of inter-Korean economic cooperation.

The Rise of China and Community Building in East Asia

Zhang Xiaoming

In recent years, people have talked much about the so-called “Rise of China” and its implications for global and regional international relations. Chinese politicians and intellectuals have been advocating the strategy of a “peaceful rise” or “peace and development.” The rise of China coincides with the process of East Asian community building. Is China’s rise a challenge to or an opportunity for East Asian regional community building? The author of this working paper argues that the rise of China is an undeniable fact, and it is also a historical process which started in the late 1970s, when China adopted the reform and open door policy. The rise of China is sure to have a great impact upon the orientation of East Asian regionalism which is clearly an evolving and rapidly developing process, because it would enable China to play a greater role in that process and to integrate with this region. Generally speaking, the rise of China is an opportunity for East Asian community building, because China has been a responsible participant in the community building process. On the other hand, China’s growing power and influence in East Asia could also arouse fear and anxiety, especially in China’s neighborhood, which would hamper the process of community



building in East Asia.

The focus of this essay is on China's rise and its role in East Asian community formation. This paper will look to government statements and the arguments of intellectuals as they relate to an "East Asian community," their priorities in terms of economic cooperation, cultural exchange, security (both traditional and non-traditional) cooperation, and institutional structure.

The Rise of China and China's Approach towards East Asian Regionalism

The rise of China first refers to the rapid and sustained growth of the Chinese economy since the late 1970s when reforms and an open-door policy were first adopted. The rise of China also refers to the modernization of the Chinese military, and the reviving of Chinese culture (*Zhonghua wenming de wenda fuxin*), etc. However, at the center of China's rise has been her economic development. In other words, the rise of China is the process of China's modernization, most important of all, her economic modernization. As Deng Xiaoping pointed out in March 1979, modernization was the first priority of China at the present time and in the coming historical period. He emphasized, "Socialist modernization is currently the greatest form of politics, because it represents the foremost and fundamental interest of our people."¹

As we know, the rise of China has become a massive cliché.

¹ Deng Xiaoping, *Deng Xiaoping Wenxuan* (Selected Works of Deng Xiaoping), Vol. 2 (Beijing: People's Press, 1994), pp. 162–163.

In recent years, great quantities of ink have been spent analyzing what this “rise” implies for the rest of East Asia, for the United States, and for the world.² I would like to say that the rise of China is a long historical process. It started in the late 1970s when the “reform and open door policy to the outside world” policy was adopted, and China has since then been undergoing dramatic changes or transformation in economic, political, social and cultural terms. The process of China’s rise is far from complete and it will continue in the foreseeable future.

This paper will not elaborate on the process of China’s rise itself in detail, but on the effects of the China’s rise on East Asian regionalism. The rise of China has had a great impact upon China’s approach towards East Asian regional cooperation, especially the regional multilateral cooperation, or East Asian regionalism.

On one hand, especially in the earlier stage of China’s rise, China tried to use the regional multilateral cooperation as a way of pursuing a “favorable international environment” in her neighboring areas for her domestic modernization. As we know, in East Asia, China is surrounded by a great many neighboring countries, some of them remained suspicious of China’s motives, especially after the 1995-1996 Taiwan Strait crisis. China has to assure its neighbors that it will be a responsible and benign power.³ Multilateral cooperation might help to overcome

² Morton Albramowitz and Stephen Bosworth, *Chasing the Sun: Rethinking East Asian Policy* (New York: The Century Foundation Press, 2006), pp. 13–14.

³ Chia Siow Yue, “The Rise of China and Emergent East Asian Regionalism,” Kokubun Ryosei and Wang Jisi, eds., *The Rise of China and a Changing East Asian Order* (Tokyo: Japan Center for International Exchange, Inc., 2004), p. 52.

the lingering mistrust of Beijing. As one scholar argued, “Politically, China’s embrace of multilateralism in Asia will also help to burnish its good neighbor image.”⁴ As the economic interdependence between China and her neighbors developed, the increasingly binding economic interests encourage China to take an active attitude towards the regional multilateral economic cooperation with her East Asian neighbors. China has expanded its business networks throughout East Asia. For example, China-ASEAN trade volume increased dramatically from \$ 800 million dollars in 1979 to \$105 billion in 2004.⁵ At the present time, China-East Asia trade volume comprises about 51% of China’s foreign trade volume.⁶ As a result, to speed domestic modernization, China has actively promoted regional free trade.⁷

One the other hand, with the sustained growth of China’s power, especially her rapid economic growth, China has demonstrated her willingness and confidence to play a much greater and more active role in regional multilateral cooperation, including community building in East Asia. As early as the first half of the 1990s, China joined a series of regional multilateral organizations, forums or conferences. China became a member state of APEC in 1991 and has been maintaining a positive,

⁴ Hugh De Santis, “The Dragon and the Tigers: China and Asian Regionalism,” *World Policy Journal*, Summer, 2005, Vol. 22, No. 2, pp. 23–36.

⁵ Cited from Wu Jianmin, “Bawo shidai tedian, zou heping daolu” (“Grasp Features of the Era and Follow the Road of Peaceful Development”), *Foreign Affairs Review*, October 2005, Vol. 84, No. 5, pp. 6–12.

⁶ Lu Jianren and Wang Xuhui, “Dongya jingji hezuo de jinzhhan jiqi dui qita diqu jingji zengzhang de yingxiang” (“The Development of the East Asian Economic Cooperation and Its Impact on the Regional Economic Development”), *Contemporary Asia Pacific*, No. 2 (2005), pp. 3–12.

⁷ Hugh De Santis, “The Dragon and the Tigers: China and Asian Regionalism.”

responsible and cooperative attitude towards APEC and its activities since then.⁸ Additionally, in 1991, China began a dialogue with ASEAN as a consultative partner, and China became a full dialogue partner of ASEAN in 1996. China has also responded positively by sending its foreign minister to participate at the founding dinner of the ASEAN Regional Forum (ARF) in July 1993 and then joined the ARF. On another track, China joined the Council for Security Cooperation in the Asia Pacific (CSCAP), and the Northeast Asia Cooperation Dialogue (NEACD) in 1991. However, generally speaking, in the early 1990s, China's participation in those regional multilateral organizations, forums or conferences was responsive, passive, and tentative, and China was not so active in regional institutions building, and she did not take any initiative within those institutions. In fact, China was worried about being a target of criticism over some issues, such as human rights, by joining these multilateral institutions, and the Chinese then feared that if influential countries like the United States or Japan were members, the organization would be dominated by the other big countries.⁹ However, China has been taking a more and more active part and exhibiting initiative towards participation in regional multilateral institutions since the late 1990s, especially since the Asian financial crisis. As Chinese President Jiang Zemin declared at the 15th Congress of the Chinese Communist Party in September 1997 that “(China) should take an active part in multilateral diplomacy.”¹⁰ Moreover,

⁸ Lu Jianren, *Yatai Jinghezuzhi yu zhongguo* (APEC and China) (Beijing: Economic Administration Press, 1997), pp. 157–167.

⁹ Ezra F. Vogel, “The Rise of China and the Changing Face of East Asia,” *Asia-Pacific Review*, Vol. 11, No. 1 (2004), pp. 46–57.

¹⁰ Jiang Zemin's speech at the 15th Party Congress, cited from *Beijing Wanbao*

Chinese Foreign Minister Qian Qichen argued in February 1998, that “China has taken an active part in international and regional multilateral diplomacy.”¹¹ As we should see from the next sections of this paper, in recent years, China has been playing a very much more active role at ASEAN plus Three, APEC, and other regional multilateral institutions in East Asia, even taking a lead in the Six-Party Talks on the North Korean nuclear issue, and the Chinese decision makers and intellectuals have demonstrated a great interest in community building in East Asia, and they have demonstrated that they have little fear of joining the process of community building.

One of the most important reasons for China’s active attitude towards East Asian community building is that, with the rapid growth of her power, China has become more and more confident in dealing with international affairs, more and more conscious of its global and regional responsibility, and more and more outspoken on community building and China’s role in its formation. Especially after joining the WTO in 2001, China became much more confident and interested in formulating free trade arrangements with others. Additionally, Chinese officials and scholars have also become much more adept in joining multilateral organizations and taking part in international discussions.

At the same time, China has been learning to be a responsible member of international society, especially in terms of being a responsible player in East Asian regional affairs. China is actually

(*Beijing Evening News*), September 22, 1997, p. 6.

¹¹ “Qian on Chinese Diplomatic Achievements in 1997,” *Beijing Review*, Feb. 2–15 (1998), p. 7.

a new comer to the West-dominated international society which originated in Europe and expanded to be a global international society through the process of European expansion and decolonization, and as sovereign states became the dominant form of political organization.¹² Through the open-door process, China has recognized her interest in a stable international society, both global and regional. As a result, China clearly has indicated her willingness to pursue her objectives within the framework of common rules and institutions, and she has been attaching great importance to international institutions, such as the United Nations, and the other global and regional institutions. Chinese leaders time and again have argued that China is a responsible member of international society. The Chinese IR intellectuals have showed a great interest in the English School and Constructivism, which emphasize the importance of shared norms, values, and institutions in international relations. In 2000, Alexander Wendt's newly-published book (*Social Theory of International Politics*) was translated and printed in Chinese.¹³ Moreover, a large number of articles, even several books, on constructivism have been produced by Chinese IR scholars in recent years. At the same time, Chinese IR scholars have also showed a keen interest in the English School, by publishing articles on the English School, and translating the classics in this area, including Hedley Bull's *Anarchical Society*.¹⁴

¹² Kai Alderson and Andrew Hurrell, edited and introduced, *Hedley Bull on International Society* (London: Macmillan Press, Ltd., 2000), p. 12.

¹³ Alexander Wendt, *Guoji zhengzhi de shehui lilun (Social Theory of International Politics)*, translated by Qin Yaqing (Beijing: Century Publishing Group of Shanghai, 2000).

¹⁴ Hedley Bull, *Wuzhengfu shehui (Anarchical Society: A Study of Order in World*

In a word, the rise of China has led to China's active participation and great interest in regional multilateral cooperation and community building. The following sections will elaborate on China's role in East Asian community building in economic, security, cultural and institutional terms.

Economic Community

To the Chinese, the formation of an East Asian economic community is at the center of East Asian Community building, because the experience of European integration tells us that, regional multilateral cooperation in the economic field is relatively easier than that in other fields, such as security and culture. To some extent, creating the economic community is the first step in the process of East Asian Community building. Furthermore, strengthening economic cooperation with her East Asian neighbors has always been China's priority in its regional strategy, since sustaining economic growth remains China's top priority. The trade volume of inter-East Asian countries was only 33.8% of the total foreign trade in the area in the 1980s; while by the beginning of this century, it approached 50%. 70% of Chinese foreign economic activities occurred in East Asia, and 85% of foreign investors to China came from this area.¹⁵ However, in the early 1990s, China was not very enthusiastic about formal, structured regional trade arrangements, partly because it was not yet ready for rapid trade and investment

Politics), translated by Zhang Xiaoming (Beijing: World Affairs Press, 2003).

¹⁵ Ma Hong, "On Economic Cooperation in East Asia," cited from website.

liberalization at home, and partly because it was skeptical about Japan playing a leading role in the regional economy, as one Chinese scholar argued. China's participation in the Asia-Pacific Economic Cooperation (APEC) initiative was largely circumstantial, and it went along with an insistence that APEC remain a "forum".¹⁶ Beginning in the new century, especially after joining the WTO in 2001, China has been taking a much more active approach towards the construction of regional economic institutions.

China has been making great efforts to build a free trade area between China and the Association of Southeast Asian Nations (ASEAN), and has been playing a leading role in that process. The 1997-1998 East Asian financial crisis led to the formation of a degree of community feeling among Chinese and other East Asian peoples. Although China weathered the regional storm and Chinese GDP continue to increase at a high rate, its export growth dropped from 20% to 0.5% in 1998, and foreign direct investment fell to its lowest point in two decades.¹⁷ During the crisis, Beijing fully understood the economic interdependence between China and her neighbors, and extended financial support to Thailand, Indonesia, and South Korea. Moreover, it maintained the value of its currency and demonstrated to her East Asian neighbors that it would not seek to exploit their economic misfortunes. As a result, China emerged as a model of economic stability and responsible leadership and the formalized extension of luncheon meetings between ASEAN

¹⁶ Wang Jisi, "China's Changing Role in Asia," Kokubun Ryosei and Wang Jisi, eds., *The Rise of China and a Changing East Asian Order*, pp. 7-8.

¹⁷ Hugh De Santis, "The Dragon and the Tigers: China and Asian Regionalism."

officials and the foreign ministers of China, Japan, and South Korea, ASEAN-plus-3 was instituted to limit the effects of the financial crisis in Asia and to avert such calamities in the future. However, it rapidly developed into a framework to discuss regional cooperation.¹⁸ Beginning in 2000, China took the initiative to form a free trade area with ASEAN at the ASEAN-plus-3 forum. In November 2000, Premier Zhu Rongji expressed the Chinese idea of a free trade area at the fourth ASEAN-plus-3 meeting in Singapore which led to the formation of an ASEAN-China expert group and the issuing of a report, *Forging Closer ASEAN-China Economic Relations in the Twenty-First Century*. That report recommended the establishment of an ASEAN-China FTA within 10 years. China and ASEAN signed the Sino-ASEAN Framework Protocol on Overall Economic Cooperation in November 2002. It commits ASEAN and China to start negotiations on an FTA that will cover trade in goods and services, investment liberalization and facilitation, as well as other areas of cooperation. The goal is to establish the FTA by 2010 for ASEAN-6, and by 2015 for the other four ASEAN countries, namely Cambodia, Laos, Myanmar and Vietnam (CLMV), with flexibility on sensitive commodities and preferential tariff treatment for the CLMV countries. Once the FTA is completely established, the area will have 1.7 billion consumers, a GDP of \$ 2 trillion and a trade volume of \$ 1.2 trillion. As a result, the area will become a free trade zone in the developing world. Regardless of the ten-year time frame for completing the ASEAN-China FTA, China has agreed to open up certain

¹⁸ *Ibid.*

agricultural product sectors earlier so that participating countries can benefit from increasing trade before the FTA actually comes into force.

As another effort to build the East Asian FTA, in 2003, China signed a declaration with Japan and South Korea, agreeing to study the possibility of the formation of a China-Japan-Korea FTA. China clearly expressed her support for the establishment of a China-Japan-Korea FTA. The call by China's Premier Zhu Rongji during his meeting with his Japanese and Korean counterparts at the ASEAN plus three summit in Cambodia in November 2002 to form a trilateral free trade area is a significant gesture. Moreover, some Chinese scholars advocated setting up a China-Japan-Korea FTA within 10 to 15 years.¹⁹ However, to the Chinese, the East Asian FTA is still very much a long-term goal.

The Chinese also demonstrated an interest in financial and monetary cooperation with her East Asian neighbors. The East Asian countries have been making great efforts to launch an East Asian monetary fund and an East Asian currency. The Japanese Ministry of Finance proposed an Asian Monetary Fund in the wake of the 1997-98 crisis, but it was scuttled by the Clinton administration and the International Monetary Fund. However, at the ASEAN-plus-3 meeting of finance ministers in May 2000, the Chiang Mai initiative was announced to pool the hard currency resources of ASEAN-plus-3 member states, and monitor capital flows and facilitate financial swap arrangements, the regional financial surveillance has been turned into reality. CMI

¹⁹ Lu Jianren, "Lun dongbeiya jingji gongtongti" (On Northeast Asian Economic Community), *Contemporary Asia Pacific*, No. 6 (2005), pp. 44-51.

sets up a foundation for a future regional financial regime, such as a regional monetary fund. Optimists portray the CMI as the forerunner of an Asian Monetary Fund and an eventual common currency for East Asia. Critics question whether the present 13 members satisfy the criteria for an optimum currency area, and they note the political and economic obstacles to such deep integration.²⁰ Some Chinese scholars praised the CMI by claiming that the CMI laid the foundation for the development of a higher-level financial cooperation regime in East Asia.²¹ ASEAN-plus-3 recently set up the Asian Bellagio Group in February 2005, named after Europe's Bellagio Group, to stabilize regional currencies against the dollar. In recent years, Chinese scholars have done a great deal of research on East Asian monetary cooperation.²²

In addition, China has also shown interest in sub-regional economic cooperation, by participating in the Tumen River Developing Zone Project and the Great Mekong River Development Project. They are also part of the effort to build an East Asian economic community.

²⁰ Chia Siow Yue, "The Rise of China and Emergent East Asian Regionalism," Kokubun Ryosei and Wang Jisi, eds., *The Rise of China and a Changing East Asian Order*, p. 64.

²¹ Zhang Yunling, "Tanqiu dongya de quyuzhuyi" ("On East Asian Regionalism"), *Contemporary Asia Pacific*, No. 12 (2004), pp. 3-7.

²² Ding Yibing and Li Xiao, "Guanyu dongya quyu huobi hezuo yanjiu: wenxian zongshu" ("Study of East Asian Regional Monetary Cooperation: An Introduction"), *Contemporary Asia Pacific*, No. 6 (2004), pp. 16-22.

Security Cooperation

To some extent, East Asia is a grand chess board for geopolitical struggles. There are several big powers in East Asia, such as China, Russia, Japan, and we have to regard the US as one of, even the most important of East Asian great powers and regional players.²³ The lack of trust between and among big powers is a big barrier to regional security cooperation in East Asia. The Cold War divisions, such as the Mainland China-Taiwan confrontation and the political division of the Korean peninsula are still there. There are also conflicting claims to territories and resources in this region. Notable examples are the South China Sea disputes between China and some ASEAN countries, the Northern Territories dispute between Russia and Japan, the Diaoyu (Shenkaku) Islands and the East China Sea disputes between China and Japan, and the Tokdo (Takeshima) Islands dispute between Japan and South Korea, etc. As a result, it is very difficult for the East Asian countries to move beyond geopolitics to build a security community in this region.

Nevertheless, countries in this region have the will to form multilateral security institutions to deal with regional security affairs. In recent years, China has been an active player in East Asian multilateral security cooperation.

As mentioned before, China joined the ARF in the early 1990s. At the third ARF meeting in 1996, the then Chinese foreign minister Qian Qichen suggested that the ARF should

²³ Christopher M. Dent and David W. F. Huang, eds., *Northeast Asian Regionalism: Learning from the European Experience* (London: Routledge Curzon, 2002), p. 1.

start a dialogue on defense conversion and begin discussions on comprehensive security cooperation. He offered a number of proposals to promote confidence-building measures, such as notifying and inviting other ARF members to observe military exercises, and reducing and eventually eliminating military reconnaissance targeted at other ARF members.²⁴

China tried to solve the South China Sea disputes with some Southeast Asian countries in a multilateral manner. At a China-ASEAN dialogue forum in April 1997, China agreed for the first time to discuss ASEAN members' claims in the South China Sea, and offered to frame a code of conduct governing ties with ASEAN.²⁵ In November 2002, at a summit in Phnom Penh, China and ASEAN signed the Declaration on the Conduct of Parties in the South China Sea which mitigated the fear of ASEAN countries in relation to the South China Sea disputes. That agreement "reaffirmed Deng Xiaoping's concept of 'peace and development' and Beijing's acceptance of multilateralism," as one scholar commented.²⁶ At the Bali summit a year later, China acceded to the Treaty of Amity and Cooperation.

The North Korean nuclear issue is one of the most difficult security problems China is now facing and China has been playing a vital role since 1997 and has even been playing a leading role since 2003. As early as 1997, China joined the quadrilateral talks on the Korean Peninsula in 1997 in Geneva, this being the

²⁴ Jianwei Wang, "Chinese Perspectives on Multilateral Security Cooperation," *Asian Perspective*, Vol. 22, No. 3 (1998), pp. 103-132.

²⁵ Michael Vatikiotis, "Friends and Fears," *Far Eastern Economic Review*, May 8 (1997) p. 15.

