Transborder regional development and inter-city networking in Northeast Asia

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1 Background: economic cooperation in Northeast Asia

Economic cooperation in Northeast Asia (NEA) in the past decades has been principally market-led, asymmetrical and less institutionalized.1 Obviously, these features reflect the political, economic, and historical context of NEA. The Cold War is not really ended in NEA. Unsettled inter-Korean relations and unstable power relations in NEA are sources of instability and uncertainty in the region and hence become obstacles for further economic integration.

Nonetheless, economic complementarities and geographical proximity made economic cooperation in NEA possible in the 1990s. The private sector led trade and investment activities, whereas the government sector played a facilitating role. In this sense, economic cooperation in NEA can be characterized as a market-led process. The asymmetry, which is another characteristic of NEA, stems from the differences in the level and structure of economies in the countries of NEA. The most typical asymmetry is trade imbalance. The third characteristic of informality or less institutionalization of economic cooperation arises from the difference in political and economic systems among the countries involved. In short, although the need to cooperate in economic affairs is recognized and despite diverse efforts to bring economic cooperation into more formalized forms, there has not been any significant breakthrough in NEA. The lack of political and social consensus in the countries of NEA may be the prime reason for such a slow progress. In other words, economic regionalization is proceeding but regional community building is still far away.2

2 Transborder regional development in Northeast Asia

Against the above-mentioned backdrop, there have been market-driven, spontaneous economic exchanges and cooperation activities in NEA. Although these activities cannot replace inter-state efforts by central governments, they are an effective means to build an economic community. As a matter of fact, these local initiatives have made significant progress in the past decades. Unlike inter-state level cooperation, the main actors in inter-local cooperation are local governments, businesses, NGOs and citizens. Oftentimes, inter-local cooperation occurs in geographically limited areas. Although there is no firmly established theory for localized economic integration, such concepts as sub-regional economic zones, growth triangles, and natural economic territories are used to explain the emergence of localized economic cooperation and integration.3 As seen by the examples of SIJORI (Singapore, Johor and Riau) and SCGT (Southern China Growth Triangle including Hong Kong, Guangdong, Fujian and Taiwan), transborder inter-local cooperation may occur without much institutional changes at the national level. Such localized economic cooperation is possible with less time and costs than those required for establishing an official economic bloc.

Localized economic cooperation and integration is primarily led by the market and the private sector to exploit economic complementarities and geographical proximity. Cross-border inter-local cooperation tends to provide an opportunity for the diversification of local economies through alliance with neighboring cities and (subnational) regions across and within the national border. An important factor here is the decline of the state’s capacity for territorial management with the deepening of economic globalization.4 The trend of decentralization emerging in NEA countries is another factor which allows more active engagement of local actors in transborder cooperation and internationalization efforts in general. The observation that subnational regions rather than the nation are more vulnerable to external changes adds urgency to inter-local transborder cooperation. Inter-local cooperation is a natural response by local areas

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to minimize risks in an increasingly volatile global economy. It can, in principle, reduce the negative impact of the crisis on local economies by enabling alliance with other local economies across the border.\(^5\)

Whether such theoretical reasons were considered or not, there have been numerous initiatives by local governments and academic discussions for localized economic cooperation in NEA.\(^6\) What is common to all the localized economic cooperation in NEA is the fact that cities or city regions play a central role in creating networks for economic and other exchanges. Although the potential transborder regions in NEA did not make the same substantial progress as in the cases of SIJORI and SCGT, some of them draw the attention of academic persons. Among those, the three most interesting cases are the Yellow Sea Economic Zone, the East Sea Rim including the Tumen River Area, and the Korea-Japan Strait Zone (see Map 1). The Tumen case is unique in the respect that not only central and local governments of the region but also the United Nations Development Program were involved to promote cross-border regional development. The other cases are examples of market-led, inter-local cooperation without much involvement of central government and international organizations. In the following, I will explain the background, progress, and problems of these cases.