²⁶ Hugh De Santis, "The Dragon and the Tigers: China and Asian Regionalism."

first time China agreed to participate in a multilateral forum on Korean Peninsula. With the rise of the second round of the North Korean nuclear crisis in late 2002, China has since made even greater efforts to solve the issue within a multilateral framework by hosting the meetings and providing a number of creative proposals. An official news report on January 10, 2003, revealed that former President Jiang Zemin told US President George W. Bush that China did not endorse North Korea's decision to withdraw from the Nuclear Nonproliferation Treaty.²⁷ China has since then been exerting its influence on the North Korean nuclear issue through a multilateral framework, even though Pyongyang had insisted in the past that the issue is a bilateral one between it and the US. China initiated and hosted the multilateral forums on the North Korean nuclear issue. In April 2003, Beijing hosted a three-party meeting on the North Korean nuclear issue between China, North Korea, and the United States which paved the way for the Six-Party Talks. Beginning in August 2003, China hosted the first, second and third rounds of the Six-Party Talks in Beijing, involving itself, Japan, the two Koreas, Russia, and the United States, in August 2003, February 2004, and June 2004, respectively. Even after the scheduled fourth round of talks (in September 2004) were aborted due to the North Korean boycotting of the negotiations and their declaration that they possessed nuclear weapons, the Chinese still tried their best to bring the North Koreans and the United States back to the dialogue by playing a role as a mediator between Washington, DC, and Pyongyang. Largely due to the

²⁷ Wang Jisi, "China's Changing Role in Asia," Kokubun Ryosei and Wang Jisi, eds., *The Rise of China and a Changing East Asian Order*, pp. 9-10.

tremendous efforts and creative solutions proposed by Chinese negotiators, the fourth round of talks resumed in Beijing in July and August of 2005, and issued a joint statement on denuclearization of the Korean Peninsula in September of 2005. China recently hosted the fifth round of talks in Beijing in November of 2005. China has really made a great contribution to solving the North Korean nuclear issue in a multilateral way and she won great praise around the world. For instance, during his recent visit to China in November 2005, US President George W. Bush thanked China for “taking the lead” in disarmament talks with North Korea.²⁸

In the field of nontraditional security, China has also demonstrated an active attitude towards regional multilateral cooperation. Nontraditional security issues – such as money laundering and terrorism, drug and human trafficking, privacy, environmental and health matters (SARS and bird flu) – lend themselves to greater regional cooperation. China is willing to enhance ARF cooperation on such matters, especially in responding to global terrorism. However, China is sensitive in regards to matters involving national sovereignty.

In addition, the Chinese government encourages and supports the governmental officials and scholars who have been participating in the second-track dialogues on East Asian security.²⁹

²⁸ Joseph Kahn and David E. Sanger, “Bush, in Beijing, Faces a Partner Now on the Rise,” *New York Times*, November 20, 2005.

²⁹ Chen Hanxi, “Di er guidao wajiao: CSCAP dui ARF de yingxiang” (Second-track Diplomacy: CSCAP’s Impact on ARF), *Contemporary Asia Pacific*, No. 4 (2005), pp. 37–42.

Cultural Exchange

As one scholar has argued, there are three main eras in history when China rose to become the most powerful and prosperous country in East Asia. The first rise was the Qin-Han unification of the first bureaucratic empire that lasted from the third century B.C. to the third century A.D.. The second rise was the Sui-Tang reunification that followed a series of invasions and the ascendancy of Buddhism within China. The third was the most powerful rise before modern times, namely that of the Ming and Qing dynasties when the Confucian tradition was reconstructed and reinforced as a new orthodoxy. The present rise started since China's reform and open-door policy was adopted. He argued, "It could be assumed that China's rise to regional power for the fourth time will have cultural implications for the region."³⁰

With the increasing growth of its material power, or "hard power", China, as a major power with a long cultural tradition in East Asia, is sure to increase her cultural attractiveness, or "soft power" in this region. The spread of Chinese language and cultural products in her neighboring countries might strengthen the cultural connection between China and her neighboring countries. More and more young people from neighboring countries are flocking to Chinese universities. Of course, the cultural products from some neighboring countries (especially the ROK), also have a great influence on the Chinese people.

³⁰ Wang Gungwu, "The Cultural Implications of the Rise of China on the Region," Kokubun Ryosei and Wang Jisi, eds., *The Rise of China and a Changing East Asian Order*, p. 82.

The cultural connection is helpful to strengthen the sense of community feeling among East Asian peoples which is very important for future community building in East Asia. However, to many Chinese intellectuals who are now working on East Asian Community building, East Asia is a region where cultural diversity is very obvious, and where outside culture still plays the dominant role.³¹ The Chinese culture itself has been in the process of transition and modernization. In the face of such long standing and robust cultural diversity, it would be bordering on the naive to say that the rise of China would lead automatically to the cultural domination of China again in East Asia.

It is obvious that community building in East Asia should be based on a regional cultural consciousness or regional identity. In the post-Cold War years, people talked much about East Asian values (such as emphasis on a consensual approach, communitarianism rather than individualism, social order and harmony, respect for elders, a paternalistic state, and the primary role of government in economic development, etc.³²) and East Asian identity. Some scholars agreed that, the general trend of East Asian regional economic independence has personified what Yoichi Funabashi called in 1993 “an Asian consciousness and identity.”³³ The American scholar Peter Katzenstein has observed that “Asian regionalism is an idea whose time has

³¹ Li Wen, *Dongya bezuo de wenhua chengyin (The Cultural Factor of East Asian Cooperation)* (Beijing: World Affairs Press, 2005), pp.10–11.

³² Han Sung-Joo, “Asian Values: An Asset or a Liability?” in Han Sung-Joo, ed., *Changing Values in Asia: Their Impact on Governance and Development* (Tokyo: Japan Center for International Exchange, 1999), p. 3.

³³ Yoichi Funabashi, “The Asianization of Asia,” *Foreign Affairs*, Vol. 72, November/December 1993, pp. 75–83.

come,” while Singaporean scholar and politician Simon S. C. Tay has recently commented on the “rising sense of East Asian identity.”³⁴

The formation of an East Asian community sense of regional identity should be the result of a long process of social interactions among East Asian countries and peoples in different fields, especially in terms of cultural exchanges. However, emotional factors, such as the disputes on historical issues between East Asian countries are posing a great challenge to the healthy development of cultural exchange and the formation of regional identity.

Institutional Structure or Framework

The community building in East Asia is still at a preliminary stage, and its future direction is not certain. The East Asian countries are searching for the appropriate way towards community formation. One of the related and critical issues concerning the East Asian community is the institutional structure or framework which would form the foundations of the community. The Chinese have participated actively in the discussions in regards to this issue.

Most Chinese intellectuals support the argument that, at least in the foreseeable future, East Asian regionalism should be open, rather than closed.³⁵ In fact, Beijing has not excluded

³⁴ Cited from Richard Stubbs, “ASEAN Plus Three: Emerging East Asian Regionalism?” *Asian Survey*, May/June 2002, Vol. 42, No. 3, pp. 440–455.

³⁵ Zhang Yunling, ed., *Emerging East Asian Regionalism: Trend and Response* (Beijing: World Affairs Press, 2005), p. 10.

non-Asian states such as Australia and New Zealand from participation in a regional trading regime. Nor has it tried to circumscribe America's economic and security ties with the region.³⁶ The Chinese leadership is very clear that if the US sees the creation of an East Asian community as a way of allowing China to exert an unacceptable amount of influence in East Asia, then it may decide to try to forestall any attempts to increase regional cooperation. In fact, during his recent visit to China in late 2005, the US Secretary of State Donald H. Rumsfeld criticized China's "seeming preference" for regional organizations that exclude the United States and also leveled criticism at a recent decision not to invite US officials to participate in an East Asian summit in December 2005.³⁷ In fact, China lacks the will to exclude the US from the EAS. In July 2005, the ASEAN foreign ministers' meeting decided to allow non-APT members to join the EAS, albeit with some conditions. India, New Zealand, Australia, and three other non-East Asian countries, responded to it quite positively. The United States refused to join it. The EAS is going to be held ever two years and will be hosted by an ASEAN country. In fact, what the US is concerned about is not the open regionalism in East Asia, but a closed and exclusive regionalism. As one scholar correctly commented, "While the US remains hostile towards the formation of an exclusive East Asian region, there are signs that its view on a more open regionalism in East Asia is softening. This in part has

³⁶ Hugh De Santis, "The Dragon and the Tigers: China and Asian Regionalism."

³⁷ Philip P. Pan, "Rumsfeld Chides China for 'Mixed Signals,'" *Washington Post*, October 20, 2005, p. A16.

to do with its general acceptance of regionalism as a new trend in international politics and economics.”³⁸

Many Chinese analysts regard ASEAN-plus-3 as the centerpiece of regional trade and development. The East Asian regional community building badly needs an East Asian regional organization as a vehicle for regional cooperation. APEC as a regional organization for economic cooperation includes almost all of the East Asian countries and economic entities (such as Hong Kong and Taiwan). However, it is more appropriate to regard APEC “as a trans-regional rather than a regional body...”, as John Ravenhill argued.³⁹ APEC will remain intact as one more discussion forum, but it is difficult for APEC to serve as the dominant regional institution in East Asia. To the Chinese, the newly founded ASEAN plus Three formula is much more important than the APEC. Zhang Yunling, one of the leading Chinese experts on regionalism, argued that East Asia cooperation is under the framework of “10 plus 3” (APT), as started from November of 1997. China took the invitation to join the regional grouping and since then she has been playing a more and more active role. Government leaders, ministers, and senior officials from the 10 members of the Association of Southeast Asian Nations (ASEAN) and the three Northeast Asian states-China, Japan, and South Korea-that together comprise the participants in the process are consulting on an increasing range of issues. One American scholar argued that “the APT now has the

³⁸ Zhang Yunling, ed., *Emerging East Asian Regionalism: Trend and Response*, p. 25.

³⁹ John Ravenhill, “APEC Adrift: Implications for Economic Regionalism in Asia and the Pacific,” *Pacific Review*, Vol. 13, No. 2 (2000), p.329.

potential to become the dominant regional institution in East Asia.”⁴⁰ The APT summit in 2004 set the long-term goal of East Asian Community building. The Chinese Foreign Minister Li Zhaoxing recently regarded it as a new development of East Asian cooperation.⁴¹ One scholar analyzed the reasons why ASEAN+3 could evolve - with significant Chinese participation - into an East Asian Community over the longer term, “First, it is a more or less institutionalized process involving ASEAN, China, Japan, and South Korea. From the moment ASEAN+3 was established, it has been a channel in which China has been able to express its interests and priorities. Second, its affairs are conducted in the ‘ASEAN way,’ which is informal, consensual, personal, and step by step. This is a style with which China feels quite comfortable. Third, there is a need for East Asia to have a global voice, alongside the voices of the European Union and the United States. China would benefit too from being able to express itself forcefully through the medium of a regional institution.”⁴² Some Chinese scholars regard the multi-layered and step-by-step process as the most viable way forward for East Asian Community building.⁴³

It is a well-known fact that East Asia lacks a leading power

⁴⁰ Richard Stubbs, “ASEAN Plus Three: Emerging East Asian Regionalism?” *Asian Survey*, May/June 2002, Vol. 42, No. 3, pp. 440–455.

⁴¹ “Li Zhaoxing’s Speech at ASEAN-China-Japan-Korea Foreign Ministers’ Meetings,” July 27, 2005, Laos, <http://www.fmprc.gov.cn/chn/wjbj/zsjg/yzs/dqzzywt/t206078.htm>.

⁴² Jusuf Wanandi, “China and Asia Pacific Regionalism,” Kokubun Ryosei and Wang Jisi, eds., *The Rise of China and a Changing East Asian Order*, p. 45.

⁴³ Zhang Yunling, “Taoqiu dongya de quyuzhuyi” (“On East Asian Regionalism”), *Contemporary Asia Pacific*, No. 12 (2004), pp. 3–7.

to serve as a driving force for community building in this region. Chinese scholars have recently been greatly preoccupied with this issue. Some of them have argued that China has neither the will nor the capability to serve as the driver or leader in this process of East Asian Community building. For both historical and geopolitical reasons, the small countries in East Asia would remain a little uneasy with any regional arrangements dominated by either China or Japan.⁴⁴ In addition, the United States would not be happy to see China as a leading player in East Asian regionalism, since the United States has been pursuing a consistent foreign policy goal in East Asia, namely to “prevent the domination of the region by any power other than ourselves.”⁴⁵ Therefore China supports ASEAN to play the role of the driver for East Asian Community building. However, as the three core countries in East Asia, it is very important for China, Japan and South Korea to cooperate with each other. Indeed, it is impossible for an East Asian community to materialize in the immediate future without the close cooperation among these three countries.

As for the decision making mechanism of East Asian regional multilateral institutions, at least at the present time, the Chinese prefer to take a consensual approach, by joining loose, non-binding or non-institutionalized organizations or forums. However, they are not opposing the gradual process of institution building, with the aim of eventual institutionalization.

⁴⁴ Zhang Yunling, ed., *Emerging East Asian Regionalism: Trend and Response*, pp. 29–30.

⁴⁵ Morton Albramowitz and Stephen Bosworth, *Chasing the Sun: Rethinking East Asian Policy*, p. 1.

Conclusion

China is rising, and China's economic development is proceeding at an astounding speed. The rise of China has been a long-held dream of the Chinese. As one American scholar commented, "From the time of the Opium War, generations of Chinese have dreamed of making their country rich and powerful. Finally, thanks to Deng Xiaoping's leadership and his policy of reform, it has begun to happen."⁴⁶ Moreover, the prospect of a new and rapidly rising China is posing both opportunities and challenges for the creation of a regional community in East Asia. China has demonstrated a keen interest in and active attitude towards regional community building since the late 1990s, especially since the fourth generation of leaders under Hu Jintao took over the leadership in November 2002.

The rise of China is a historical process which started in the late 1970s when the reform and open door policy was adopted, and that process is still going on. The future of China is not so certain. Indeed, some Chinese scholars are even concerned about the prospect of the so-called "Latin Americanization" of China.⁴⁷ In addition, the Taiwan issue has been a constant drain. However, what is certain is that the rise of China is an undeniable fact. The rise of China has also had a great impact upon China's approach towards East Asian regionalism. On one hand, China has been trying to use regionalism as a way to pursue a "favorable international environment" in the surrounding areas by mitigating

⁴⁶ Ezra F. Vogel, "The Rise of China and the Changing Face of East Asia," *Asia-Pacific Review*, Vol. 11, No. 1 (2004), pp. 46–57.

⁴⁷ Daojjiong Zha, "Comment: Can China Rise?" *Review of International Studies* 31 (2005), pp. 775–785.

the lingering mistrust of her neighbors in East Asia. On the other hand, China wishes to play a responsible and constructive role appropriate to its increasing power, in the process of community building in East Asia. As we see from the above analysis, China has been demonstrating a great interest in and active attitude towards regional economic community building, security cooperation, cultural communication, and the shaping of the future institutional structure in East Asia. However, to the Chinese, at least at the present time and in the immediate future, regional multilateral economic cooperation is at the center of East Asian community building, although they are also willing to play a responsible, even a leading role in the other fields of community building.

Some scholars have argued that multilateralism is a means, rather than an end for China. As one scholar argued, “Far from being an end in itself, Chinese multilateralism is a means to realize narrow national goals: economic growth, job creation, and domestic order, all of which will presumably confirm the wisdom of the Communist Party and the ruling elite.”⁴⁸ The same scholar even argued that, “When all is said and done, China’s multilateralist proclivities and its advocacy of economic integration may simply be tactics to leverage its longer-term strategic objective of regional domination: a sphere of influence at minimum or, as some scholars have fretted, a revitalized tribute system.”⁴⁹ I think this argument is far too simplistic. There is no doubt that China has been adapting tactically to the new trend of regionalism for the sake of her own national

⁴⁸ Hugh De Santis, “The Dragon and the Tigers: China and Asian Regionalism.”

⁴⁹ *Ibid.*

interest. However, on the other hand, China has also been in the process of learning and we could clearly see the conceptual change in people's minds. With the rise of China, China is willing to be a responsible member of the international community, by taking an active part in the regional community building process. Although realism is still the dominant paradigm in China, Chinese leaders and intellectuals have also been embracing a liberal approach towards regional cooperation. As two Chinese scholars recently argued, in the era of peace and development, China needs both patriotism and internationalism in her diplomacy. They theorize that the spirit of internationalism in this era of peace and development is the driving force behind China's "new internationalism".⁵⁰

In conclusion, in her rise, China has been a responsible participant in the community building process in East Asia. Moreover, China's approach towards community building demonstrates two important tendencies; that of adaptation and learning from the experiences of others in the search for a new regionalism in East Asia.

⁵⁰ Qin Yaqing, Zhu Liqun, "Xin guoji zhuyi yu zhongguo waijiao" ("New Internationalism and Chinese Diplomacy"), *Foreign Affairs Review*, October 2005, Vol. 84, No. 5, pp. 21-27.

National Perspectives on Linkage Strategy

: The Japanese Perspective

Tomoyuki Saito

“The dream of a single, economically integrated region dissolved in a caldron of great-power rivalries and divided countries torn by narrow notions of national interest and distrust.”

- Gilbert Rozman*

Introduction

Regional cooperation or regionalization in Northeast Asia – among Japan, South and North Korea, China, Russia, and Mongolia – has been gathering increasing attention during the past few years in various sectors of the Japanese policy arena such as the government, the private sector, media and academia. Most often this has happened in parallel with the discussion about the establishment of an East Asian community (EAC) in which the pros and cons have been batted back and forth over the questions of whether as a “community” it should be value-oriented or have a functional basis, what policy agenda must be given top priority, and who needs to gain membership, while considering possible enlargement to include other entities, e.g.,

* Gilbert Rozman, *Northeast Asia's Stunted Regionalism: Bilateral Distrust in the Shadow of Globalization* (New York: Cambridge University Press, 2004), p. 2.



the Association of Southeast Asian Nations (ASEAN), Australia, New Zealand and India on one hand, and the United States on the other. As in many provisional member states, the discussion has been partly led by the track-two process, although it seems not yet to have reached full maturity. In the conundrum of successful regionalization, what is predominantly lacking is a comprehensive study of how to link economic impetuses with security factors, which so far have tended to be made in different spectra and consequently failed to enhance both the legitimacy and coherence of regionalization. To ameliorate this lack of policy linkage and to propel regionalization ahead, a new strategy needs to be developed toward the future peace and prosperity of Northeast Asia.

This chapter first describes the current state of Japan's economic and security cooperation and challenges with the rest of Northeast Asia and other regional actors, using the ideas of bilateralism and multilateralism as analytical frameworks. Next, several socio-cultural aspects are added to clarify the region's milieu, and to assess the "soft power" in the logic of regionalism.¹ After reappraising the ongoing scholarly debates, economic, security and social elements are combined in order to draw a tentative model of regionalization fitting Northeast Asia; this reappraisal makes it clear that there is no perfect economic integration that will guarantee the creation of a "security community" in Northeast Asia, as Karl W. Deutsch elucidates, and that it is the common socio-cultural architecture that bridges the policy gap between economy and security and helps to

¹ Joseph S. Nye, Jr., *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004).

smooth the balanced course of regionalization in the long run.²

Economy Spurred

The Japanese domestic economy had been shrinking over the past decade or so – the country’s “lost decade” following the burst of the economic bubble between the late 80s and early 90s. During that period, some banks and financial institutions heavily burdened with nonperforming loans failed to clean up these land-collateral loans and eventually went bankrupt. When the stock price average and the growth rate of real gross domestic product (GDP) fell significantly, the overall economy registered temporary negative growth. The deflation-led recession also has driven many manufacturing and other businesses overseas (e.g., China and Thailand) to expand market opportunities and find a path to recovery. Japan’s trade with China, both in exports and imports, has increased so overwhelmingly that China has replaced the U.S. as Japan’s largest trade partner. Likewise, trade between Japan and South Korea has been growing over the last several years, albeit less fast than that with China.

Strengthened bilateral economic ties have provided the basis for multilateral regionalization in Northeast Asia. The so-called “Northeast Asian economic bloc” that consists of Japan, South Korea and China as its core states and includes North

² For details about Deutsch’s “security communities,” see, for example, Karl W. Deutsch, “Security Communities,” in *International Politics and Foreign Policy: A Reader in Research and Theory*, ed. James N. Rosenau (New York: Free Press, 1961); Karl W. Deutsch and others, *Political Community and the North Atlantic Area: International Organization in the Light of Historical Experience* (Princeton, NJ: Princeton University Press, 1957).

Korea, Russia and Mongolia, has achieved rapid expansion of scale since the 90s. The region now enjoys an almost 20% share of the global economy in terms of GDP and trade value and developed into one of the three “mega economies” worldwide with the North Atlantic Free Trade Area (NAFTA) and the European Union (EU) as its counterparts. Additionally the boom of the Chinese economy has been enhancing intraregional interdependency, such as in trade and foreign direct investment (FDI), around the triad of Japan, South Korea and China. For example, the trilateral trade dependency rate jumped from 14.3% to 23.5% from 1990 to 2003.³

EPA Adrift

This explicit integration of the regional economy in the private business and industrial circles has sat the Japanese government at the negotiating table on economic partnership agreements (EPAs) and other economic cooperation pacts such as free trade agreements (FTAs), thereby heightening the momentum toward regionalization in Northeast Asia. Japan and South Korea have been in formal FTA negotiations since the end of 2003, while China (as well as Taiwan and Hong Kong) and Mongolia either have already started joint studies at the nongovernmental level or expressed interest in the conclusion of EPAs with Japan. In the multilateral scheme, since 2001 a joint research project on a trilateral FTA has been undertaken by the

³ Yasuo Sawai, “Hokuto Ajia Gurando Dezain Kenkyu no Kongo no Tenkai Hoko,” in *Hokuto Ajia no Gurando Dezain: Kyodo Hatten ni Muketa Kinoteki Apurochi*, NIRA Kenkyu Hokoku Syo (Tokyo: Sogo Kenkyu Kaihatsu Kiko, 2005), p. 7. The foregoing is based on Sawai, pp. 7–10.