### The Yellow Sea Economic Zone

The emerging Yellow Sea Economic Zone is a product of a locally-driven process. The normalization of diplomatic relations between China and South Korea in 1992 gave impetus to the process of zone formation. The timing was favorable because China’s Bohai region was actively seeking foreign direct investments and Japanese and Korean firms were seeking low production cost sites due to industrial restructuring in the countries. In that respect, the process leading to the zone formation since 1990s was fundamentally market-based and locally driven. The locally driven process made significant progress during the 1990s and the early 2000s. For example, trade and investments across the Yellow Sea have remarkably increased over the years to exploit economic complementarities among the three partners: China, South Korea and Japan. Despite the occasional rise of political nationalism, commercial transactions and people moving between the three countries have been on the rise, just counting travelers by air, the number reached 18 millions in 2005.\(^7\) Accordingly, inter-city connections by sea and air have rapidly grown between China and South Korea and between China and Japan. The increased number of transport connections and frequency between cities across the Yellow Sea attests the formation of the zone.\(^8\)

In addition to economic complementarities, geographical proximity and cultural affinity are underlying factors for the formation of the Yellow Sea Economic Zone. The distance between Busan and Fukuoka is only 200km and the distance between Incheon and Qingdao is about 600km. Sharing the history of coastal trade and common cultural roots, cities and provinces in the Yellow Sea Economic Zone have a bright prospect for inter-local cooperation across the sea. Moreover, the Yellow Sea Economic Zone has a good foundation for inter-local cooperation since there are more than a dozen of million-plus cities with strong industrial capacities. There have been several local initiatives to capitalize on these potentials. Chief among them is the Mayors’ Conference of East Asian Cities, which recently changed the name into the Organization for East Asian Cities, which actually covers the Yellow Sea Region, not East Asia.\(^9\) Through this
conference, inter-local exchange and co-operation activities have been actively promoted and they are beginning to bear fruits in such areas as logistics and tourism. In spite of those positive signs, a few obstacles are present. These are a weak institutional infrastructure, an underdeveloped and less integrated infrastructure and language and psychological barriers. In addition, excessive competition in a few industries and key infrastructure facilities such as airports and ports pose a threat to a collaborative development of cities and provinces in the Yellow Sea Economic Zone.

The Tumen River Development Area and the East Sea Rim

The idea of the Tumen River Development Area was conceived by several institutions but it was put into practice with the aid of the UNDP in 1992. The original idea was to develop the Tumen River Area, where China, Russia and North Korea share borders, into an international development zone (Behrstock 1995; UNDP Tumen Secretariat 1995). Three models of transborder regional development were discussed in the beginning: first, each riparian country to develop its own special zone independently; second, each country to develop its own zone independently but cooperate with each other on the administrative level and third, to develop the special zone jointly and let the third party operate it. Due to difficulties involved in the third model, the second model was adopted and implemented in 1995. Five countries – China, Russia, North Korea, South Korea and Mongolia – formed a Consultative Commission. This Commission in collaboration with the UNDP has been negotiating and coordinating activities in the Tumen River Area since then. China, which has been most active in promoting the idea, designated Hunchun as a special zone and made a substantial investment for infrastructure improvement. Following China, North Korea opened its border area of Rajin-Sonbong as a free economic and trade zone. Russia which was lukewarm about the idea in the beginning designated Khasan to become a counterpart to Hunchun and Rajin-Sonbong.

The idea of making the Tumen River Area a second Rotterdam, however, was scaled down substantially due to inadequate inter-state cooperation and financing problems. The support from South Korean and Japanese government for development activities, especially in infrastructure development, was not forthcoming as expected by the UNDP Office in Beijing. Japan was expected to join the Consultative Commission and play an active role as a major financial supporter but it did not. South Korea, on the other hand, provided a small amount of funds to the UNDP but did not make any investments in infrastructure improvement in Rajin-Sonbong.