National Institute for Research Advancement (NIRA) in Japan, the Korea Institute for International Economic Policy (KIEP) in South Korea, and the Development Research Center of the State Council (DRC) in China.⁴ In Northeast Asia, only Russia and North Korea seem outside the circle of EPAs in the eyes of Japan.

Meanwhile Singapore was first to conclude its EPA with Japan and it entered into force in November 2002. Among the other ASEAN countries, Malaysia also enacted an EPA with Japan in December 2005. The Philippines, Thailand, Indonesia, Vietnam and Brunei are on the waiting list for the conclusion of additional bilateral EPAs, some of which have begun formal negotiations or reached a general agreement. Japan has in addition been eager to conclude a multilateral EPA with the ASEAN as a whole. During his visit to Singapore in January 2002 Prime Minister Junichiro Koizumi proposed the vision of the Japan-ASEAN comprehensive economic partnership (CEP) the day after he signed the EPA with Singapore, resulting in the start of negotiation meetings between the two entities in April 2005.

These events hint at three things. First, regionalization often advances from the bottom up in the private sector, in the same way as T. J. Pempel et al. spell out.⁵ In this analysis

⁴ The research findings and policy recommendations have been reported regularly to the trilateral summit meetings held between the leaders of Japan, South Korea and China as part of the ASEAN+3 meetings. For the latest issue of the reports, see *Joint Report and Policy Recommendations on "Towards a CJKFTA: Visions and Tasks,"* Trilateral Joint Research by Development Research Center of China, National Institute for Research Advancement of Japan, and Korea Institute for International Economic Policy of Korea (Tokyo: National Institute for Research Advancement, 2005).

⁵ T. J. Pempel, ed., *Remapping East Asia: The Construction of a Region* (Ithaca, NY: Cornell University Press, 2005), pp. 15–17, chaps. 6–7. The following

numerous multinational corporations become the driving force by creating production networks and webs of business interaction. Second, from Japan's perspective the ASEAN countries, whether singly or as a combined entity, are easier to access than those of Northeast Asia vis-a-vis promoting economic ties through various EPAs. Protectionism, flawed intellectual property systems, and unbalanced foreign exchange rates are a few examples of the impediments to integral economic development in the region, and the conditions might shift the balance of power in the game of regionalization by putting more stress on one subregion and less on the other. Third, it is hardly expected that multilateralism precede bilateralism in the course of economic regionalization, independent of the region at issue. This paradigm, supported by the argument that in international politics necessity is the mother of bilateralism while multilateralism cannot be realized without the countries' political willingness to cooperate, helps to design the mechanism of economic regionalization as well as understand how to connect economy to security in Northeast Asia.⁶

Energy and Maritime Security at Stake

Closely related with regional economic integration are energy security issues. The growing demand for oil on the part of China, now ranked the second largest importer of oil after the U.S., has stimulated the conversion of energy equation in the

is based on T. J. Pempel, "Introduction: Emerging Webs of Regional Connectedness," in Pempel, ed., p. 17.

⁶ Akiko Fukushima, "Ajia ni Okeru Chiiki Kyoryoku: Ajia Taiheiyo Chiiki Tai Higashi Ajia: Sokoku ka Sojo Ka," *NIRA Seisaku Kenkyu* 18, No. 3 (March 2005), p. 50.

northern subregion of Northeast Asia where Russia has actively sought to extend its oil and natural gas markets through pipelines. Similarly Japan and South Korea have identified Russia as an important energy supplier; for Japan, Russia is a “strategic” partner in view of supply source diversification, and the Sakhalin oil and gas projects and the Pacific pipeline can provide a chance to “reinforce” its diplomatic and economic relationship with Russia. And the U.S. also has shown considerable interest in oil and natural gas developed in eastern Russia. To date there have been a number of developmental programs proposed to increase the energy connectedness in and beyond the subregion, which includes the introduction of a joint strategic oil stockpile system in Asia, to cite one example.⁷

If one takes a look at the southern part of Northeast Asia, maritime security and territorial disputes have occurred. On the East China Sea, claiming different exclusive economic zone (EEZ) borders, Japan is concerned that China’s drilling in the disputed waters (e.g., at the Chunxiao and Duanqiao drilling platforms) could siphon off natural gas from Japan’s territorial seabed, while China considers Japan’s claim as infringing on its interests and sovereignty.⁸ The territorial clash over the Senkaku/Diaoyu Islands has further provoked hostility, indicating a sign of escalation into political and security frictions between Tokyo and Beijing.⁹ In November 2004 a mystery

⁷ The paragraph is based on Daojiong Zha, Vladimir I. Ivanov, and Shoichi Itoh, “China, Japan and Russia: Towards a New Energy Security Nexus,” *ERINA Report* 62 (March 2005), pp. 1–9.

⁸ Kosuke Takahashi, “Gas and Oil Rivalry in the East China Sea,” *Asia Times Online* [home page on-line]; available from <http://www.atimes.com/atimes/Japan/FG27Dh03.html>; Internet; accessed 26 May 2006.

submarine, later identified as a Chinese Han-class nuclear-powered vessel, invaded Japanese territorial waters near Ishigaki Island. The incursion urged Japan's maritime forces to go on alert for only the second time since its establishment in 1954. Additionally, rival claims to fisheries in the Sea of Japan/East Sea and the dispute over the sovereignty of Takeshima/Tok Do between Japan and South Korea have no foreseeable resolution so far. Although Russia seems out of the picture, there has been years of unsolvable territorial disputes over the Northern Territories, a possible flintlock of diplomatic outburst temporarily forgotten. Suffice it to say, these disputes, which are deeply associated with other political affairs at home and abroad, have harmed Japan's leadership in the region.

So, geopolitics is at work in the energy situation of Northeast Asia in which multilateralism prevails over bilateralism in accelerating regionalization, as a Russian scholar notes that "almost every economy of Northeast Asia is adopting a policy stance that favors multilateral energy cooperation."¹⁰ It can be easily deduced that Russian oil and gas can bring together the region through its pipeline networks, although China's further explorations of offshore gas fields in the East China Sea may exacerbate to a large degree its bilateral diplomatic ties with Japan. Another point to be made is that there is more room than

⁹ Anthony Faiola, "Japan-China Oil Dispute Escalates: Relations Already Uneasy as Tokyo Accuses Beijing of Tapping Disputed Fields," *washingtonpost.com* [home page on-line]; available from <http://www.washingtonpost.com/wp-dyn/content/article/2005/10/21/AR2005102101933.html>; Internet; accessed 26 May 2006.

¹⁰ Vladimir I. Ivanov, "Energy Security for a New Northeast Asia: An Update," *ERINA Report 59* (September 2004), p. 26.

in the case of the EPA negotiations for the U.S. to engage in regionalization with respect to energy development. This is also partly due to the U.S. having a special interest in solving North Korea's nuclear puzzle for the sake of international peace and stability, as it has joined the six-party talks which began in August 2003 in Beijing. The question is whether the U.S. still favors a multilateral approach to getting on the bandwagon of regionalization.

Regional Security Imperatives

First and foremost, in the more than half century since its defeat in World War II, the fundamentals of Japan's security policy have relied on the bilateral alliance with the U.S. Even following the demise of the Cold War, the underpinnings of this alliance structure have never been challenged with such occasional adjustments as the review of the Guidelines for Japan-U.S. Defense Cooperation in 1997. Using different rationales, both countries have repeated the same assertion that the Japan-U.S. Security Treaty would contribute to stabilizing the region not limited to Northeast Asia but encompassing the entire sphere of East Asia. 9/11 and the subsequent war on terror have added a new dimension to the alliance when the Japanese government enacted special legislation to dispatch the Self Defense Forces (SDF) to Iraq, and surrounding areas, for logistic and humanitarian purposes. More broadly, this can be characterized as part of a multilateral "coalition of the willing" joined by dozens of friends and allies. Nevertheless, it is no doubt that the coalition has been led by Washington and that Tokyo's security calculus has remained within the limits of or in accord with the alliance with

the U.S., consequently augmenting to a greater extent bilateralism between the two. A similar trend can be observed in Japan's nuclear disarmament policies such as the Comprehensive Nuclear-Test-Ban Treaty (CTBT).

Anatomy of the Six-party Talks

Regardless of some historical fluctuations, Japan's security posture has traditionally rested on the extensive bilateral alliance with the U.S., while pursuing its own unique interests to fill the niche in multilateral fora – an approach which might coincide with what Yoshihide Soeya calls “middle-power diplomacy.”¹¹ And this is also applicable when one takes into account the perplexing issues over North Korea. Today North Korea's nuclear and ballistic missile developments are the greatest threat not only to Japan's national security but region-wide stability in Northeast Asia as well. In order to avoid an imminent nuclear crisis, countries in the region – with the exception of Mongolia – have invited the U.S. to concert the six-party talks since 2003. Yet the consortium now seems on the verge of disintegration because of conflicting interests among the members in the bilateral scheme: the U.S. has deeply distrusted the chairmanship assumed by China, which has felt unhappy with U.S. hegemony over the region; South Korea has continued to pursue a policy of engagement toward the North, and has tended to criticize the hawkish line of the U.S. despite massive U.S. military presence at home; and both China and South Korea would not accept a militarily robust

¹¹ Yoshihide Soeya, “Nicchukan Akujunkan no Kozu kara Do Dassuru Ka: Nihon ha Midoru-Pawa Gaiko no Senryaku Saikochiku Wo,” *Sekai Shubo* 87, No. 18 (May 2006), pp. 32–35.

Japan.¹² The Russian card seems not to have been discarded yet, although the ex-communist country might suffer from the pitfalls of bilateral strife under the legacy of the Cold War.

There is a slight difference between Japan and the U.S. in their perceptions of what the six-party talks should achieve: Japan has aimed to solve the puzzle comprehensively by addressing human rights issues (i.e., the abductions by North Korea); the U.S. has concentrated solely on convincing the North to give up its nuclear options and dismantle the foggy development programs in a peaceful and diplomatic way. Still, as both countries have worked hand in hand with one another, their longstanding friendship has been unshaken or has even consolidated, a situation in which multilateralism has been absorbed into the formula of bilateralism. It is interesting to note that in his recent article, Francis Fukuyama proposes to turn the currently deadlocked six-party talks into “a permanent five-power organization” (without Pyongyang) similar to the Organization for Security and Cooperation in Europe (OSCE).¹³ Whatever shape it takes, the Japan-U.S. alliance will form the iron skeleton of a future regionalized security apparatus in Northeast Asia.

Rising China vis-à-vis U.S. Transformation

Ambitious Chinese military buildups, accompanied by increasing opacity, pose another potential threat to the stable regional security environment around Japan. One of the world’s nuclear powers, China is reported to have sustained annual

¹² Francis Fukuyama, “Re-envisioning Asia,” *Foreign Affairs* 84, No. 1 (January/February 2005), pp. 76–80.

¹³ Fukuyama, pp. 75–87.

defense budget growth higher than its officially announced double-digit rates.¹⁴ Moreover, the history of the cross-strait dispute with Taiwan has been a major source of conflicts that could critically destabilize the region. Seeking to deter the rise of China, let alone prevent North Korea from going nuclear, the Pentagon has sketched out a realignment of U.S. military forces in East Asia as part of its global-scale transformation to cope with both traditional and nontraditional security concerns, e.g., terrorism and weapons of mass destruction (WMD).

Alongside this transformation, Tokyo has recently reached a final agreement with Washington concerning, inter alia, the relocation of U.S. military bases and capabilities in Japan. Under the agreement some of the bases and facilities that now exist in Okinawa are to be relocated to mainland Japan (e.g., the city of Iwakuni), others to Guam, with a view to reducing the burden imposed on the aggrieved island victim of the Cold War structure. One exception is Nago - a northern city of Okinawa - which is supposed to accept, though reluctantly, the heliport functions from the Marine Corps Air Station in Futenma and build a replacement facility on the southern shore region of Camp Schwab.¹⁵ In a similar way the realignment roadmap has stirred protests among the residents in Iwakuni. Moreover, how to

¹⁴ This is pointed out in various sources of information, including Office of the Secretary of Defense, *Annual Report to Congress: Military Power of the People's Republic of China* (Washington, D.C.: Department of Defense, 2006) [report on-line], chap. 4; available from <http://www.defenselink.mil/pubs/pdfs/China%20Report%202006.pdf>; Internet; accessed 30 May 2006.

¹⁵ For details, see "United States-Japan Security Consultative Committee Document: United States-Japan Roadmap for Realignment Implementation," *Japan Defense Agency Home Page* [home page on-line]; available from http://www.jda.go.jp/e/index_.htm; Internet; accessed 30 May 2006.

distribute the funds necessary for implementation is still being negotiated, provoking widespread skepticism in the minds of the Japanese public. With all these difficulties, however, the bedrock of security bilateralism has been only perfunctorily questioned, thus disappointing Beijing which would welcome a divided alliance between Tokyo and Washington.

On the Multilateral and Nontraditional Security Parameters

For Japan, regional security arrangements such as the ASEAN Regional Forum (ARF) represent the same dynamics of bilateralism with the U.S., which has been underscored in recent years by the political commitments made by Prime Minister Koizumi and President George W. Bush. The question to be asked is where multilateralism can pave the way for regional security cooperation in Northeast Asia without hurting the pair of bilateral relationships between Washington and Tokyo on the one hand and Seoul on the other. One may find the answer within the realm of nontraditional security. Intra-regional multilateral cooperation against terrorism and WMD proliferation (e.g., the Proliferation Security Initiative) can embrace this bilateralism as the U.S. holds a high stake in maintaining global peace and security.¹⁶ In fact, the Asia-Pacific Economic Cooperation forum (APEC) has put counterterrorism measures on the agenda in the aftermath of 9/11. Threats to human security including bird flu and severe acute respiratory syndrome (SARS) must be eliminated multilaterally because they are transnational

¹⁶ Mark J. Valencia, *The Proliferation Security Initiative: Making Waves in Asia*, Adelphi Paper No. 376 (Oxon: Routledge, 2005).

in nature. On balance, these nontraditional issues can set the starting line for security regionalization at an equilibrium between bilateralism and multilateralism throughout Northeast Asia.

Socio-cultural Inquiry

Quite often international politics is studied exclusively in the domains of security and economy, yet the reality is that the world is governed by countless other social and cultural norms. Especially when one looks at Asia, the region manifests a tremendously rich diversity in terms of race, religion and ethnicity, etc. For example, by inventing the concept of the “East Asian Seas,” Heita Kawakatsu and others focus on the diversified region of the Asia-Pacific and how to build confidence among countries based on the interdisciplinary research of macroeconomics, public opinion, and education.¹⁷ The same image fits Northeast Asia, albeit to a limited degree, so that socio-cultural variables need to be additionally included in the analysis of regionalization dynamics and where to find a path toward possible regional cooperation.

History and the AsiaBarometer

As a single regional unit Northeast Asia is interconnected both geographically and historically. This interconnectedness may play a role for better or worse in the process of regionalization, although unfortunately one sees the latter today.

¹⁷ Heita Kawakatsu and Sogo Kenkyu Kaihatsu Kiko, eds., *“Higashi Ajia Kai” no Shinrai Josei*, forthcoming.

Upholding his pledge in the election for the presidency of the Liberal Democratic Party (LDP) - one of the ruling parties then and now - Koizumi has visited Yasukuni shrine, in which more than a thousand convicted World War II criminals are honored including 14 executed class - A criminals, in successive years since 2001. Koizumi's visits have outraged a number of neighboring countries, in particular South Korea and China, who consider his excessive performance both a failure to fully atone for Japan's military past as well as a sign of the revival of its wartime militarism. Seoul is so furious that coupled with the controversy over Takeshima/Tok Do, President Roh Moo Hyun does not hesitate to exhibit his aversion to the Koizumi administration. As for Beijing, the political confrontation with Tokyo further developed into a series of anti-Japan demonstrations in April 2005 in Shanghai and other cities against Japan's ambition to become a permanent member of the United Nations Security Council. In response to this, Seiji Maehara, then president of the Democratic Party of Japan (DPJ) - the largest opposition party - expressed his views on identifying China as "a real concern," thereby touching off a vicious downward spiral in the bilateral relationship.¹⁸ As Rozman expounds critically, Japan's deteriorated diplomacy toward Asia with a low moral tone in treatment of history has consequently lessened its own regional leadership in Northeast Asia.¹⁹

¹⁸ Seiji Maehara, "The National Image and Foreign Policy Vision Aimed for by the DPJ," speech delivered on December 8, 2005 at the Center for Strategic and International Studies (CSIS), *CSIS Home Page* [home page on-line], 4; available from http://www.csis.org/media/isis/events/051208_maehara_engremarks.pdf; Internet; accessed 31 May 2006.

¹⁹ Rozman, p. 358.

It is obvious that the triangle of distrust between Japan, South Korea and China has been casting a dark shadow over regionalization in Northeast Asia. Additionally, inhumane and intolerable acts of abduction committed by North Korea have isolated this member of the so-called “axis of evil” from the regional society, though with a breakthrough pursued through the six-party process and other diplomatic cables.²⁰ The trilateralism of distrust is clearly reflected in the results of the AsiaBarometer survey, an extensive annual social survey of Asian people.²¹ In his attempt to analyze the findings, Akihiko Takaka - one of the designers of the survey - resonates with this view by pointing out that, to be succinct, in Japan, South Korea and China most of the citizens in one country feel negative influences wielded by the other two or do not recognize the positive ones at best, compared to those of the ASEAN countries. So, as long as who trusts whom is a matter of grave concern, reciprocal confidence-building is vital to endorsing successful regionalization in Northeast Asia. Particularly, deep-rooted antagonism between the three regional actors must be eradicated at both the political and public levels.

²⁰ George W. Bush, “The President’s State of the Union Address,” delivered on January 29, 2002 at the U.S. Capitol, *The White House Home Page* [home page on-line]; available from <http://www.whitehouse.gov/news/releases/2002/01/20020129-11.html>; Internet; accessed 31 May 2006.

²¹ Takashi Inoguchi and others, eds., *Human Beliefs and Values in Striding Asia: East Asia in Focus: Country Profiles, Thematic Analyses, and Sourcebook Based on the AsiaBarometer Survey of 2004* (Tokyo: Akashi Shoten, 2006). The following is based on Akihiko Tanaka, “Higashi Ajia Syokoku ni Okeru Syuyokoku no Eikyoryoku Ninshiki,” in *Ajia-barometa 2004-nen Chosa kara Mita Higashi Ajia Kyodotai*, Takashi Inoguchi, ed. (Tokyo: n.p., 2005), pp. 13–16.

Soft Empowerment

The impact of soft power has been intensifying in contemporary world politics. Mass media is a main vehicle of not only its message but the policy itself, as was the case during the warfare in Iraq and Afghanistan. This turned out to be true in Northeast Asia as well when anti-Japan demonstrations that had taken place in South Korea and China may have originally come to a boil on the Internet. But at the same time the media vehicle can contribute to the building-up of friendly ties among countries and regions: Korean television dramas (e.g., “Winter Sonata”) have enjoyed a great deal of popularity among the Japanese general population, resulting in an increased number of tourists to South Korea along with a surge of Japanese students of the Korean language; and many Japanese cartoons, comics and dramas are translated into Korean and Chinese and are becoming popular among the younger generation.

Soft power actually fosters mutual in-depth understanding of what the neighbor next door is like and ultimately moves regionalization ahead. This can also happen through enduring public diplomacy and intellectual exchanges, as Paul Evans and Akiko Fukushima propose to create “a consortium of research institutes” focused on regional cooperation in Northeast Asia.²² The expanding role of sports cannot be overlooked as an outlet for diverting exuberant nationalism in a positive direction and achieving better coexistence among people of different backgrounds. Co-hosted by Japan and South Korea, the 2002 World

²² Paul Evans and Akiko Fukushima, “Northeast Asia’s Future Security Framework: Beyond Bilateralism?” *NIRA Review* 6, No. 3 (Summer 1999), pp. 31–35.

Cup football games were a big success when both countries' supporters cheered for each other and built a sense of camaraderie among them. In education, textbooks used in different countries have immense influence on how students forge their identity as a national, regional, and global citizen. Today history textbooks are one point of contention in line with the controversy over historical interpretations that exists mainly among Japan, South Korea and China, although textbooks on different subjects (e.g., national language and geography) need to be reviewed as well in order for countries in the region to reaffirm a shared awareness of what Northeast Asia, or more broadly East Asia, means.²³ In sum, all of these elements are categorized as forms of soft power that can direct to a large extent the future course of regionalization in Northeast Asia.

Environmental and Natural Disaster Protections

What has been attracting a high level of interest not only in the region but worldwide is environmental issues (e.g., global warming, which seems to currently top the list). When it comes to Northeast Asia, coastal environmental management similarly becomes of greater concern with the realization that in every respect the region is connected via sea.²⁴ Ever-increasing amounts of garbage and industrial waste wash ashore from one country to another in the basins of the East China Sea, the Sea of Japan/East Sea, as well as the Sea of Okhotsk. On the other hand, searching for ways to prevent radioactive contamination of the

²³ Kawakatsu and Sogo Kenkyu Kaihatsu Kiko, eds., forthcoming; Evans and Fukushima, p. 34.

²⁴ Kawakatsu and Sogo Kenkyu Kaihatsu Kiko, eds., forthcoming.

sea, Japan has a leveraged partnership with Russia in constructing a low-level liquid radioactive waste treatment plant (the “Lily of the Valley”) and launching a joint project (the “Star of Hope”) for the dismantlement of decommissioned Russian nuclear submarines, both of which have contributed to nuclear nonproliferation and confidence-building across the region.

The earthquake that occurred off the island of Sumatra in December 2004 shocked the countries of Northeast Asia despite their relative physical remoteness from the epicenter. As Japan has traditionally been prone to medium - and large - scale earthquakes, it today possesses considerable scientific and technological sophistication in the field of seismology that can be somehow transferred to the rest of the region. Climate change control is another area of possible regional cooperation in Northeast Asia, which has suffered severe damage by seasonal typhoons and floods. Natural disaster management leaves room for securing “common goods” for the future and boosting regionalization, as in the case of environmental protections: global warming and the reduction of CO₂ can be tackled regionally as well as on a country basis.

Linkage Strategy

Regionalization is examined multidirectionally, while how to draw lines between the coordinates of economy, security and socio-culture needs to be further elaborated to channel regionalization in Northeast Asia. To begin with, one premise is that any policy of the status quo that originates from traditional realism should be eschewed in light of today’s complexities

surrounding the region, as Evans and Fukushima insist:

... Northeast Asia must remain a core focus not only because it is where the problems lie but also because if these problems are not addressed it is where the greatest danger of resurgent cold war divisions and direct military confrontation reside.²⁵

Additionally, it is misleading to equate Northeast Asia with the EU with respect to regionalization due to the differences of scope, depth, and character of integration processes across numerous dimensions and regions.²⁶ As security and economic variables strongly correlate, it is therefore necessary to take a series of concrete steps to apply a linkage strategy for prospective regionalization that is unique to Northeast Asia.

Economic and Energy Integration Revisited

As the previous analysis demonstrates, bilateral economic ties, whether in the business sector or the EPA framework, can trigger upcoming regionalization of Northeast Asia through “the extraordinary pace of intraregional trade and investment.”²⁷ This is a nearly spontaneous development pushed by the forces of globalization and market integration prevailing worldwide over the last several years. Yet for Japan, South Korea, and China, trilateral economic frameworks such as an FTA still seem more of a dream than reality due to lingering political distrust and

²⁵ Evans and Fukushima, p. 35.

²⁶ Peter J. Katzenstein, “Introduction: Asian Regionalism in Comparative Perspective,” in *Network Power: Japan and Asia*, Peter J. Katzenstein and Takashi Shiraishi, ed. (Ithaca, NY: Cornell University Press, 1997), p. 3.

²⁷ Rozman, p. 356.

security rivalry, in spite of increased trade volume and intensity among them. Accordingly, it is better to sketch out a plot in which the three actors regard the ASEAN countries as hedges against a possible breakdown in such economic institutionalizations and stress engagement in bilateral partnerships at the outset of economic regionalization.

Enhanced bilateral economic interdependency is then followed by the multilateralism of the intraregional economy. For example, the Chiang Mai Initiative, which aims to create a “network of bilateral swap arrangements” among the countries of ASEAN+3 (Japan, South Korea, and China) in order to respond to future currency crises, was agreed upon in May 2000. The introduction of a common currency in EAC and the establishment of an Asian bond market have both been proposed by a number of scholars and policy practitioners.²⁸ In Northeast Asia the development projects in the Tumen River area, directed by the United Nations Development Program (UNDP), show a multilateral pattern of possible regional cooperation through investment promotion, environmental protection, tourism, infrastructure, etc.²⁹ Whether these models of multilateral regionalization succeed depends largely on the extent to which economic integration deepens on a bilateral basis, and it is not contradictory that such multilateral economic frameworks

²⁸ Among others, see, for example, Takehiko Kondo, *Ajia Kyotsu Tsuka Senryaku: Nihon “Saisei” no Tame no Kokusai Seiji Keizai Gaku* (Tokyo: Sairyusha, 2003); Shigehito Inukai, “Higashi Ajia ni Okeru, Mo Hitotsu no Keizai Renkei: Ajia Kyodo Kokusai Seki (Ajia-Bondo) Shijo Kochiku no Hitsuyosei,” *NIRA Seisaku Kenkyu* 19, No. 1 (January 2006), pp. 42–52.

²⁹ Evans and Fukushima, 34; Tamotsu Shinotsuka, Tetsuya Koizumi, and Li Gang-Zhe, “Tomanko Kaihatsu Chiiki no Genchi Shisatsu Hokoku,” *NIRA Seisaku Kenkyu* 17, No. 12 (December 2004), pp. 65–73.

sometimes encourage bilateral links as have developed among the triad of Japan, South Korea and China.

As rapid economic regionalization stemming from the vitality of private enterprise proceeds, Northeast Asia is experiencing another course of regionalization in energy developments, although the process is less swift from multilateral to bilateral schemes. This is mainly because: (1) the region's oil and gas development such as the Sakhalin projects requires certain transnational arrangements at the track-one level, and (2) maritime security is at stake between Japan, South Korea, China, and Russia over the territorial issues, e.g., on the East China Sea. On the other hand, the U.S. seems to be staying relatively aloof from these hot disputes while it also exhibits a keen interest in oil development on the Russian east coast as well as nuclear energy security in the Korean Peninsula. On balance, the U.S. role as a coordinator needs to be expanded in the field of energy exploration in Northeast Asia, a field that can channel regional cooperation forward.

Security Trade-off

Once economic regionalization gets on track – deriving from bilateral buildups in trade, investment, and EPAs and from multilateral approaches in energy development – regional security cooperation must be upheld next. Today, Asian security (not limited to Northeast Asia) is ensured not by multilateral treaties but through a bilateral “hub-and-spoke structure” centering on Washington, as seen in the Japan-U.S. alliance, which has been intensified by strong commitments made by the leaders of both nations. This structure diffuses the centripetal force of a multilateral

security setting and thereby makes it apparent that bilateralism cannot be the initial cornerstone for security regionalization in Northeast Asia. More favorable to be leveraged are multilateral involvements in nontraditional security threats such as terrorism, WMD, and SARS, threats that need to be removed both transnationally and intraregionally; with regard to traditional security a five-power platform as outlined by Fukuyama may help to institutionalize such multilateral developments. An ideal picture of security regionalization is that of a multilateral framework evolving into a bilateral one, yet it takes more time than other forms of regional economic integration given that the idea of national security is the last for every country to abandon.³⁰

Socio-cultural Input

In this paradigm regionalization fails when economic cooperation, whether bilateral or multilateral, does not lead to security integration in Northeast Asia. And it is indeed taken for granted that such economic regionalization as seen in trade, ETAs, and energy development does not necessarily steer the region toward a self-contained security body, because the economic prosperity of (or proximity to) one country can rather produce a rivalry with the other that in turn escalates into a web of hostilities across the region. Then the question arises as to how security and economic policies should be interwoven to foster regionalism and what is the missing piece(s) to the jigsaw puzzle of regional cooperation. The answer lies in the cultural norms of the regional society that underlie regionalization by

³⁰ Fukuyama, p. 76, pp. 83–86; Pempel, “Introduction,” p. 10.

bridging the divergence between economy and security. Essential among these socio-cultural norms are: (1) a shared understanding of history, (2) incremental trust-building among countries through comprehensive media strategy, intellectual and cultural exchanges, and joint ventures on environmental and disaster protection, and (3) reaffirmed identification of belonging (e.g., Northeast Asian, East Asian, and/or Asian). Soft infrastructure that binds each segment of economic and security policies needs to be injected into the coherent process of regionalization.

It is still arguable how those socio-cultural factors can be included to develop a grand design of regionalization in Northeast Asia. While recognizing the significance of social and cultural inputs, Rozman concludes:

Reviewing the fifteen years of clashing strategies and perceptions, I suggest that the order of determinants for successful regionalism be redrawn as follows: national identity, national security, economic interests, and cultural exchange.³¹

Rozman's theorization implies that cultural integration is least influential but most attainable to regional cooperation. However, in light of the recent development of the Chinese economy as well as the EPA frameworks involving ASEAN, it seems more reasonable to set off the strategic regionalization process by strengthening intraregional economic ties and then linking these economic impetuses to regional security arrangements through the sharing of socio-cultural norms.

³¹ Rozman, p. 6, p. 364.

The Russian Card

Geographically located midway between East Asia and Europe and also bordering China and North Korea, Russia holds a unique position in the game of regionalization in Northeast Asia. In economic areas Russia stands outside of the EPA network among ASEAN+3, although it is a key player in the world's "petropolitics" and regional energy development.³² Additionally Moscow has long faced off against Tokyo over the territorial and maritime issues in the Northern Territories. The six-party talks revealed that "Russia's participation marked a clearly larger role in East Asian regional diplomacy than it had previously enjoyed," as it acted as a counterbalance to U.S. unilateralism in regional security.³³ A similar pattern can be seen in the creation of the Shanghai Cooperation Organization (SCO) in 2001, a multilateral cooperation body in which Moscow and Beijing warn against the unipolarity of Washington; the SCO includes the participation of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan as member states, and Mongolia, India, Pakistan, and Iran as observers. Yet bilateral controversies (e.g., territorial or energy disputes) could see Moscow spin off from such multilateral regional security architectures. Finally, Russia also has a stake in managing the regional environment of Northeast Asia such as through the prevention of marine pollution from radioactive materials. All of these strategic contexts suggest that Russia retains the same critical role in guiding future regionalization

³² Thomas L. Friedman, "The First Law of Petropolitics," *Foreign Policy* 154 (May/June 2006), pp. 28–36.

³³ T. J. Pempel, "Conclusion: Tentativeness and Tensions in the Construction of an Asian Region," in Pempel, ed., p. 270; Rozman, p. 351.

as the trio of Japan, South Korea, and China.

Value or Function?

To date there have been a wide range of scholarly discussions about whether regional community (e.g., EAC) should be first based on universal values or should conduct functional cooperation. The former refers to such values as freedom, democracy, basic human rights, and the rule of law whereas the latter means the realization of free trade and market economy, etc. However, these kinds of discussions seem less productive than generally expected because in many cases the two phenomena are intricately intertwined and exist almost simultaneously; the spread of market-economy principles marches in tandem with the establishment of the rule of law, for example. Accordingly one needs to take instead a parallel approach to direct regionalization and scrutinize the feasibilities of regional cooperation in Northeast Asia.



Part 3

National Perspectives about
Linkage Strategy(II)



Economic Cooperation for Regional Security in Northeast Asia

: Role and Attitude of the United States

Timothy Savage

In recent years, there has been much talk in Northeast Asia of expanding economic cooperation as a means to improve the regional security situation. The United States, however, has been noticeably absent from these discussions. Many in Washington see such cooperation as at best a pipe dream, at worst a threat to American hegemony in the region. Conversely, many Asian proponents of this project are undoubtedly motivated by the possibility of reducing American power and influence in their countries, especially in light of the increasing anti-Americanism brought about by the Iraq War.

Despite America's current distractions in the Middle East and the rise of China, U.S. influence in the region is likely to remain substantial for the foreseeable future. While China and North Korea would no doubt love to see the Yankees pack up and go home, Japan is increasing its security dependence on the United States, while South Korea demonstrates ambivalence between its desire for greater security independence and its distrust of its larger neighbors. For its part, Washington sees Beijing as its greatest global rival and potential adversary. Thus it seems highly unlikely either that the regional powers will agree

among themselves to kick out the Americans, or that the U.S. will decide to withdraw from the region of its own accord.

Given this set of circumstances, regional cooperation is not going to be possible without some degree of American acquiescence, if not active involvement. Yet on closer examination, the reasons for U.S. objections seem rather short-sighted. When viewed from the standpoint of a comprehensive, global strategy, active promotion of regional cooperation on Washington's part could help preserve American influence in the region and advance U.S. long-term goals.

Policy of Current Administration

The current administration of President George W. Bush has shown little or no interest in promoting regional economic cooperation in Northeast Asia during its five and one-half years in office. Indeed, Bush scrapped the one project that had the potential to grow into a regional cooperation mechanism – the KEDO LWR project.

It should be noted that the KEDO project was not by any means conceived to promote regional economic integration; it did not, after all, include China or Russia, nor did it address wider regional problems beyond the North Korean nuclear question. Rather, it was a temporary expedient designed to halt North Korea's plutonium production. Indeed, some officials involved in negotiating the agreement have admitted that the U.S. did not expect North Korea to last long enough for the U.S. to have to fulfill its commitments.

Nonetheless, the nature of the KEDO project meant that

fulfilling would necessarily involve a large degree of regional cooperation, particularly to deal with the technical problems related to the North Korean electrical grid. To operate safely, a nuclear reactor needs a large, reliable source of outside energy to operate the coolant systems to prevent a meltdown if the reactor has to be shutdown for any reason. North Korea's electrical grid, however, is small, fragmented, and unreliable. To overcome this problem would require both a rehabilitation of the DPRK's transmission system and connection to one or more other country's grids.¹

The six-party talks initiated by the Bush administration provided the perfect opportunity to bring the countries of the region together to develop a comprehensive solution to the DPRK nuclear program, building on what had already been accomplished in the Agreed Framework while promoting regional cooperation in the process. However, Republicans in both the administration and Congress viewed KEDO - and particularly the provision of heavy fuel oil as an interim fuel until the reactors were completed -- as "rewarding bad behavior" and propping up the Kim Jong-il dictatorship. Thus when North Korea appeared to admit to possession of a uranium enrichment program, Washington seized on this as a violation of the AF and quickly moved to scrap the agreement.

Since the death of the Agreed Framework, the United States has pursued on-again, off-again negotiations on the DPRK nuclear program under the rubric of the Six-Party Talks.

¹ See David Von Hippel et al., "Modernizing the Agreed Framework," Nautilus Institute, Feb. 16, 2001, available at www.nautilus.org/archives///papers/energy/ModernizingAF.PDF.

However, these have been utilized as means of avoiding direct talks with North Korea by hiding behind a smokescreen of multilateralism, rather than as a springboard for promoting regional cooperation. Indeed, the neo-conservative philosophy that guides much of the administration's foreign policy militates against a more cooperative approach.²

One of the main tenets of the neo-conservatism is that the United States must maintain its global military supremacy vis-a-vis any potential rival power blocs, even those traditionally friendly to Washington. Neo-cons are not unilateralists per se; multinational institutions are useful so long as they are dominated by the United States and serve to further U.S. interests. Neo-cons, for instance, are avid supporters of NATO, which helps assure U.S. primacy in the military affairs of Europe, but are suspicious of the EU, and particularly of French efforts to build a counterweight to American hegemony. The IMF and the World Bank, where the U.S. hold the majority of shares and largely control policy-making, are valuable for promoting American interests. But regional groups like ASEAN, which accords all members an equal say, hold little interest, as the U.S. most pointedly declared through Secretary of State Condoleezza Rice deliberate snubbing of last year's annual foreign minister's meeting.

In Northeast Asia, a truly regional grouping that included

² The best way to understand the neo-con agenda is to spend some time perusing the website of the Project for a New American Century (<http://www.newamericancentury.org/>). Started in 1997 by noted neo-cons Robert Kagan and Charles Krauthammer, the project boasted the participation of several people who would go on to high level positions in the Bush administration, including Ambassador to the UN John Bolton and former Deputy Secretary of Defense Paul Wolfowitz.

China, North Korea, and Russia would be anathema to neo-con beliefs, as it would involve cooperating with countries that are not ideologically aligned with Washington. Instead, neo-cons have pushed the concept of a “Pacific Community of Democracies,” led by the United States, and pointedly excluding China. Such a grouping is seen as a way to facilitate Japan’s remilitarization by making it part of a broader, multilateral alliance led by the U.S. It is likewise seen as a way to counteract Gaullist tendencies in South Korea, which many American observers interpret as a tilting toward China.³

A second reason for opposing regional cooperation, closely related to the first, is the fear that it would threaten America’s continued hegemony in the region. U.S. influence in the region, and particularly over its long-time allies in South Korea and Japan, has long been based on two pillars: the security umbrella, and the primacy of the American market as the destination of Asian manufactures. The latter pillar has increasingly eroded as economic growth in the region has enhanced the importance of the domestic markets. China in recent times has overtaken the U.S. as the main trading partner of both Korea and Japan. Regional economic cooperation projects would tend to accelerate this tendency, and could eventually leave U.S. hegemony standing on the single leg of military strength.

But even this pillar would be threatened by greater regional

³ Ellen Bork, “Asia Awaits America’s Vision for Cooperation,” *Financial Times*, July 29, 2005. Among the advantages cited of such an alliance is that “South Korea, which has come under Beijing’s sway, could be reminded of broader, regional obligations, much as West Germany was reminded of its responsibilities in the Atlantic alliance even as it felt the need to reach out to the East.”

cooperation. Threat reduction by its very nature erodes the need for military alliances. Already the U.S.-South Korean alliance is under severe strain due to the different in perceptions over the threat posed by North Korea and China. Seoul prefers a cooperative engagement approach for reducing the threat from Pyongyang, while Washington wants to maintain a confrontational posture unless North Korea makes major changes in its behavior. Moreover, South Korea's threat perception toward China is quite low. In negotiations over reposturing of the U.S. Forces-Korea, the government of Roh Moo-hyun has sought to have veto power over redeployment of troops to other regional contingencies, fearing being drawn into a conflict with Beijing over Taiwan. Thus greater regional cooperation, by furthering reducing threat perception in Seoul, would likely accelerate the ongoing drift in the U.S.-South Korean alliance.

In contrast to South Korea, Japan is actually increasing its military cooperation with the United States. Incidents such as North Korea's missile launched and anti-Japan riots in China (triggered by the approval of Japanese textbooks seen as whitewashing the country's atrocities during World War II) have increased the Japanese public's fear of both Pyongyang and Beijing. This in turn has led to increased support for lifting restrictions on Japanese military activities, something that Washington has been actively encouraging. By contrast, increased regional cooperation could serve to reduce Japanese threat perceptions and thus revitalize Japan's traditional pacifist movement. This in turn would complicate U.S. desires to promote Japan as the "Britain of Asia."

A third reason for the lack of American enthusiasm for

regional cooperation is the questionable economic benefit to the United States. Most economic cooperation projects that have been discussed involve building a bridge between South Korea and the Asian continent via North Korea. These include the project to reconnect the railway between North and South Korea, and various energy trading schemes, including gas pipelines and/or electrical grid interconnection.⁴

The likely result of such projects would be a more continental orientation for the littoral states of Northeast Asia. Because of the Cold War, South Korea and Japan were essentially cut off from continental Asia for four decades. This forced them to orient themselves, both politically and economically, in a Pacific direction, toward the United States. Since the normalization of relations with China in the early 1990s, the situation has begun to reverse. As China has grown rapidly, it has already overtaken the United States in economic importance in the region, and is beginning to assert more political influence as well.

Building better transportation and energy links in the region would only tend to accelerate this trend. The railway interconnection in particular would help to reinvigorate trade ties between Europe and Asia, leaving the U.S. out of the equation.⁵ The ability to get energy supplies overland via China and Russia would also reduce the reliance of South Korea and Japan on the

⁴ The Nautilus Institute has held several workshops to explore the possibilities of grid interconnection. Details are available on the website at <http://www.nautilus.org/DPRKBriefingBook/energy/index.html>.

⁵ For a discussion of the possible benefits to Europe of the railway interconnection, see James Goodby and Markku Heiskanen, "Linking Europe and Northeast Asia," *OhmyNews International*, Feb. 27, 2006, http://english.ohmynews.com/articleview/article_view.asp?menu=c10400&no=276697&rel_no=1.

U.S. navy to protect the shipping lanes through which most of their oil now passes.

The fourth reason for Washington's skepticism toward regional cooperation is that such projects require engaging North Korea, something the current administration has been highly reluctant to do. As many observers have noted, U.S. attempts to develop a consistent policy toward North Korea have been greatly hampered by internal debates within the administration between a "regime change" group headed by Vice President Dick Cheney and a pro-engagement camp, mostly located in the State Department.

The pro-engagement group argues that stopping North Korea's nuclear development will only be possible through a package of incentives that allows Pyongyang to rebuild its economy and join the international community. The regime changers, influenced by the neo-con belief in "democratic transformation," are against any accommodation that results in the continuation of the Kim Jong-il government in its present form. They have consistently undermined attempts at engagement by attaching preconditions that would amount to capitulation on the part of North Korea. The latest example of this are the recent financial sanctions imposed against foreign banks that do business with North Korea. While justified as a response to Pyongyang's counterfeiting and smuggling operations, the sanctions have had the not entirely unintended side effect of hampering legitimate business with North Korea as well.⁶

⁶ Nigel Cowie, "U.S. Financial Allegations - What They Mean," Nautilus Institute, *Policy Forum Online*, May 4, 2006, <http://www.nautilus.org/fora/security/0635Cowie.html>.