Slow progress in inter-state cooperation and infrastructure provision in the area brought somewhat disappointing results. Political factors mattered greatly. Adjusting different interests among related countries posed a problem. So were the center-periphery relations as they created the delays in the decision-making process. Financing was a particular problem in the development of this area, which was (still is) short of infrastructure. All in all, the Tumen River Area Development Program needs a new impetus to attract foreign direct investment.

In parallel with the Tumen area, there have been several local initiatives to promote transborder regional development in the East Sea Rim, which covers the eastern part of the Korean peninsula, the northeastern part of China, the Russian Far East and the western part of Japan. Theoretically, the Rim had a great potential to form a transborder region based on the joint development and utilization of natural resources. The region, however, is disadvantageous in two respects. It has no leading large city. In fact, million-plus cities are absent in the region. Even though several cities along the Rim such as Niigata, Kanazawa, Vladivostok and Pohang competed for the position, none of these cities was ideally situated or supported by sufficient infrastructure to meet multinational needs in leading the region. The growth triangle envisioned by the UNDP at the Tumen area was expected to play a catalyst role in the formation of the East Sea Rim region but it failed to do so as discussed above.

The low level of development and underdeveloped infrastructure in the East Sea Rim region are another disadvantage. The Russian Far East and the eastern part of northeast China are remote and underdeveloped regions. The east coastal area on the Korean peninsula and the western part
of Japan also are relatively underdeveloped in comparison to other parts of the respective countries. Nonetheless, local authorities have shown a great interest in inter-local exchanges and cooperation. In fact, the Association of Northeast Asia Regional Governments, the Governors' Conference of Six Provinces, and the City Conference on Growth Points in the East Sea Rim have discussed ways and means to promote inter-city and inter-provincial exchanges and cooperation for more than a decade. Tourism was the most discussed topic in the above-mentioned conferences. Perhaps, the most significant obstacle in the formation of the East Sea Rim region was and still is unsettled political relationships between Japan and North Korea/Russia. A small population base and thus small markets, underdeveloped industries and infrastructure are additional reasons for the insignificant progress in the East Sea Rim region. Yet such reasons common to any transborder cooperation such as low institutional capacity and financial ability of local authorities apply here as well.

The Korea-Japan Strait Zone

The Korea-Japan Strait Zone is a part of both the Yellow Sea Zone and the East Sea Rim. The zone has been and still is the key area in a long history of trade and cultural exchange between Korea and Japan. As such, it occupies a strategic position in NEA. The Korea-Japan Strait Zone consists of three large Korean cities (Busan, Ulsan, Gwangju), three provinces (Gyeongsangnam-do, Jeollanam-do, and Jeju-do) and three Japanese prefectures (Fukuoka, Saga, and Nagasaki). The total population of the zone is close to 20 millions and the total area is about 38,000 km².

Transborder cooperation across the Korea-Japan Strait seems most promising in comparison with all other subregions or zones in NEA. The two countries have more or less similar political and economic systems. The geographical distance between the southeastern part of Korea and the southwestern part of Japan is short enough to form an integrated transborder economic region. For example, the distance from Fukuoka to Busan is about 1/5 of that from Fukuoka to Tokyo. The Kyushu region in Japan and the southeastern region of Korea complement each other in terms of industrial structure. Sharing each other’s industrial competencies, both regions may benefit greatly. The existence of automobile production plants in Busan/Ulsan and the northern Kyushu region also provides a possibility of an integrated production system across the zone for multinational automobile companies such as Renault. Considering growing numbers of business contacts and visitors, both regions have a good prospect to form a daily business and tourism zone.

In the past decades, there have been significant inter-local exchanges between firms, citizens and local authorities within the zone. The establishment of the Governors’ Conference in the Korea-Japan Strait Zone and the Association of Local Research Institutes in the Zone provided a channel for regular meetings to discuss about mutual concerns. A series of studies have been jointly carried out to explore the potential ways and means of industrial and business cooperation across the Strait. Differently from the East Asian City Conference, the Governors’ Conference is more coherent in terms of organization and its agenda is more practical. The involvement of local organizations such as research institutes and business associations is one reason but the small number of subnational regions involved is another reason. Unlike the Yellow Sea Economic Zone or the East Sea Economic Rim, the Korea-Japan Strait Zone only involves two countries, which again simplifies the institutional complexities in cross-border cooperation.

Despite favorable conditions to form a cross-border learning region like the Oresund region in Europe, the Korea-Japan Strait Zone still lags in the provision of institutional infrastructure. The hesitance of the Japanese and South Korean government in removing institutional barriers (although some trade barriers have been lifted and restrictions on cultural imports have been recently relaxed) is largely due to the unsettled issues regarding the recent history between Korea and Japan. This unsettled history and territory issues still pose a psychological barrier inhibiting further cultural exchanges and economic cooperation between the two countries. The Korea-Japan Strait Zone might become an integrated transborder economic zone if the central governments of the two countries allowed free trade and travel within the limited area of the zone.
This would serve as an experimental model for a full-blown free trade arrangement between Japan and South Korea.

3 Inter-city networking in Northeast Asia

The rise of China’s major industrial agglomerations such as the Zhujiang delta, the Changanjiang delta and more recently the Beijing-Tianjin area has certainly brought changes to the economic landscape of NEA, once dominated by the three Japanese mega-city regions – Tokyo, Osaka and Nagoya – and the two Korean mega-city regions-Seoul and Busan. In essence, the increasing economic interdependence in NEA makes major city regions compete as well as network with each other through an increased level of commercial and human transactions. Competition and cooperation among large city regions thus promote the formation of transborder regions in NEA. The aforementioned Yellow Sea Zone and, to a smaller extent, the East Sea Rim constitute primary spaces for transborder regional development in NEA. However, a different configuration of space is possible depending on the focus of transborder transactions. BESETO (Beijing-Seoul-Tokyo) is an example of a transborder metropolitan corridor, connecting Beijing, Seoul and Tokyo. At the moment, however, major city regions in NEA are busy with promoting their economies in order to guard their economic fortunes. The dominant pattern of relations among major city regions in NEA is currently one of heightening competition for the specific segments of the global economy. However, the ease and frequency of interaction as part of globalizing flows of information, services, goods, people and decision-making power enables those city regions to use a variety of media and venues for exchanging ideas and information about contemporary policy issues and their possible solutions.

What is fundamental to inter-city networking are transnational corporations and businesses. State and urban policies are of second importance. These factors will determine the formation of inter-city networks in NEA. In particular, the strategy of transnational corporations, national and urban policies affecting inter-city networks and the existing infrastructure frames for the networks are the three most important elements. The growing overseas production capabilities of Japanese transnational corporations have promoted the formation of global and regional networks of cities with Tokyo at the center. To a lesser extent, Korean transnational corporations have established global and regional production networks in which major cities of NEA have been incorporated. As it is highly unlikely that Japan’s economic power will wane in the near future, it can be assumed that Tokyo and, to a lesser extent, the Osaka and Nagoya metropolitan areas will continue to play a central role in the inter-city network formation in NEA in the foreseeable future. On the other hand, the three Chinese mega-city regions centering upon Shanghai, Hong Kong-Shenzhen-Guangzhou and Beijing-Tianjin challenge the Tokyo-centered inter-city networks. Korea’s Seoul and the Busan-Ulsan metropolitan areas are also expected to play a role in the formation of inter-city networks because of their geographical and economic position in NEA.