Throughout Bush's presidency, the relative influence of the engagers and the regime changers has appeared to fluctuate. A recent report in the *New York Times* suggested that the engagers had regained the upper hand and were preparing a new policy approach to North Korea.⁷ Nothing came of this, however, and after the July 4 missile tests, Washington once again turned toward a policy of pressure. At this point, it remains questionable whether the U.S. is willing to make a serious, sustained effort at engagement with North Korea, or whether Pyongyang is willing to accept such overtures even if they are forthcoming.

The fifth and final reason for the U.S. to oppose regional cooperation is that it would go against the desire to contain China. It is clear that on the military side at least the U.S. has been moving to counter a potential Chinese threat for at least the last decade. Many of these moves date back to the Clinton administration. Both National and Theater Missile Defense, while ostensibly aimed to counteract North Korea's missile development, are clearly being built with China in mind. The U.S. has strongly encouraged Japan to increase its military role within the alliance. It has also moved to intensify relations with countries surrounding China, such as India and Indonesia.

The importance of China to the global economy means that a shift to a full-on containment policy, à la the U.S.-Soviet Cold War standoff, is unlikely any time soon. The United States will continue to engage China on a number of fronts, particularly in the economic sphere, and will support its entry into multilateral organizations. Regional cooperation in Northeast Asia, however,

⁷ *New York Times*, "U.S. Said to Weigh New Approach on North Korea," May 17, 2006.

would tend to make even a limited containment policy problematic, while not bringing corresponding economic benefits to the U.S. as a tradeoff. Greater connections between the countries of Northeast Asia would increase their dependency on the Chinese market, and thus China's influence over the region. The replacement of the U.S. by China as the regional hegemon could well be the result.

While much of the Bush administration's approach toward Northeast Asia is driven by ideological considerations, it would be a mistake to view the current policy as a break from the past. Indeed, much of what the current administration has implemented is a continuation of the historical approach that the United States has taken toward promoting its interests in the region. Therefore, before discussing how regional cooperation might be in U.S. interests, it is necessary to take a brief look at how American policy has evolved over the years.

An American Lake: The U.S. in Northeast Asia

With the U.S. defeat of Imperial Japan in 1945, and the rapid withdrawal of European nations from Asia shortly thereafter, the United States was left as the undisputed hegemon in the region. But the hope of promoting the Republic of China as America's junior partner - a pet project of Franklin Roosevelt - fell apart quickly when the Chiang Kai-shek's Nationalists lost the civil war to the Communists under Mao Zedong.

North Korea's invasion of South Korea ushered in a rapid shift of American policy. The decision was made to rebuild the Japanese economy as a bulwark against Communist expansion in

the region. After the Korean War ended in a stalemate, the United States signed mutual defense pacts with both South Korea and Japan.

The notable thing about Washington's alliance system in Northeast Asia was that it was strictly bilateral - that is, the U.S. was allied with both South Korea and Japan, but they weren't really allied with each other. This was a striking contrast to the situation in Europe, where NATO brought all of Washington's European allies together in a single military alliance, with the United States as the "first among equals."

A major reason for this was the power differential among the countries involved. Whereas Germany, Great Britain, and France had all been major powers before exhausting themselves in World War II (as had Japan) South Korea in 1954 was an impoverished, underdeveloped former colony coming off a fratricidal civil war with a GDP on par with sub-Saharan African nations. Furthermore, South Korean President Syngman Rhee, locked in a war of legitimacy against former guerilla fighter Kim Il-sung, was unresponsive to American attempts to pressure him to improve relations with Korea's former colonial master. On the Japanese side, bringing the country into a multilateral military pact would contradict the so-called "peace constitution" that the United States had imposed on Tokyo following the war. Given these circumstances, the U.S. decision to concentrate on bilateral pacts is somewhat understandable.

Whatever the motivations behind the U.S. decisions to forego multilateral arrangements in Northeast Asia, the results have been clear. The burying of historical animosities between Japan and South Korea has not proceeded to anywhere near the

extent of that between Germany and its former enemies, particularly France. NATO forced the Germans and French to work together to contain the Soviet Union, and opened the door for the series of agreements that eventually grew into the European Union. Washington generally encouraged this process, although it has been averse to the E.U. developing its own regional military force.

In contrast, South Korea and Japan were able to individually rely on Washington for their security, regardless of whether or not they cooperated amongst themselves. As a result, most South Koreans these days show more favorable attitudes toward China, their enemy in the Korean War, than Japan, their putative ally for the last five decades.⁸ China and North Korea, of course, have been outside of the U.S. alliance system altogether, and thus have never even had the halting reconciliation with Japan that was experienced in South Korea. For Washington to get into the business of actively promoting cooperation in Northeast Asia would thus represent a true historical departure from the way it has operated up until now.

The U.S. method of rebuilding the economies of its newly minted allies in the 1950s can best be described as “military Keynesianism.” During the Korean War, Japan served as a rear logistics area for the U.S. army, with millions of dollars pumped into the Japanese economy as a result. Similarly, as a reward for sending troops to aid South Vietnam during the Indochina

⁸ This is not the only reason for continued strains in ROK-Japan relations. A major factor is the dispute over the ownership of the off-shore islets known as Tokdo in Korean and Takeshima in Japanese. See International Crisis Group, “Northeast Asia’s Undercurrents of Conflict,” Asia Report #108, December 15, 2005, <http://www.crisisgroup.org/home/index.cfm?id=2615&l=1>.

conflict, South Korea was given large contracts to supply the U.S. military in Southeast Asia. The capital accumulated through American military spending in Japan and South Korea was used to build up large corporations - such as Mitsubishi and Hyundai - that eventually turned their attention more to the manufacturing of consumer goods. Their countries' alliances with the United States gave them access to the American markets, while the Cold War standoff with China and the Soviet Union cut them off from markets to their west. The result was that, by the 1980s and ever since, both Japan and South Korea enjoyed perennial trade surpluses with the United States.

Washington, however, was not in the business of giving without getting something in return. In exchange for U.S. military protection and preferred access to American consumers, U.S. Northeast Asian allies were and expected to purchase American weapons - and still are. From 2001-04, Japan and South Korea each reached agreements for \$3 billion in U.S. arms purchases, more than any other countries in the world except Egypt, Israel, Poland, and Saudi Arabia.⁹ In 2002, South Korea made a big show of looking at European alternatives for its Next Generation Fighter Program, only to settle, somewhat inevitably, on U.S. F-15s. Providing ready-made clients for American arms manufacturers thus remains a major function of the U.S. alliance system.

⁹ "U.S. Arms Sales: Agreements with and Deliveries to Major Clients, 1997-2004," *Congressional Research Service*, Dec. 29, 2005.

Current American Approach to Northeast Asia

From the above discussion, it is easy to see why promoting regional cooperation has never been a major aspect of U.S. policy in Northeast Asia, even though such cooperation has been quite successfully implemented in Europe. But if the goal is to suggest alternatives to current policy, it is necessary not only to understand what that policy isn't, but what it is.

One of the most important components to current policy is the decision to enhance the role of Japan within the U.S. alliance. This approach has been building since the early 1990s. It results from a convergence of several factors: U.S. pressure on Japan to take on more of the burden for its own defense; the desire among Japanese conservatives to become a more "normal" country by shucking off the restrictions on its military; and growing fear of China's growth in both countries. During the Clinton administration, the two allies signed agreements for Japan to assist the U.S. military in "situations surrounding Japan," and for joint development of Theater Missile Defense. More recently, Japan has been pushing the boundaries of its constitutional restrictions on force deployment in its dispatch of troops to Iraq.

This strategy has accelerated under the current administration. Republicans often speak of Japan playing the role of "the Britain of Asia" - i.e., a reliable ally that the United States can count on to back its policy both regionally and globally, even in cases where such policy is unpopular in the rest of the world (such as in the Iraq War). One of the major Republican criticisms of the previous administration was that Clinton embraced China while neglecting Japan, and George W. Bush came to power

promising to reverse this trend. This has in turn encouraged Japanese conservatives, such as Chief Cabinet Secretary Shinzo Abe and Foreign Minister Taro Aso, who seized on North Korea's recent missile tests to renew their push for constitutional revision to remove the war-renouncing Article 9. A corollary to this approach has been a reluctance on the part of President Bush to criticize Prime Minister Koizumi's trips to Yasukuni Shrine, even though Americans were among the victims of the atrocities perpetrated by the 14 Class-A war criminals honored there.

A second component of American policy is containment of China. In the 1970s, Richard Nixon and Jimmy Carter reached out to China as a means of countering the Soviet Union. When the end of the Cold War removed the mutual threat, the two sides found less common ground to base their relationship on, and began eyeing each other with suspicion. China's rapid economic growth and contemporaneous military modernization program have convinced many Americans that Beijing constitutes the next great threat to U.S. security.

U.S. policy toward China represents an ongoing tug-of-war between powerful pro- and anti-Beijing factions; known in Washington parlance as "dragon slayers" and "panda huggers." The dragon slayers are an eclectic collection of foreign policy hawks who see China as the biggest potential military threat to the United States; human rights activists who decry the country's lack of political freedoms; Christian conservatives who attack Beijing for censoring religion; labor unions who fear the export of jobs to China; and economic nationalists who accuse China of unfair competition. On the other side are foreign policy inter-

nationalists with strong backing from well-heeled corporations with financial interests in China.

While on the surface this divide would appear to be similarly constituted as the one over North Korean policy, the stakes are much higher and the fissures much deeper in regards to China. No one, after all, makes any money in North Korea. While some people inside the Beltway may believe strongly in engagement, no one - except for a few NGO workers with very little influence on policy - is willing to risk their career to push for a change. China, by contrast, is already one of the world's foremost economic powers, and a lot of people have a lot of money invested in it. Thus, despite frequent partisan rhetoric to the contrary, both Democratic and Republican administrations have carried out remarkably similar policies toward China, occasionally pressuring Beijing on issues of concern to their core constituencies (religious freedom and Taiwan for Republicans; labor rights and Tibet for Democrats), while overall maintaining good relations to please the corporations that write the large campaign checks.

The Bush administration has been no exception to these tendencies. Certainly, the government has been susceptible to pressure from dragon slayers in Congress, such as its acquiescence in moves to prevent the purchase of the California-based energy company Unocal by the China National Off-Shore Oil Company (CNOOC). On the other hand, the Bush administration has sought to restrain Taiwan from moving towards independence, even on occasion publicly rebuking President Chen Shui-bian for upsetting the status quo.

The third component of the current approach - and the one in which the current administration differs most drastically from

its predecessors - is the emphasis on increased strategic flexibility. The Clinton policy was to maintain 100,000 troops in Northeast Asia for the foreseeable future to deter and, failing that, win a war against a possible aggressor. The Bush approach (or more properly, the Rumsfeld Doctrine), is to put emphasis on America's force projection capabilities (known in some circles as "the revolution in military affairs") to deal with contingencies wherever they arise. In place of large numbers of ground troops, the new approach emphasizes lighter, more flexible forces (backed by massive U.S. firepower) that can be quickly redeployed from bases in East Asia to anywhere they might be needed. Obviously, this new doctrine has major implications for how the U.S. alliances in the region are structured. Instead of only being focused on maintaining regional peace, U.S. forces in Asia are increasingly seen as part of global American military strategy.

The fourth component is the promotion of free trade. The U.S. is negotiating a Free Trade Agreement (FTA) with South Korea, while Japan has been pursuing similar agreements with other countries in Asia. At the same time, the U.S. has been pressuring China to allow its currency to float freely and to crack down on intellectual property theft. All these moves are part of an attempt to slow down the increasing dominance of China in the global trade market and reduce the major trade imbalances that the U.S. now suffers from with its Asian trading partners.

A quick perusal of these four components of U.S. policy clearly show that none of them are particularly conducive to encouraging greater Northeast Asia cooperation. All of them, in fact, speak to an increasing emphasis on American might and bilateral agreements. Switching instead to emphasizing regional

cooperation would thus constitute a major shift in policy.

However, history shows us that major policy shifts do take place, with the proper combination of historic opportunities and visionary policymakers. Predicting when or if such a shift might take place in U.S. policy to promote greater economic cooperation as a means of increasing regional security is impossible. What we can do is explore some of the ways that, by utilizing a more long-term, strategic visions, policymakers might begin to find the value in promoting just such an outcome.

Advantages to U.S. of Regional Economic Cooperation

The first advantage to the United States of supporting regional economic cooperation is that it could help solve the North Korean nuclear problem. Much ink has been spilled and trees felled discussing possible permutations of a “grand bargain” that could convince Kim Jong-il to give up his nuclear weapons once and for all. Even if the perfect deal could be constructed, it is doubtful at this point whether the United States would agree to participate, or whether North Korea would agree to give up its weapons under any circumstances.

I will simply argue here that such a deal is the *only* way that a peaceful solution to the nuclear issue is even remotely possible. While we can't be certain that North Korea will give up its nuclear weapons even if the U.S. gives it everything it claims to want, we can be certain that North Korea will not give up its weapons if the U.S. doesn't give it anything. At a bare minimum, Washington needs to give Pyongyang some credible security assurances before it will give up what it sees as deterrence against a possible U.S. invasion. At the same time, the United States

would at the very least need to remove legal and financial restrictions that prevent other countries and institutions from aiding North Korea economically.

Barring this approach, North Korea will remain a nuclear power for the foreseeable future. South Korea will continue to carry out cooperative engagement in hope of inducing gradual change, and over the long run that approach may bear fruit. China will continue to provide North Korea what it needs to survive while hoping to lead it down the path blazed by Deng Xiaoping. Japan, however, will not provide any large-scale aid to Pyongyang as long as it continues to build nuclear weapons. In that scenario, the only way that North Korea is likely to give up its nuclear weapons is if the government collapses. Even in that case, there's a strong possibility that the result would be takeover by the military, which is unlikely to give up its nuclear weapons. The only scenarios that might lead to nuclear disarmament following collapse are if South Korea absorbs North Korea, or if China intervenes to either run the country directly or (more likely) install a pliant government in Pyongyang. Neither of these scenarios, however, would be welcomed by Seoul, which fears the costs of sudden reunification as well as the specter of Chinese intrusion.

The second advantage of economic cooperation is that it could reduce the cost of the U.S. security commitment to the region. Currently, the United States spends tens of billions of dollars annually maintaining its military forces in Northeast Asia. This is becoming increasingly burdensome as the U.S. finds itself bogged down with attempts at nation-building in the Middle East and fighting a global "war on terrorism." A successful

regional cooperation program, by bringing North Korea and China into cooperative arrangements with their neighbors, could greatly reduce the need for American military forces in the region and thus free U.S. blood and treasure to be spent in more volatile parts of the world. The United States could maintain its commitments to the defense of Japan and South Korea, but without having to rely so heavily on “boots on the ground.”

A third benefit of this approach is that it would bind China more closely to regional institutions. This would facilitate the attempts by the United States and its allies to convince Beijing to become a more responsible player in world affairs - a “stakeholder” in the words of recently retired Deputy Secretary of State Robert Zoellick. It would also increase the costs to China of making any aggressive moves against its neighbors, thus helping to assure that China’s rise is indeed as peaceful as it claims.

A fourth benefit would be the reduction of energy competition. The current autarkic approach that the individual countries in the region take toward meeting their energy needs is extremely inefficient. Each country must build enough excess domestic capacity to be able to meet peak demand. However, since the countries of Northeast Asia are basically situated along a southeast to northwest axis, both daily and seasonal peaks come at different times to different countries. Energy trading in the region - currently almost non-existent - would allow all the countries involved to take advantage of differential peak times to maximize efficiency and reduce the need for excess capacity.

Since nonrenewable energy is a finite resource, the reduction in energy competition anywhere will have benefits everywhere. In particular, the United States, as the number one consumer of

fossil fuels, will benefit from reduced demand on the part of the number two consumer, China. Additionally, the ability of China, Japan and South Korea to purchase energy supplies from Russia would reduce their dependence on oil from the Middle East - particularly Iran. This would make them less likely to oppose American policy toward the Middle East.¹⁰

Another advantage from regional cooperation, closely related to the previous one, is that it would have positive global environmental effects. More efficient energy use, better transportation systems, and cooperative development schemes could help reduce the emission of greenhouse gasses in the region of the world with the fastest growing energy demand. Should the United States ever ratify the Kyoto Protocol, it could even use the Clean Development Mechanism to finance renewable energy development in the region, in the process reducing the costs of fulfilling its own obligations.¹¹ Of course, U.S. adherence to Kyoto will probably have to await a change in government.

At the moment, the prospects for U.S. involvement in promoting economic cooperation as a means of building security in Northeast Asia look bleak. Such cooperation is anathema to the ideology of the neo-cons, who continue to exercise considerable influence over Washington policymaking. At the same time, the potential benefits to the U.S. of such projects are unlikely to

¹⁰ I am indebted to Margaret McCown of National Defense University for this point.

¹¹ The Clean Development Mechanism is a system under the Kyoto Protocol that allows more developed countries to fulfill part of their emission reduction requirements by helping finance emission reduction in developing countries, where doing so is considerably cheaper. For more information, see <http://cdm.unfccc.int/>.

appeal to an administration that emphasizes military strength and chafes at the restrictions imposed by international cooperation.

However, as the U.S. dream of democratic transformation in the Middle East and globally is slowing dying in the streets of Baghdad and Falluja, the time is rife for a new vision of America's role in the world. Such a vision could well include greater emphasis on promoting greater cooperation among potential adversaries as a means of promoting security. The vital role that the United States played in the post-war transformation of Europe from a land of fighting scorpions to a model for peaceful coexistence provides one successful role model that might be followed.

For Asians, the question then becomes whether such cooperation can be fostered even if the U.S. remains indifferent, if not openly hostile, to these kinds of projects. With three of the 10 largest economies in the world, Northeast Asia certainly has both the capital and the technology to build effective economic cooperation projects without American involvement. Washington can throw sand on the gears if it so chooses by invoking export controls or military protocols to prevent certain types of cooperation from taking place, as it has already done on occasion with regard to inter-Korean projects like Kaesong. If, on the other hand, the U.S. were to decide simply to remove itself from the picture, there would be little to stop the Northeast Asian countries from pushing forward with cooperation.

The idea of a peaceful, voluntary American withdrawal from East Asia certainly appeals to a lot of people in the region - as well as to many Americans. But whether it would really be desirable is a different question. U.S. withdrawal, if not done

gradually and accompanied by long-term confidence building among the countries of the region, would create a security vacuum that would increase, rather than decrease, feelings of insecurity among the individual countries. The likely reaction would not be greater cooperation, but more competition for military strength and control of resources. Simply put, Northeast Asia has not yet achieved the level of trust among the countries of the region for them to work together without the United States playing the role of security guarantor. If Northeast Asia really wants to achieve stronger economic cooperation, it needs the United States to play a leading role, not exclude it.

National Perspectives on Linkage Strategy : The Russian Perspective

Andrey Sorochinsky

The president of Russia Vladimir Putin for the first time publicly proclaimed the basic position of Russia's Korean policy in his speech in the National Assembly of the ROK on February 28, 2001, setting out the conditions for peace and stability for an inter-Korean settlement as follows:

1. Peace and cooperation between the North and the South should develop from the principles coordinated by the Korean people and leaders Korean without outside intervention.
2. All problems should be resolved by peaceful, diplomatic means as per the joint declaration of the South and the North of June 15, 2000.
3. We shall welcome the process aimed at the creation of a peaceful unified Korean state, friendly to Russia and other countries. We are convinced that it is impossible to provide reliable safety through military means alone; this can only be done by the development of corresponding international legal guarantees.
4. A decrease in tension is impossible in the face of continued proliferation of weapons of mass destruction in the world in



general, in certain regional trouble spots in particular, and on the Korean peninsula especially. Russia is ready to bring her might to this process. We shall support the denuclearized status of the Korean peninsula. In this context I shall pay attention to the promotion of our global initiatives on non-distribution of missile technology. I call on the Republic of Korea to actively participate in the development of an inter-Korean settlement.

5. Russia is interested in the participation of the countries of Northeast Asia, including the two Koreas in economic development projects in the region. Such projects include the organization of transportation on the Trans-Korean railway and the Trans-Siberian Railway, as well as joint modernization of power on the Korean peninsula. All these developments are progressing. Such joint affairs will spawn the strong economic base of stability in the region as a whole.

Analyzing these principles, it is possible to conclude, that if the first three correspond to a traditional pattern of support of a “peaceful independent association”, coordinated by the North and the South in 1972, and the fourth principle reflects the solidarity of Russia with concerns of the world community regarding nuclear weapons on the Korean peninsula last, then the fifth item is an innovative response. Russia has offered the alternative of “politics through economics” in the interests of strengthening security and unraveling the contradictions in Korea in a way that corresponds to the spirit of 21st Century multi-polar globalization.

“Politics through economics” in the Korean context also

became the basic subject of consideration in the given report.

In November 2000, Russian President Vladimir Putin said: “Russia always feels itself a Eurasian country. We never forget that the main part of Russian territory is situated in Asia. But frankly speaking, we have not always used this advantage. I think, the time has come to work together with the countries which are included in the Asian-Pacific region to pass from words to business - to increase economic, political and other connections. All opportunities for this purpose in today’s Russia are available.”