It is, however, difficult to predict the forms and structures of inter-city networks in NEA due to political and economic factors affecting the network formation. For example, the BESETO inter-city alliance among Korea, China and Japan still suffers from political nationalism and inter-city rivalry. Without a fundamental paradigm shift from territory-based politics, full-blown inter-city networks covering the whole NEA region can hardly be expected in the short run. In other words, inter-city networking is likely to proceed in more limited geographical areas such as the Yellow Sea Zone. While the formation of inter-city networks in the Yellow Sea Rim is in progress, its success partly relies on the commitment of local and national authorities involved in the zone.

Building cooperative inter-city networks, however, is not an easy task and it faces many obstacles. Most cities and city regions continue to view themselves as being in a zero-sum game of economic competition with other cities and city regions. In the absence of a supranational organization, such as the EU, it will be difficult to establish practical and binding inter-city agreements in NEA. Given the general weakness of local governments in NEA, most inter-city networks (including inter-provincial networks)
in NEA are unlikely to move beyond an information exchange or goodwill role unless some forward-looking initiatives are taken by localities, especially regarding a trans-border governance structure.

Given a strong centralist political tradition in NEA, it would not be realistic to expect too much from local governments. The involvement and support of the national government is necessary. A feasible model would be to establish an inter-local (cities or provinces) council including the national government with an observer status. The broad purpose of such council would be to promote and facilitate an integrated and sustainable development of a trans-border region through inter-city networking. As discussed in the case of the Yellow Sea Zone, the Mayor’s Conference of East Asian Cities can be used as a base to establish a transborder governance structure. By developing an institutional platform, inter-city cooperation can proceed beyond simply promoting economic growth of individual cities to enhancing the sustainable and harmonious development of the whole zone.  

Local authorities may be a leading actor but business organizations and citizen groups can participate in the Council activities.

European experiences provide some yardsticks here. High-intensity cross-border regions in Europe have a cross-border structure, integrated on a long-term basis, and with a political decision-making tier. Organizationally, this implies that they are based on some type of legal arrangement, have a common permanent secretariat and have their own resources available. Although this cannot be replicated in NEA, it would be possible for the central governments of China, Japan and Korea to include a clause in their future free trade agreements specifying the promotion of inter-local cooperation across the border and to give financial support to local initiatives concerning transborder cooperation.

4 Conclusion

If we accept the premise that national borders, symbolizing both political and cultural barriers, weaken due to globalization and regionalization, we need some kind of inter-city cooperation schemes to steer increasing commercial and human transactions into a more fruitful direction. Concerted efforts for fostering more cooperative inter-city networks might highly pay off in terms of raising awareness of common problems, availability of technologies and opportunities for collaborative innovations across national boundaries. One should, however, not forget that cooperative initiatives bring with them new forms of constraints that can affect local economies, e.g. environmental standards. Furthermore, initiatives pursued by local authorities may face constraints imposed by the national government. When liberalization policies are not synchronized across the national border and between national and local governments, inter-city networking tends to face difficulties and thus becomes ineffective. Examples in NEA such as the Yellow Sea Zone and the Korea-Japan Strait Zone attest such a discrepancy. Cross-border cooperation requires the resolution of potential political conflicts within a network of cities such as redundant or excessive investment in infrastructure like ports and airports. How to resolve these conflicts would be a complicated issue touching the governance over shifting territorial boundaries and intergovernmental relations.
Endnotes


(7) Kim, W.B.: Proposal to Build the BESETO Corridor. - Anyang: KRIHS 2007 (in Korean)


(9) Ten cities are members now and they are Dalian, Tianjin, Yantai and Qingdao in China, Incheon, Busan and Ulsan in Korea and Fukuoka, Kitakyushu and Shimoseki in Japan.


(13) Kim, W.B. et al.: Strategies for Inter-Local Cooperation, log. cit.

(14) For example, Kyushu has advanced IT and precision machinery industries and southeastern Korea has a strong base for general machinery and metal industries.


(16) Kim, W.B. et al.: Proposal to build the BESETO Corridor, log. cit.


(18) Kim, W.B.: Inter-city networking strategy, log. cit.