Actually two-third of the Russian Federation is situated in Asia, more than 30 million. Russian citizens live there. 40~80 % of Russian stocks of strategically important resources of global value - timber, non-ferrous metals, oil, natural gas, coal, etc. are concentrated in this region.

The long-term purpose of the Asian policy of Russia and the success of this policy will depend on the following factors:

1. The abilities of Russia in internal policy to pass from the quasi-colonial extorting of resources to real action to deal with the complex social and economic issues arising from the development of Eastern Siberia and Russian Far East.
2. Opportunities to develop scale mutually advantageous economic cooperation between Russia and Asian-Pacific countries. Within a framework aimed at such economic cooperation, it is necessary to develop and create power and transport links to North-Eastern Asia, and also to adjust cooperation in Russian high technology industries which are competitive in the world market (the aerospace industry, military - technical cooperation, etc.).

The specified tasks objectively necessitate the development of relations between Russia and the Republic of Korea on a qualitative higher level. The deepening of cooperation between Russia and Korea will promote the full realization of the strategic interests of Russia in the Far East.

We can specify the above-mentioned Russian strategic interests in the Far East as follows:

- The maintenance of stability and economic growth for the country as a whole, and especially for its Eastern regions which act as the locomotive of integration of Russia in the Asian-Pacific region;
- The safety, sovereignty and territorial integrity of Russia;
- The maintenance of optimum external conditions for development of the country, alongside realization of a policy of internal transformation;
- The adaptation and active inclusion in the integration processes of principles of equality and openness.

The gradual inclusion of the Asian regions of Russia (especially, of Eastern Siberia and the Russian Far East) in a system of international connections represents the basic condition of normal social and economic development of the region and the state as a whole, as well as the steady escalation of economic development and strengthening of the Russian position in the world economy.

Therefore, the Asian-Pacific policy should borrow broader strategies which have helped the integration of Russia with the world economy, for the Far East to be the top priority of Russian

policy as it duly merits.

Russia can fulfill these strategic tasks in Asia only by developing both multilateral and unilateral cooperation with all states of the region. The complex analysis of the current and future status and prospects of Russian-Korean relations allows us to conclude that the further consecutive deepening of cooperation with Korea can become a primary engine for the economic development of Russia and the realization of its international interests in the sphere of international security and the strengthening of her sovereignty.

Korea holds a unique position in the Asian-Pacific region. The South-Korean economy is in the center of one of the most prosperous from the point of view of the further development of regions and effectively uses these advantages.

Foreign policy factors also increase the importance of Korea on the international scene. Peking and Tokyo, being afraid to cause fear in their neighbors through a more active foreign policy whilst simultaneously maintaining mutual distrust, have conceded the role of advocate for the integration processes in East Asia to Seoul. Seoul has a positive international reputation. The image of the country which has survived all the negative consequences of colonialism, antagonism between the USSR, China and the USA during the cold war, continues to play a positive role. South Korea has taken advantage her position between two economic giants and has undertaken a role of a conduit of ideas of the integration of the East-Asian region.

At the present stage, the Republic of Korea acts as the initiator of constructive cooperation in regional relations. It helps maintain the equilibrium between the interests of the large

powers surrounding Korea.

The Republic of Korea has established direct trade and economic cooperation with Russia rather recently - from the beginning of the 1990-s. Nevertheless, already to the middle of the last decade the volume of these connections has grown so, that South Korea became 15th in the basic partners of Russia in the world market. However, at the end of the same decade, such positive tendencies were sorely tested when, at first, the Republic of Korea, and then Russia experienced a deep financial and economic crisis. Nevertheless, the following year's position began to improve gradually and by 2001 the volume of bilateral trade was almost at the pre-crisis level.

Two principal factors can explain this. Firstly, a certain structural compatibility exists between the commodity requirements of Russia and the Republic of Korea. Therefore, while South Korea is short of some natural resources, it is interested in importing Russian ferrous and nonferrous metals, wood, coal, mineral fertilizers and chemical goods. Russia, in its turn, shows an interest in purchasing Korean goods which are both relatively cheap and of reasonable quality such as household electronics, textile products and so forth.

Another reason which has allowed us to overcome recession in bilateral trade, in 1999~2001, were deliveries to South Korea of Russian civil helicopters to help repayment the public debt of the Russian Federation which by the mid 1990's was almost two billions dollars. The helicopters supplied in repayment of this debt, were received well in the South-Korean market and are in demand. According to the available ratings, Russian deliveries could provide up to 40% of the requirements of the Republic

Korea in helicopters in the civil field.

However, despite positive trends neither Russia, nor South Korea are satisfied with the modern position of their trade and economic relations and have repeatedly declared their intention to promote growth in volume and to perfect the structure of trade.

Radical measures are necessary to realize the aforesaid and to gain the maximum effect for both countries. Coordination of special commercial operations with the realization of large industrial and transport projects in Eastern Siberia and on the Far East are related to such measures. From the point of Russian interests, such coordination would become the “locomotive” for complex development of the Eastern Russian regions and would attract new foreign investments into industrial and transport construction.

The state visit of the president of the Republic of Korea to the Russian Federation in September 2004 and in his meetings with the President of Russia began a new stage in development of interstate relations. These relations went on to the level of a multi-sided confidential partnership responding to the radical interests of the peoples of both countries, strengthening safety and cooperation in Northeast Asia and the Asian-Pacific region as a whole.

Prospects for trade and economic interaction and concrete measures on the development of cooperation in the fuel and energy spheres, a transport complex, the aerospace industry, and also in such areas as natural resources development, high technologies, communications, fishery and military - technical cooperation have been planned in the course of negotiations.

Serious steps in the development of relations between the two countries came from mutual acceptance of the Russian-Korean joint plan of action in the field of trade and economic cooperation. The document was signed on November 19, 2005 in Pusan by the deputy minister of economic development and trade of Russia A. Sharonov and the Minister of foreign trade of the Ministry for Foreign Affairs and Trade Kim Hyon Chon in the presence of the President of the Russian Federation Vladimir Putin and the President of the Republic Korea Roh Moo-hyun.

Realization of joint projects in fuel-power and transport in the Eastern areas of Russia can be one of the basic directions of economic interaction between Russia and Korea. Therefore, we can characterize the current state of affairs and prospects of development of a fuel and energy complex in the East of Russia, and then characterize opportunities of cooperation between Russia and Korea on transport and in other fields.

The Problems and Perspectives of Fuel and Energy Complex Development in the Eastern Part of Russia

The fuel and energy Complex of Russia is an important part of the world fuel and energy Complex. The territory of Russia is 10% of the Earth's territory, and 34% of world supplies of natural gas, more than 12% of oil, 23% of coal and 14% of uranium are concentrated in Russia. Russia produces approximately 10% of the primary energy-resources of the world.

The share of the fuel and energy Complex in the Russian economy is more than 25% in terms of the commodity output of industry and 55% of the total value of exports. The production

potential of Russian fuel and energy includes approximately 150,000 oil bore-holes, 7,000 gas bore-holes, oil-refining plants with the total capacity of 252 million tons, estimated power of electric power stations is 214 million kilowatt/hour. As for the transfer of energy and fuel, Russia has approximately 47,000 km of oil mains, 151,000 km of gas mains and more than 2,5 million km of electricity transmission network.

The fuel and energy Complex of Russia is one of the main branches of the Russian economy. Such factors, as globalization of fuel power engineering, expanding foreign trade require new approaches to the aims of development for fuel and energy Complex of Russia from the Russian Government. At present, the main aims in macroeconomic policy of Russia towards the fuel and energy Complex are as follows:

- Assisting the integration of the Russian fuel and energy Complex into the world economy, especially in regions neighboring Russia;
- Creating effective conditions for export potential of Russian fuel and energy;
- Attracting investments (including foreign investments) into the Russian fuel and energy Complex.

Lack of investments within the last 15 years is the main problem facing the Russian fuel and energy Complex. The required volume of investments to the Russian oil industry is estimated at approximately 40-50 billion USD. Otherwise, a 1.5 times decline in the extraction of oil is expected by 2010. At present, investments into geological researches are urgently

needed for the oil industry. The lack of geological research in the next few years may result in violation of the required ratio between increase of supplies and extraction - 1:1 instead of 2:1.

At present, approximately 30% of equipment in the oil and gas industries has deteriorated and 60% of equipment has been exploited for more than 20 years. This leads to the low efficiency of many Russian oil and gas enterprises and increasing losses during transportation and other damage. Old equipment causes high manufacturing and transportation costs of Russian oil and makes Russian enterprises uncompetitive. Oil and gas equipment bought up in the world every year totals approximately 110 billion USD. At the same time, in Russia equipment bought up by oil and gas companies before 2003 totals approximately 3 billion USD. This does not correspond with the role of Russia in the world of fuel and energy engineering.

The need for investments in the Russian fuel and energy Complex is also due to the remote location and climate conditions in the majority of newly found oil and gas-fields, along with the absence (or minimum) infrastructure. At present, Western Siberia remains the main Russian fuel base. According to forecasts, the share of Western Siberia in the next 20 years in oil and gas-fields will decrease from a present 80% to approximately 60~65%, and the share of Eastern Siberia, the Russian Far East and Russian Arctic seas is expected to increase twice as much. Therefore, arrangements for mastering and exploiting the new oil and gas-fields combined with the high prices of extraction and transportation of oil and gas clearly require large-scale investments.

The creation of the effective conditions for improving the

export potential of the Russian fuel and energy Complex is also a very important aim in the macroeconomic policy of Russia. At present, Europe is the main market for the Russian fuel and energy Complex. Many European countries are traditionally orientated to Russian fuel and energy resources and a highly developed export infrastructure has been formed between Russia and those countries within the last few decades. Many fuel and energy investment projects are realized or being prepared now: building of gas mains “Yamal-Europe”, “Blue stream” (gas main to Southern Europe and Turkey), the North-Europe gas main; oil mains from the Caspian region and from Western Siberia through new sea ports at the Gulf of Finland (Baltic sea) in the Leningrad region.

The role of the Southern and especially Eastern direction of traffic will increase in Russian export of fuel and energy resources in the near future. The “Eastern Strategy” of the Russian fuel and energy Complex development is very important now for Russia as well as for the neighboring countries in the Asian-Pacific region. These countries are world leaders in the rates of economic growth and increasing in consumption and import of oil and gas. The prices for hydrocarbons are higher in these countries than in other regions of the world because of their remote location from the main world oil extraction regions. Therefore it will be very important for the Asian-Pacific region to diversify sources and routes of oil import.

The stocks of hydrocarbons in the eastern part of Russia forms more than a quarter of all Russian stocks (17.5 billion tons of oil and 60 trillion cubic m. of gas). According to the scientific forecasts, if the world prices for oil and gas remain at the present

level till 2030, the Russian fuel and energy Complex owing to the extraction of hydrocarbons in this region will be able to earn an extra 700~800 billion USD. According the estimation of the Russian Geological institute, the total value of investments in such projects should be 130 billion USD. We understand that a considerable part of these investments will be foreign investments.

The maximum effect from the opening up of Eastern-Siberia hydrocarbons will be reached simultaneously with the development of local transport and industrial infrastructure. Therefore, we need the “Complex” opening up of Eastern-Siberia and the Russian Far East. Thus, we will be able to use the geographical position of Russia with the utmost effect - between two great economic centers - Europe and the Asian-Pacific region.

The president of the biggest Russian oil transportation company “TRANSNEFT” in one of his last interviews estimated the cost of transportation of oil through the East-Siberian oil main at 6.5 USD/barrel. Thus, exploitation of new oil deposits will be profitable if the price is 25 USD/barrel. The building of an oil pipe-line from Eastern-Siberia to the Pacific Ocean with the volume of oil pumping over more than 50 million tons will give an incentive for exploitation of a new oil deposits. The investment projects of such exploitation could be realized in cooperation with foreign investors, including Korean investors.

Besides investment projects dealing with exploitation of new oil deposits, gas processing investment projects also seem attractive to foreign investors. The East-Siberian gas maintains helium, propane, ethane and many other components. Complex extraction of these components gives the possibility for the creation of new chemical enterprises with export-oriented

production. Countries in the Asian-Pacific region consume gas in the form of liquefied natural gas, therefore investment projects which produce liquefied natural gas in the Russian Far East and deliver it to Asian-Pacific countries also seem to offer great potential for Korean investors.

A geological peculiarity of deposits in Eastern Siberia and the Far East dictates the necessity of simultaneously extracting both oil and gas. This means low specific expenditures for the creation of transport and other infrastructure. On the other hand, it increases the need for investment.

According to the estimation of the Russian Geological Institute, we now require investments for exploitation of oil and gas resources in Eastern Siberia and the Far East during 2006~2030 in the following amounts, shown in billions USD:

	Oil	Gas	Total
Geological prospecting	12.0	2.5	14.5
Construction of deposits	30.5	11.8	42.3
Construction of processing enterprises and transportation system in Leno-Tungusskaja oil-gasbearing province	1.3	9.1	10.4
Construction of oil and gas pipe lines for export	13.9	5.7	19.6
Total (without Sahalin projects)	57.7	29.1	86.8
Sahalin projects	-	-	40

According to the Federal Government, in 2002 GAZPROM was defined as a coordinator of the program for the opening up of Eastern Siberia. GAZPROM conducts this Program in cooperation with two Russian state-owned companies: 'TRANSNEFT' and

ROSNEFT'. It turned out to be the right decision, for being the best way of solving the macroeconomic and social problems (for example, gas supplies to Siberian towns and villages, etc.). At the same time, we clearly understand that the program for opening up resources in Eastern Siberia and the Far East is very complex and capital-intensive. Therefore, it is very important to attract private investment in investment projects within the framework of the Programme.

It is a big program, and the Russian Government is not going to grant any priority to particular countries or private companies in realizing the investment projects in the Russian Eastern Regions. Therefore, it seems to be a favorable period now for the investors from Korea to consider the prospects for investing. In my opinion, the realization of the biggest and the most interesting investment projects in Eastern Siberia and the Far East are due to begin in the next 3 to 5 years. Simultaneously, the Russian Government in the near future will provide for the development of the legislation, dealing with concessions, conditions of exporting, etc.

The occurrence on the world scene of a new area (Eastern Siberia and the Far East) of the supply of oil and natural gas should be welcomed by the industrially advanced countries whose import dependence grows annually. In the beginning of the 21st century the world has entered a new epoch for which deficiency of oil and natural gas has become characteristic. The chronic lack of these power resources has led to the higher prices for oil, as well as natural gas starting to follow this growing tendency. If new deposits are not factored in, the world will face a sharp chronic crisis in supplies of this raw material.

Certainly, complexities in the maintenance of stable supplies do not mean an absolute exhaustion of oil stocks, but the signals regarding the exhaustion of cheap oil and the necessity of the transition to more remote deposits and alternative sources are clear. The time when countries and consumers could expect cheap oil, mineral oil and natural gas has ended.

The maintenance of global power security has become complicated by an additional problem - the preservation of political instability in the basic oil-extracting region of the world. This instability is caused by the sharp conflict with militant Islam, which is trying to impose on the world a way of life and thought.

In this connection one of the basic themes during the presidency of Russia in 2006 is that “the G-8: will need to discuss the problem of global power security. Development of oil-and-gas potential of Eastern Siberia and the Russian Far East where a number of large Russian-Korean investment projects can be realized can strengthen the international power security. It would allow us not only to consider opportunities of supplies for Korea, the USA, Japan and of some other countries oil and gas but would also enable us to contribute to the international system of power security, itself a vital, international project.

In my opinion, joint projects in the field of the fuel and energy complex, concerning joint development of deposits of Eastern Siberia and the Far East, and also the Joint development in the sphere of the electric power industry, including the construction of a transmission line between Russia, North Korea and South Korea would become a project of the greatest potential for Russian - Korean relations in the coming decades.

Realization of Large Projects in the Sphere of Transport

Korea holds a unique position in the Asian – Pacific region. Conceding to China superiority in manufacture of labor-intensive goods, South Korea aspires due to cooperation with Japan to more actively develop high-tech goods. Some special benefits of Korea are connected to its geographical position. The South-Korean economy is in the epicenter of one of the most prosperous areas of the world economy, and the task will be to use with the maximum effectively this advantage with a view to further development.

At a high level, the necessity of constructing the Trans-Korean railway which would connect the South-Korean port of Pusan through the territory of both Korean states and further - through the Trans-Siberian Railway, the European Russia - to the countries of the European Union, was announced for the first time in 2000 by President Kim De Jung.

As a result of modernization of the Trans-Korean railway, it is possible to create a transit corridor between “Asia-Europe ” competitive to the current sea routes through the Suez canal. One of its advantages is the passage of cargo for more than 10,000 km without crossing borders and under the uniform laws of shipping. Freight traffic on the Trans-Korean railway would comprise mutual trade between Russia, South Korea and North Korea People’s democratic Republic transit cargoes in the message republic Korea - the European countries and back. The significant part of container cargoes could be involved in transportations on the Trans-Korean railway from Japan and other Asian countries, processed in port Pusan also.

Political factors have helped Seoul to draw the attention of

European and Asian partners to the project of construction of the Trans-Korean railway. In 2000 direct dialogue between the two Korean states was renewed. One of the few arrangements achieved by Seoul and Pyongyang resulted in the decision to restore a direct railway communication between the South and the North of the Korean peninsula. Taking into account the uniqueness of the geographical position of Korea the question on restoration of the Trans-Korean railway has given impetus to the whole notion of an intercontinental transport project connecting East and West.

The project to connect the Trans-Korean and Trans-Siberian railways will become the major focus of economic cooperation between Russia and South (and also North) Korea. This project assumes the updating of out-of-date railway infrastructure in North Korea, and also upgrading the Trans-Korean railway.

Unfortunately, despite obvious advantages, negotiations on design and construction with Northern Korea do not pass simply or smoothly.

During his stay in Russia, the North Korea leader Kim Cheng-ir on August 4~5, 2001, together with the President of Russia Vladimir Putin and the Chairman of the State committee of defense Kim Cheng-ir, signed the Moscow Declaration on the creation of the railway transport corridor connecting the North and the South of the Korean peninsula with Russia and Europe. On August 14 of the same year questions of mutual cooperation for the creation of the Trans-Korean railway were formalized by an agreement between the Ministry of Railways of Russia and the Ministry of railways of North Korea. The Russian side stated its

position on the use of the Trans-Korean railway on its east side with an exit planned for the Trans-Siberian Railway through Hasan.

During the negotiations of the bilateral agreement, inspection work on the eastern site of the Trans-Korean railway aimed at deciding the parameters of reconstruction of the North-Korean site was undertaken executed by the Russian side.

During 2001~2002 a group of experts from the Russian railways carried out an inspection of the east site of the Trans-Korean railway. In addition to earlier inspections of the east site of the Trans-Korean railway by a Russian design institute, with input from some specialized organizations in October~November 2003, experts of the Russian railways completed prospecting works on the Tumangan - Radzhin site up to 52 km.

The preliminary design studies executed by the Russian project institutes during 2001~2003 on the basis of results of the inspection of sites of North-Korean railways, have shown, that the cost of works on their reconstruction and modernization will take about 2,5 billion US dollars.

Work to create the Trans-Korean railway with an exit on the Trans-Siberian Railway was carried out within the framework of tripartite meetings of experts of the Russian Federation, Republic of Korea and North Korea. The first tripartite meeting of experts of the Korean People's Democratic Republic, the Republic of Korea and the Russian Federation, dealing with questions of how to realize the restoration of the Trans-Korean railway with an exit on the Trans-Siberian highway was led by the Russian railways on April 28~30th, 2004 in Moscow.

The second tripartite meeting was planned for the fourth

quarter 2004.

However in a meeting held on 17.11.2004 under the initiative of the North Korean embassy in the Ministry of Foreign Affairs of Russia, the North-Korean side announced, that due to a toughening of North Korean policy by the United States, it didn't "see sense" in continuing with the second tripartite meeting of experts on the Trans-Korean railway project.

Thus, the tripartite negotiations in the field of a railway transportation which had only began and which could bring real results were interrupted.

At the invitation of the Russian railways on March, 17, 2006 in Vladivostok a tripartite meeting was held between the president of the Russian railways V.I. Yakunin, the North Korean Minister of railways, Kim En-sum and the President of KORAIL Li Chool. A useful exchange of opinions on pressing questions of cooperation related to the reconstruction of the Trans-Korean railway project took place.

The results of the discussions were announced by the president of the Russian railways V. I. Yakunin, who presided over the tripartite meeting as follows:

All sides maintained an interest in continuation of the teamwork aimed at realization of the reconstruction of the Trans-Korean railway with an exit on the Trans-Siberian Railway.

1. All sides have a declared readiness to conduct further discussions on practical questions of the connection of the Trans-Korean railway with the Trans-Siberian Railway at the expert level.
2. The Russian railways have announced their readiness to start

in the near future the reconstruction of Hasan - Radzhin site, which is part of the Trans-Korean railway.

3. With a view to maintaining competitiveness of transportation on the Trans-Korean railway with an exit on the Trans-Siberian Railway, all sides have declared their readiness to study the question of the most effective route of passage of the Trans-Korean railway.
4. The North-Korean side has announced that the question of attraction of investment for reconstruction of the Trans-Korean railway can be resolved at the discretion of the Russian side.

Other Probable Directions of Cooperation

The arrangement to continue military - technical cooperation has been reflected in the Russian-Korean joint declaration from September 22, 2004. Additionally, the importance of protection of intellectual property rights of defense technologies has been recognized and the arrangement on acceptance of measures for protection of the given rights by corresponding agreements was achieved as well.

The official degree of rapprochement in the sphere of military - technical cooperation between the Russian Federation and Republic of Korea is proven by this statement. The conclusion of the cooperation agreement in the sphere of development and peaceful use of space is one of the achievements of this process. The sides have agreed also upon continuation of interaction in development of the Korean space system and the development of civilian-use rockets, and also in the programs aimed at preparation of the first cosmonaut of the Republic of Korea.

The agreement touching protection of intellectual property rights of defense technologies, can promote the creation of joint Russian-Korean projects in the military - technical area, and in particular, the area of aerospace technology. Cooperation can be expressed not only in purchases from the Russian side of different weapons systems, but also in joint scientific and technical collaboration. As is known, the military-industrial complex of the Republic of Korea satisfies only 40 % of the needs of her armed forces.

Active cooperation develops in the field of nuclear technologies. Its agreement and legal basis is the bilateral agreement signed in 1999. At present, the joint Russian-Korean coordinating committee on cooperation operates in the field of the peaceful use of atomic energy. More than ten of its sessions have been devoted to this issue. The basic directions of the committees functioning are the development of nuclear fuel cycle technologies, radiation safety and monitoring of the environment. Questions of joint development of manufacturing techniques of nuclear fuel for reactors for atomic power stations are also discussed.

According to the document from November 19, 2005 the two countries also have agreed to develop cooperation in the nuclear area and also interaction between the corresponding organizations in such areas, as:

- Deliveries to the Republic of Korea of less-highly enriched uranium and granting of services for its enrichment;
- Design and creation of reactors of small and average capacity for floating atomic power stations and installations for storing

sea water;

- Deliveries to the Republic of Korea of radioisotopes and the use of Russian “know-how” for supply of radionuclide for use in medicine, agriculture and industry.

The above mentioned document presupposes development of cooperation in the scientific sphere. In particular, it seeks to promote activity of five Korean-Russian research centers in the field of science and technical fields. It also seeks to develop exchanges between leading research establishments of both states.

The arrangement at an intergovernmental level regarding maintenance and support for the creation of a Russian-Korean Center on cooperation is achieved in the field of industrial technologies through the Moscow state technical university “Stankin”, and also through the joint research center in Korea between the All-Russia Research Center of the State Optical Institute (S. I. Vavilova) and the Korean Electro-technical Research Institute.

The Russian Vision of Korean Linkage Strategy

The Russian Federation emphasizes, first of all, economic contacts in the development of connections between the two Koreas. It has offered cooperation with the Republic of Korea and the Korean People’s Democratic Republic under the tripartite circuit: the use of Russian natural resources and qualified personnel plus North-Korean minerals and labor, plus South-Korean high technology and investment. The writer considers

that such triangular relations with the South and North Korea on an equal rights basis, Russia can:

- act in the role of an intermediary in reconciliation and linkage for both Koreas;
- use these relations of cooperation for development of both countries.

Safety and the world on the Korean peninsula are the external factor which will promote the revival of the economy of Russia. The above mentioned circumstances objectively pull together both the interests of Russians and Koreans that also help the creation of an atmosphere of trust amongst the neighboring countries of the North-East Asia region.

Recently, both in Russia, and in Korea, many investigations have been undertaken to examine possible ways, methods and models of the Korean nation has been issued.

In the Republic of Korea, much work in this area has been done under the auspices of KINU.

A number of research exercises indicate the importance of the creation of a balanced structure of safety in the North-East Asian region. This involves the greater influence of Russia as one of guarantors of stability and development of the region as a whole.

Russia's position to influence and guide is greater than other countries – as neighbors we are more interested in the preservation of peace and stability on the Korean peninsula.

National Perspectives on Linkage Strategy

: The Mongolian Perspective

Adiya Tuvshintugs

Introduction

Due to enormous political, social, economic, cultural and historical diversity and the presence of numerous unresolved issues among states, the process of the formation of a multilateral security mechanism and economic integration in Northeast Asia will be both a difficult and time-consuming task. However, some positive prerequisites already exist, such as economic integration and growing interdependence within East Asia and the tendency to resolve disputed issues through consensus and negotiations as they gradually emerge are becoming established norms. It is therefore the responsibility of countries in the region to join efforts in consolidating these positive developments instead of hampering them by overemphasizing the challenges. In particular, the key players should bear the lion's share of this common responsibility.

Mongolia actively supports East Asian integration and the formation of a multilateral security mechanism in NEA and moreover, aspires to join it as a member. It will be in the greatest developmental and security interests of all NEA nations to have

among their ranks a free, democratic, peace-loving, developed and prosperous Mongolia.

In comparison to Europe, the Asia Pacific is less unified; however, the specific “Asian” forms of integration processes have already been launched at various sub-regional and even supra-regional levels. Slowly but surely these processes are gaining momentum. These include multilateral security consultative forums such as the ASEAN Regional Forum (ARF) as well as economic cooperation mechanisms such as the Association of Southeast Asian Nations (ASEAN), ASEAN Plus One, ASEAN Plus Three, Asia Pacific Economic Cooperation (APEC). Another similar organization is the Shanghai Cooperation Organization (SCO), initiated by Russia and China and joined by the four Central Asian independent states that formerly were constituent republics of the Soviet Union. In addition, the creation of the East Asian Community (EAC) is underway.¹

What then, of Northeast Asia (NEA), where three of the five permanent members of the UN Security Council border each other? Will it ever be a sub-region where unresolved problems stemming from the Cold War, such as crises on the Korean Peninsula or across the Taiwan Strait still persist, in addition to numerous other territorial and historical disputes? All this is in spite of the presence of the three UN Security Council permanent members, an organ entrusted with the noble task of safeguarding world peace and ensuring the new global order? What are the constraints on creating a multilateral security

¹ Tuvshintugs, Adiya, “Mongolia and the Prospects for Multilateral Security Mechanism in NEA,” Paper presented to *Mongolia and NEA: Opportunities and Challenges*, International Conference. East-West Center, Honolulu, HI, USA. November 8-10, 2005.

mechanism in the sub-region? Will such a mechanism ever emerge? If so, will or will not such a process need the input of small states?² These and other questions will remain at the center of attention for policymakers, decisionmakers and scholars in the international relations and security studies fields. Many scholars are offering a multitude of visions and proposals; I hereby intend to suggest my own insights from a scholar's point of view on this issue.

Patterns of Linkage in East Asia

The past decade has brought new impetus to the ideas of regionalism and cooperation. The emergence of the united Europe and efforts that have led to the creation of the North American Free Trade Area (NAFTA) challenged observers and scholars with the task of predicting the plausibility of such forms of integration within East Asia and, in broader terms, the Pacific Rim. By the early 1990s, the increased momentum of globalization and pre-existing multilateral forums for regional cooperation and dialogue, such as the Asia-Pacific Economic Cooperation (APEC) and the *Association of Southeast Asian Nations* (ASEAN), were occasionally perceived as feasible steps toward a more integrated Asia-Pacific.

Efforts on behalf of nation-states to foster East Asian and Pacific Rim cooperation were rewarded with certain achievements, including those in a more specific sub-region - Northeast Asia (NEA). To name a few, the formation of sub-regional economic

² *Ibid.*

zones, labeled as “one big, three small, and one heated” - i.e. general cooperation in the region, the Bohai Sea, the Yellow Sea and the Sea of Japan Sub-regional Economic Zones respectively, and the Tumen River International Cooperation and Development Zone, are perceived as “prevailing geo-economic patterns” in the region.³

Expressing a commitment to a FTA has become increasingly attractive move for the region’s national leaders and the Northeast Asian Economic Forum (NEAEF) has evolved into a regional-based non-governmental organization (NGO) promoting regionalism.

In addition, countries of the region are actively seeking cooperation in the energy sector. In particular, projected oil and gas pipelines that would link the Russian gas fields of Eastern Siberia to consumers in other NEA nations would not only have a profound political impact, drawing the region together, but would also help to stabilize the region economically. In the long term, a NEA common energy community could be formed granted that successful implementation of projected goals occur in the foreseeable future.⁴

Within this context, the next question ought to focus on what characteristics of NEA should be regarded as decisive factors in analyzing its prospects and/or obstacles in creating a form of enhanced sub-regional cooperation. These include: (1) Systemic variety in terms of economic system - varying from

³ Lu Zhongwei, “Northeast Asian Economic Cooperation in the Post-Cold War Era,” in *ISGCC Policy Papers*, No.06, 1993.

⁴ Munkh-Ochir D. Khirghis, “Preconditions and Restraints for Integration in NEA: A Mongolian Perspective,” in *Regional Security Issues and Mongolia*, Ulaanbaatar, Vol. 22, 2004.

socialist economies to transitional and full-fledged market economies; and heterogeneity in size and economic development, infrastructure, population density, as well as in natural resource endowment; (2) As a geo-economic sub-region, NEA does not include the entire territory of the two major actors – Russia and China, but only their frontier regions, leaving the sub-region outside of the policy priorities of the respective national governments.⁵

First, emerging incentives for a FTA, and second, growing labor and capital mobility within the region, if evolved with continuity, can create two of the three preconditions selected for this paper. However, in terms of the third precondition, i.e. the comparative confluence of macroeconomic variables, largely affected by such determinant factors as market size and infrastructure development, the current gap is not likely to diminish within the short- and mid-term. Parts of the sub-region that will be negatively influenced by such incompatibility are remote, continental regions, including the potential risk of hampering the integration prospects of the entire country - not just selected regions – of Mongolia into the broader sphere of regional co-operation.

Mongolia's Vision of Its Identity in Northeast Asia

Mongolia is a landlocked country with a vast territory of 1.6 million square kilometers and a small, widely dispersed population of 2.4 million people. For its economic growth, poverty

⁵ *Ibid.*

reduction and overall development, the development of infrastructure, such as roads, energy access and telecommunications is vital. Due its landlocked and remote location, Mongolia is dependent on cross border trade, and the Government of Mongolia is keen to promote energy sector regional cooperation with its immediate neighbors and other countries of the region.

Mongolia has been developing a democratic society and market based economy since 1990, and the Government of Mongolia has made tremendous efforts to make a transition from an authoritarian regime to a democratic society, from a centrally planned economy to a market oriented economy. Many important steps to undertake legal, structural, institutional changes to transform the society and economy have already been made.

As of the end of 2004, the Mongolian economy grew at the rate 10,6% and the budget deficit decreased to the level of 2% of GDP, which is a significant decrease compared to previous years. Although many structural changes have been undertaken to improve the overall macroeconomic situation and policies have been implemented to improve the investment climate, the economy remains dependent on mining and agriculture.⁶

As a sovereign member of the international community, Mongolia has been casting hopes on NEA, as the nation strove to gain political and economic support during the past fifteen years of comprehensive reform and transition into a free, democratic society with a market economy. As the Foreign Policy Concept of Mongolia states, "... Conditions for joining in

⁶ Tumentsogt Tsevegmid, "Northeast Asian Energy Issues," Paper presented to *Mongolia and NEA: Opportunities and Challenges*, International Conference. East-West Center, Honolulu, HI, USA. November 8-10, 2005.

regional integration will be created by expanding the bilateral cooperation with countries within the region.”⁷ Accordingly, the following actions were taken, namely:⁸

- Since joining the ARF in 1998, Mongolia has been actively and consistently participating in its activities at all levels, an important step to get closer to the ASEAN countries and strengthen Mongolia’s position within Asia;
- In 2004 Mongolia joined the Asian Cooperation Dialogue (ACD);
- In 1991 Mongolia applied for membership to the Pacific Economic Cooperation Council (PECC), and in 1997, created the PECC National Committee, or MonPECC, becoming an auxiliary member in 2000. The goal is now to upgrade this status into full membership;
- Actions were taken to join the Northeast Asia Cooperation Dialogue (NEACD), a Track Two arm of the Six Party Talks on the Korean Peninsula nuclear issues; however, Mongolia’s admission scheduled for the April 2005 Seoul Meeting was delayed due to North Korea’s suspension of the talks. The American side has given notice that as soon as North Korea rejoins the Six Party Talks, Mongolia’s admission will be secured;
- Mongolia applied for APEC membership in 2003; this bid stalled due to a temporary moratorium on new membership

⁷ *Mongol Ulsyn gadaad bodlogyn uzgel barimtlal*, Concept of Mongolia's Foreign Policy, p. 40.

⁸ Tomorchuluun G, “Mongol Uls ba Zuun Azi,” Paper presented to 2005 Conference of Mongolian, Chinese and Japanese scholars, Ulaanbaatar, July 5, 2005.

until 2007;

- Mongolia continues to pursue membership in the Asia-Europe Meeting (ASEM) and is waiting for its Foreign Ministers' Meeting scheduled for May 2006 in Kyoto, where admission issues will be discussed and relevant procedures will be adopted;
- In July of this year, Mongolia signed the ASEAN Treaty of Amity and Cooperation (TAC)⁹ and bilaterally seeks support for joining the ASEAN Plus Three mechanism as a fourth partner;
- Mongolia has been part of the UNDP-sponsored Tumen River Project;
- Mongolia takes part in some ESCATO projects, such as the Asian Highway Project;¹⁰
- In addition, active participation exists in various Track Two settings, such as the Council for Security Cooperation in Asia Pacific (CSCAP), as well as the annual Conference on NEA economic cooperation held in Niigata, Japan.

Within this regard it should be mentioned that favorable domestic economic conditions are gradually emerging in Mongolia to ensure the nation's place in the regional economy. Between 1993 and 2003, the net growth of Mongolia's economy averaged at 3.3%, while in 2004 the economy grew at a record 10.6%. Inflation is under control with its consistent rate below 10.0%

⁹ Gadaad heriin said ARF-yn hurald oroltsov. "*Gadaad barillsaa*," Mongol Ulsyn GHYa-nii medeelliin tovhimol. No. 10 (164), 2005 ony 9 dugeer sar. Huudas 8.

¹⁰ Kofi Annan, Mongolian International Security and Nuclear Weapon Free Status.

between 1998 and 2003, in sharp contrast to the 1995 inflation rate of 53.1%.

The government and business community of Mongolia sees NEA integration as its priority and as its main national development goal. From the very beginning of market-oriented reforms and the attempts at a systemic transformation of the national economy in 1990, a place for Mongolia within the NEA marketplace and sphere of cooperation was crucial for the survival and evolution of the emerging “capitalist culture” in this country. In particular, following the disintegration of the Soviet Union and the separation of Mongolia from the Soviet-led East European form of integration, the resulting severe economic challenges were overcome not only by generous aid and assistance from donor countries, but also by the fact that there was a developing market economy in China, attracting the “newly-born” private entrepreneurs to do business.

Economic and Energy Linkage Strategy for Mongolia in NEA

The Northeast Asian countries’ strong economic growth requires increasing demand for energy resources, and the region needs to secure more reliable, diverse energy resources for sustainable development.

What are the issues, or driving forces, that will shape energy cooperation in North East Asia over the next decades?

The most basic issue for energy in this region, as is also true for any market is the supply and demand of energy resources, and the related issue of energy security. Although some countries

in the region have stagnant growth, in overall, the countries of the North East region are characterized by dynamic economic activity which will require increasing demand for energy resources, such as oil, gas and power.¹¹

Most countries of the region are dependent on Middle East oil supplies, and projections show that the dependence will grow, and with an unstable situation in the Middle East there is a need to diversify energy supplies.

The failure of the countries of the region to secure energy resources in a sustainable manner by making concerted efforts will negatively affect economic development and will lead to insecurity of energy supplies and high prices, and will decrease the overall competitiveness of the region.¹²

Mongolia began recently oil explorations and started to export crude oil to China, and for the development of the oil industry there is a need for investment in the oil sector and related infrastructure. At this moment, all petroleum products are imported from Russia and China.

In the early 1990's due to strictly controlled prices and tariffs, the power sector became unable to financially sustain itself which led to significant amounts of borrowing and outside assistance in the energy sector. As of today, the power sector utilized 19% of total sovereign guaranteed loans. The bulk of loans and aid received by the government are spent for renovation and rehabilitation of the combined heat and power (CHP) power plants and coal mines, which improved the reliability of energy supplies and there is a trend towards stable

¹¹ See Tumentsogt, 2005.

¹² *Ibid.*

growth in demand.¹³

From the policy point of view, major priorities for the Government are to create the necessary institutional framework for private sector participation (PSP), to improve the efficiency of the energy sector, to facilitate the development of renewable energy, to accelerate commercialization of energy companies and gradually privatize them. The Government believes that a strong legal, institutional and regulatory framework, which reduces investors' risk and encourages investors' long term involvement in the economy, is necessary to bring the private sector into building new capabilities, in developing power links, introducing energy efficient technologies, and promoting the use of renewable energy sources etc.

The petroleum and mineral resource authority of Mongolia has been participating on behalf of Mongolia in the project of building a natural gas pipeline. According to the feasibility study of the natural gas pipeline from Russia to the PRC, the plan is to build a 1,220 mm diameter pipe by two routes. One, the "Western" version, from Kovyktinskoye to the Chinese border will be 1,979 km long and its 1,019 km-long section at between 960~1979 km of its total length, will run through Suhbaatar-Darkhan-Baruunharaa-Zuunmod-Choir-Sainshand-Zamyn Uud in the territory of Mongolia. This route is the shortest one. There are also some other advantages in this route such as geographically favorable conditions, relatively developed infrastructure such as railways, power lines, phones and paved roads from Altanbulag, the northern border post of Mongolia through Ulaanbaabar to

¹³ *Ibid.*

Zamyn Uud. In the case that the pipeline goes through Mongolia, Mongolia can promote itself as a transit country at the initial development stage and further consumption advantages may flow from this special status.¹⁴

The gas pipeline project, as anticipated by Mongolia, will be more economically viable if it does not aim at a single market, but several potential markets. There is no doubt that sometime in the future the pipeline route crossing Mongolia will be constructed. The natural gas pipeline project will play a significant role in the Mongolian economy and infrastructure development. Natural gas will be a new source of energy in larger cities, where the population and industries are concentrated, as a cheaper and ecologically friendly fuel.¹⁵

It is evident that there are tremendous opportunities for regional energy cooperation in all areas of energy related activities, such as power transmission as well as trade of oil and gas. There is growing demand for energy resources in China, and other countries, such as South Korea and Japan, and on the other side we have Russia, which has enormous energy resources and lacks investment and a labor force. Mongolia, with its location, could serve as a stable, cost effective transition point for the flow of energy resources.

In terms of the implementation of North East Asia energy cooperation, it is necessary to create an institutional framework for energy cooperation. The countries of the region made

¹⁴ Gotov, Dugerjav, "Northeast Asia and Mongolia: Infrastructure network development issues," Paper presented to *Mongolia and NEA: Opportunities and Challenges*, International Conference. East-West Center, Honolulu, HI, USA. November 8-10, 2005.

¹⁵ *Ibid.*

significant progress in facilitating regional cooperation since the Khabarovsk meeting in 2001. At present, the countries of the region recognize that in current circumstances the productive way to move forward with energy cooperation is to establish an institutional framework for cooperation, such as a senior officials committee (SOC) at the Government level. This type of framework will help to reduce the impact of differences in institutional structures, investment environment and political structures, and will help to guarantee investment protection etc. Then, as a top down approach to multilateral cooperation, the countries of the NEA can work on the creation of an institutional framework based on best practices in other regions, such as the creation of an Energy Charter etc.

Mongolia has abundant resources of coal, hydro-power and other energy resources, which have to be developed, and the country needs investment, infrastructure development, and accelerated economic growth. Since the 1990's, the energy sector in Mongolia has gone through significant difficulties, and the Government of Mongolia has made tremendous efforts to restructure the energy sector, to create a legal and institutional framework for private sector participation, to improve the overall efficiency of the sector.

For NEA, energy security will be a major issue for many years to come, and investment needs are enormous. Financing of expensive regional energy projects and mitigation of associated risks will be a big challenge for future projects. High levels of dependency on coal as a primary energy resource and increasing pollution require more concerted efforts to reduce the impact on the environment.¹⁶

NEA has significant potential for energy cooperation. The countries of the subregion differ significantly in terms of scale, capacity, political and institutional structure, and for successful energy cooperation it is necessary to create an institutional framework at the governmental level to promote regional projects.

Infrastructure Linkage Strategy for Mongolia in NEA

Therefore, like other nations in the region, Mongolia acknowledges the importance of regional cooperation and the vitality of the forces of the free market. The successive governments of Mongolia, representing different political parties, have been continuously taking crucial measures aimed at maximizing the market attraction of the country, otherwise jeopardized by its size, relative isolation and underdevelopment in certain areas. Among them, notable steps are the full liberalization of trade, resulting in the creation of a tariff-free marketplace in 1997, and attempts to enhance its share in the regional transportation and energy network. The *Millennium Highway Project* of constructing a highway corridor connecting the eastern and western borders of the country, planned and carried out since 2000, can be seen not only as Mongolia's own developmental strategy, but as a form of its contribution to regional integration as well.

Although the region presents opportunities for regional cooperation, the countries of the region differ significantly in

¹⁶ *Ibid.*

terms of economic capability, size, resources and labor. Every country of the region has its own distinguished features, own comparative advantages and disadvantages in promoting regional cooperation.

Being a landlocked nation, Mongolia's relative isolation could prove to be a deterrant factor in the linkage strategy and thus, overcoming this disadvantage presents a number of serious challenges. However, should proper infrastructure development strategies be implemented, Mongolia should be able to mobilize its other resources to not only overcome this deficiency, but to contribute to the overall economic linkage and integration of the subregion.

The majority of Mongolian imports and exports are carried by rail, both within the country and in the neighboring countries. The main railway section of the Mongolian Railway is a trunk line between Sukhbaatar on the Russian border through Ulaanbaatar to Zamyn Uud on the Chinese border, a distance of around 1,400 km. It is in reasonably good condition and it is also a transit route for cargo moving between China and the Russian Federation via Mongolia. Rail carries the bulk of Mongolian cargo tonnage, due to spur rail lines that connect the major coal mines and the Erdenet copper mine.

Mongolia acceded to the International Transport of Goods under Cover of TIR carnets (TIR Convention, 1975) on October 1, 2002. The International Road Transport Union (IRU) is in the process of authorizing the National Road Transport Association in Mongolia (NARTAM) as an issuing association vis-a vis the Mongolian Customs authorities. Russia is also a member of the TIR Convention but China is not. Presently, a restricted number

of containers of goods from Russia to Mongolia are transported by road.

Because of the vast distances and poor roads, the domestic and international air transport system of Mongolia is relatively well developed. Traditionally, airfreight did not play an important role in Mongolia's transit traffic. Today, however, it is growing and has greater potential for the near to intermediate future. If Mongolia is able to diversify its export mix to include high-value, low-bulk goods such as cashmere goods, handicrafts and electronics, large-scale air transport will become not only feasible but essential. At present, Mongolia has direct flights to Moscow, Beijing, Berlin, Frankfurt, Tokyo, Osaka, Seoul, Irkutsk and Huh Hot.

In terms of trade patterns, it must not be forgotten that the main trading partners for Mongolia are China and the Russian Federation, so a large amount of traffic is on a bilateral basis. However, the opportunity to improve sea access in order to capture new markets should be considered a priority for Mongolia.

As a country with vast distances between markets both domestically and internationally, Mongolia's transportation network has strategic significance for reducing its isolation in the World and within its own borders, as well as playing a key role in the future economic development of the country. No pipeline project will be economically viable if it aims at only a single market, rather than several potential markets. Therefore, there is no doubt that sometime in the future the pipeline route crossing Mongolia will be constructed. Therefore, Mongolia should be prepared to acquire experience in utilizing natural gas in power

and thermal energy production, and in homes and transportation systems.

Mongolian exporters, importers and transport service providers must re-evaluate their strategies for freight transportation, taking account of advantages and disadvantages of the possible transit transport corridors, as all possible transfers between modes must be considered. With the development and improvement of infrastructure in the NEA region, Mongolia should aim to achieve a growing accessibility to the international market.

Security Linkage Strategy for Mongolia in NEA

Emerging regionalism, as a precursor and perhaps, as a substitute for ultimate globalization, requires the countries in NEA to engage in much more productive cooperation within the bilateral, as well as multilateral forums. In an overview of the regional situation, we logically ask the following question: Has NEA increased its plausibility for a more intense regional cooperation, as expected of East Asia in general? Though a trend toward strengthening regionalism can be observed here, a fair number of setbacks and stagnation has also occurred. Perhaps the logical interpretation for the relative modesty of NEA regionalism and efforts for integration as compared to those of Southeast Asian nations is that the Northeast Asian dynamics cannot be measured by the standards and evaluation applied to the entire Asia-Pacific and/or East Asia. There is certainly a common interest among the states in NEA. Emerging incentives for free trade agreements, and second, growing factor mobility

within the region can be named as such positive examples. However, the comparative confluence of macroeconomic variables, so vital in intra-regional cooperation is largely affected by such determinant factors as market size and infrastructure development and current diversity is not likely to diminish within the short- and mid-term perspectives.

Such circumstances create powerful incentives for the regional countries to be more engaged in multilateral settings of security and cooperative frameworks. NEA, by far, is the only remnant of the Cold War despite its relative stability and greater economic development compared to other parts of the world. The region still has the last divided nation – Korea, the largest amount of troops facing each other under the most tense conditions. Moreover, many past grievances are still yet to be overcome – between nations (in general term, meaning nations, not only the nation-states), such as between the Chinese and Japanese nations, and between Korea and Japan, amongst others. Then, what should we, the nations in this sub-region, do in order to, first, enhance the tempo of mutual bilateral collaboration to a more mature level, and second, contribute to the overall development of a cooperative spirit in the region?

In recent years, the sub-region has witnessed significant development in bilateral defense relations and cooperation beyond the traditional treaty alliances with the USA. This has taken various forms, from ministerial-level visits and strategic consultative conferences at high levels, to mid-ranking officers' meetings, exchanges between the branch service commands or geographical combatant commands, joint military exercises and drills, and academic exchanges between academies and research

institutes. These bilateral contacts, especially those between Russia and the PRC, Russia and the USA, the PRC and the USA – that were unthinkable during the Cold War – bring a thaw in relations among states in the region, reduce suspicions and make the actors more predictable; thus, significantly contributing to the fight against common threats.

International conferences, training sessions and workshops on security and defense, organized by major countries in the region, provide a very positive venue for frank exchanges of views on stressing issues of international and regional importance, as well as for closer observation of each others' security strategies and defense postures.

With that in mind, it also must be said that the two issues, the one being strengthened bilateralism between every state in NEA, and the other being enhanced multilateralism, cannot and should not be completely separated, but rather be seen in terms of one being the precursor for the other. In the case of Mongolian-ROK bilateral relations, it serves the ultimate goal of contributing to the regional development while also being the stimulus for promoting the national interests of both countries.

To begin with, we, on the Mongolian side, must profoundly acknowledge and deeply cherish the Korean factor in the post-Communist development of the Mongolian polity, society and economy. In the field of economic cooperation, the ROK is by far the second largest investor into the Mongolian economy, and ranks fifth in terms of total external trade volume. Diplomatic relations were established relatively late, in 1990, despite the ancient ties between the two nations. Of course, this was caused by the Cold War division; nevertheless, Mongolia was the third

post-Communist nation, after Hungary and Poland, to offer official recognition to Seoul. By developing robust bilateral ties, Mongolia nonetheless maintained warm relations with its old friend and the other half of the Korean nation – the Democratic People’s Republic of Korea (North Korea).

Mongolia, despite its relative weakness in the international and regional arena, has certain things it can offer for the sake of Mongolia-Korean and intra-NEA cooperation. Mongolia’s stable and friendly relations with the two Koreas, Japan and the United States can serve as an asset in enhancing mutual understanding and building confidence. One problematic issue in Mongolia’s relations to North Korea is the flow of refugees from the latter. Due to its official relations to P’yongyang, Ulaanbaatar is restricted in its options and maintains a low profile in this delicate matter. Nonetheless, Mongolia highly values the safety of the individuals concerned, regardless of their motivation and origin; this is relevant to the North Korean refugees as well.¹⁷

Culturally, there are also some significant advantages that Mongolia could utilize in its relations with Korea. The two nations historically have had minimal, if any, mutual grievances, unlike many peoples in the adjacent region.¹⁸ Moreover, culturally the Mongolian people possess a unique experience to have lived under both political and economic systems that the two Koreas differ in; while the citizens of South and North Korea have technically no experience of the other’s society and

¹⁷ Morrison, Charles E. (ed), *Asia Pacific Security Outlook 2004*, APAP Project, Tokyo, 2004, pp. 138–139.

¹⁸ Batchimeg, Migeddorj, “Engaging North Korea: Mongolia’s DPRK Policy,” in *Asian Survey*, Spring 2006.

mentality. Perhaps this factor can be an additional bonus in the role of the ordinary Mongolian people involved in business, academia etc. (i.e. the public diplomacy), that would help to ease the cultural barriers between the Korean compatriots prior, during and following the hopeful unification.

As one of the few nations with diplomatic relations with both Koreas, Mongolia has a unique opportunity to contribute to solving the Korean Peninsula crisis and mediate in helping North Korea to become a more open country. In this sense one example is perhaps worth noting. On June 24 this year, we hosted in Ulaanbaatar a round-table meeting dedicated to the fifth anniversary of the inter-Korean summit, to which was invited, for the first time, the delegation from the DPRK Social Sciences association, headed by its general secretary. This can be seen as evidence of growing interest in Mongolia as of the fellow countries formerly sharing the same political system and as a sign of relative openness on behalf of that country. More surprisingly, their head of delegation, with his e-mail address inscribed on his business card – itself a novelty for North Koreans – has offered to assist in setting a contact between my Institute and a like-minded counterpart in the DPRK, and has sent the address of their new web page. Therefore, organizing joint bilateral academic conferences and round-tables meetings with North Korean scholars will be crucial in promoting our policies and building mutual trust and confidence. Needless to say, a certain degree of input, financial and otherwise, to help realize our vision would be greatly appreciated.

Despite these positive trends, I personally remain critical of Mongolia's participation in the regional multilateral dialogue,

which remains far from being as intensive as it needs to be. For instance, Mongolia's participation in the ARF is presently in a state of stagnation. Moreover, the country is being left outside the Six Party Talks, perhaps the most prominent multilateral setting of security cooperation in the immediate adjacent region. Furthermore, Mongolia has not made any significant progress in an attempt to join the ASEAN Plus Three structure, or the APEC. These and other political factors that ironically serve as impediments for Mongolia's MEA linkage strategy, should be eliminated in order to give way for more spontaneous, natural economic and people-to-people based interaction.

Conclusion

It should be admitted, however, that negative tendencies mitigating against cooperation are being caused by the characteristics of the region as listed above, and not necessarily by the policies of certain states. Development of free markets and a business culture throughout the region requires more vocal input by the business communities, which prioritize economic interests over any other incentives. For nations like Mongolia, geographic and demographic determinants will play a decisively negative role in this effort. Therefore, with this in mind, overcoming these obstacles requires a much more visible and persistent cooperative strategy among the nations and flexibility in their respective cooperative strategies. This, in turn, will demand the increased presence and influence of the business communities in shaping their respective governments' national policies. Unless and until these demands are observed more

generally, states will continue to see cooperation as the zero-sum game and additional institutionalization and/or coordination at the state level will not be likely to foster the progress in the development of regionalism. At the present stage, there is one strategy which would be agreeable to all the states concerned. This is the potential role to be played by evolving NGOs such as NEAEF in the intellectual hub. These can play a role in creating the future development and dialogue structure by promoting and encouraging the increased involvement of the private sector in regional cooperation.

Though a trend toward strengthening regional economic integration, much visible in other parts of the world, can as well be observed in NEA, a fair degree of setback and stagnation has occurred during the past period. As Mr. R. Amarjargal, the former Prime Minister of Mongolia (1999-2000), stated in his interview to *The Japan Times* a few years ago, "... We have to admit that, so far, existing instruments of NEA economic cooperation have not fully corresponded to the scale and dynamics of the economies in the region... Criticism of the unsatisfactory mechanisms for economic cooperation comes from the business community of the region. Business people... indicate that economic interests should prevail over political considerations. Politicians should listen to appeals from the business community."¹⁹

In the meantime, given the evident shortcomings and somewhat slower pace of the East Asian Community process, all

¹⁹ Amarjargal, Renchinnyam, "Establishing Confidence in Northeast Asia", in *The Japan Times*. The Amarjargal Foundation website, <http://www.amarjargal.org/en/index.php>.

interested nations should not overestimate its eminent success in forming a single East Asian political and economic identity, and while striving to maximize the benefits of multilateralism, should seek elaborated strategic relations and security cooperation in addition to existing solid framework of socio-economic and cultural exchange.

Mongolia actively supports East Asian integration and formation of a multilateral security mechanism to emerge in NEA and moreover, aspires to join it as a member. It will be in the best developmental and security interests of all NEA nations to have among their ranks a free, democratic, peace-loving, developed and prosperous Mongolia.



Program & Presenters



PROGRAM

Thursday, June 29

Arrival of Foreign Participants

Reception (18:00 – 21:00) at Oak Room(4F), Seoul Plaza Hotel

Friday, June 30

Opening Ceremony (10:00 – 10:10)

Welcoming Address : Young-Kyu Park (President, KINU)

Session I (10:10 – 11:30)

Alternative Frameworks for Northeast Asian Regionalism

This session will review the lessons of European Regionalism focused on the interaction between economic and security cooperation. And this session will seek an alternative framework for the linkage strategy in Northeast Asia.

Geographically, the Northeast Asian region includes South and North Korea, China, Japan, Russia, and Mongolia. Functionally, roles of the US and ASEAN should also be scrutinized.

Regional cooperation in Northeast Asia can be regarded as a subordinate unit of the East Asian community. To consolidate Northeast Asian cooperation in security, economics, and politics, Northeast Asia must build cooperation within the framework of the East Asian Community.

Chair : Dong-Hwi Lee (Institute of Foreign Affairs and National Security)

Presenters

- Margaret McCown (National Defense University)

“Lessons from European Regionalism: Linkages between Economic Integration and Security Cooperation”

- Kyu-Ryoon Kim (KINU)

“Regional Cooperation in Asia: Suggestions for Future Development”

Discussants

- Hae-Won Jun (Hanyang University)
- Hyun-Seok Yu (Kyung Hee University)

§ Luncheon (11:30 – 13:00)

Session II (13:00 – 15:00)

National Perspectives about Linkage Strategy (I)

This Session will focus on the positions and policy orientations of the respective countries based on the concept of regional identity, priority of economic and security cooperation, and policy preferences.

In particular, presenters are expected to review the following points from the standpoint of the respective country:

- Regional identity of each country
- Perception and appraisal of the current state of economic and security cooperation in Northeast Asia
- The meaning and importance of the linkages between economic and security cooperation such as transportation networks, energy cooperation, environment issues, human security, border controls, and so on
- Aims and anticipated benefits of linkage cooperation
- Policy priority of linkage projects

Chair: Fei-Ling Wang (Georgia Institute of Technology)

Presenters

- Jong-Chul Park (KINU)

“Korea’s Perspective on the Linkage of Economic and Security

Cooperation in Northeast Asia : The South Korean Perspective”

- Zhang Xiaoming (Peking University)
“The Rise of China and Community Building in East Asia: The Chinese Perspective”
- Tomoyuki Saito (National Institute for Research Advancement)
“National Perspectives on Linkage Strategy : The Japanese Perspective”

Discussants

- Jae-Cheol Kim (The Catholic University of Korea)
- Yul Sohn (Chung-Ang University)

§ Coffee Break (15:00 – 15:15)

Session III (15:15 – 17:15)

National Perspectives about Linkage Strategy (II)

Chair : In-Kon Yeo (KINU)

Presenters

- Timothy Savage (The Seoul office of Nautilus Institute)
“Economic Cooperation for Regional Security in Northeast Asia: Role and Attitude of the United States”
- Andrey Sorochinsky (Committee of Energy and Engineering City of St. Petersburg)
“National Perspectives on Linkage Strategy : The Russian Perspective”
- Adiya Tuvshintugs (The Institute for Strategic Studies)
“National Perspectives on Linkage Strategy : The Mongolian Perspective”

Discussants

- Jae-Young Lee (Korea Institute for International Economic Policy)
- Sun-Ho Kim (Pusan University of Foreign Studies)

§ Coffee Break (17:15 – 17:30)

Session IV (17:30 – 18:30)

Round Table: New Paradigms for Northeast Asian Regionalism

Chair : Kyung-Mann Jeon (Korea Institute for Defense Analyses)

Discussants : All Participants

§ Dinner (19:00 –)

PRESENTERS

Margaret Mary McCown works with the National Strategic Gaming Center at the National Defense University. There, she works on the design of strategic simulation exercises on a variety of national and homeland security issues. Prior to joining NDU, she was a research fellow at the Max Planck Institute for Research on Collective Goods in Bonn, Germany. At the MPI, Dr. McCown worked in a research group studying the role of collective actors and bounded rationality in public goods disputes. McCown's contribution to the research was her line of research, both singly and jointly with Dr. Jun of Yonsei University, on separation of powers conflicts in the European Union and her work with Dr. Bouwen of the European Commission on interest groups in the EU. Dr. McCown holds a doctorate in political science from the University of Oxford.

Kyu-Ryoon Kim is a Senior Research Fellow at the Korea Institute for National Unification. He received his Ph. D. in Political Science from Northwestern University in 1989. His major research interests are on Asian regionalism and North-South Korean relations. He is author of *Energy Cooperation with North Korea: Issues and Suggestions*, 2005, *Country Risk Analysis of North Korea*, 2002.

Jong-Chul Park is director of division of inter-Korean relations at the Korea Institute for National Unification. He was a visiting scholar at the Center for International Affairs, Harvard University in 1997-1998. His research interests encompass inter-Korean relations, international security, and arms control. His main publications are as follows: *Infrastructure of Regional Cooperation in Northeast Asia: Regional and Country Level*(2005), *Measures for Forming Security and Economic Cooperation in Northeast Asia* (2004), *The U.S. and the Two Koreas: Dynamic Trilateral Relations of Conflict and Cooperation* (2002), *Military Measures for Promoting Inter-Korean Economic Cooperation* (2002), *U.S.-DPRK Missile Talks and Its Impact on the Korean Peninsula* (2001)

Zhang Xiaoming, Ph. D. (Peking University, 1993), professor and deputy director, Institute of International Relations, School of International Studies, Peking University, China. He joined the faculty of Peking University in 1988. He is the author of three books in Chinese: *George F. Kennan's Containment* (1994), *Cold War and Its Legacy* (1998), and *China's Relationship with Her Neighbors* (2003). He is also one of the coauthors of *Contemporary Sino-Korean Relationship* (in Chinese, 1998). Dr. Zhang was a fellow of Cold War International History Project, Woodrow Wilson International Center for Scholars (January-July 1994), fellow of Korea Foundation at Korea University (January-April 1998), Fulbright research scholar at Harvard University (August 1999-July 2000), guest researcher at Stockholm International Peace Research Institute (SIPRI, July-August 2000), and visiting professor at Chuo University, Japan (July 2005).

Tomoyuki Saito is currently a researcher at the Center for Policy Research Information, National Institute for Research Advancement (NIRA), Tokyo, Japan. Mr. Saito's research interests include foreign and defense policy, the U.S.-Japan alliance, East Asian security relations, and international security and arms control (e.g., nuclear disarmament and nonproliferation). After receiving his M.A. in International Affairs from American University, Mr. Saito joined the Japanese Ministry of Foreign Affairs where as an analyst he was responsible for issues relating to the proliferation of weapons of mass destruction (WMD). At NIRA Mr. Saito is a member of numerous research projects as well as the editor of NIRA's think tanks directory series.

Timothy Savage is Deputy Director of the Seoul branch of the Nautilus Institute for Security & Sustainable Development. From 1997-2002, he worked as Senior Program Officer for Northeast Asia at Institute's headquarters in Berkeley, CA. He also works as Associate Editor at *OhmyNews* International, an Internet-based newspaper. From 2004-2005, he was Senior Analyst at the Northeast Asia Office of the International Crisis Group, a Brussels-based non-governmental research & advocacy organization. He holds an M.A.

in History from the University of Hawaii (1994), where he was an East-West Center Fellow, and a B.A. in History from the University of Chicago (1990). He has written extensively on security issues in Northeast Asia. His recent publications include “Japan-South Korea Ties on the Rocks,” *OhmyNews International*, April 19, 2006; North Korean Drug Case Ends with a Bang,” *OhmyNews International*, March 30, 2006; “Letting the Genie Out of the Bottle: The Bush Nuclear Doctrine in Asia,” (*Asian Perspective*, Vol. 27, No. 4, 2003).

Andrey Valentinovich Sorochinsky, Deputy chairman of Energy and engineering maintenance Committee, the Government of St.-Petersburg; The candidate of economic sciences.

In 1997 was graduated from the economic faculty of St.-Petersburg state university (with distinction).

Since 1998 works in the Government of Saint Petersburg:

1998–2002–Committee of Cities Property Management, department of economy (the leading expert, the main expert, the deputy chief of department - the chief of a division)

2002–2004–Construction Committee (the chief of secretary of cities investment and tender commission, the deputy director of state body “The Division of Investments”).

2004– – Energy and engineering maintenance Committee, deputy chairman (responsible for questions of development).

The candidate of economic sciences (2000). Theme of the dissertation “Investment crisis in modern Russia and a role of branches of a fuel and energy complex in its overcoming.”

Adiya Tuvshintugs

Deputy Director

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