Trans-border Regional
Cooperation for East Asian Economic Community Building*

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Introduction
Transborder Regional Strategies and Development of the Northeast Asian
Economies
East Asian Regionalism at National Macro Level
Challenges and Issues for Northeast Asian Community Building
Summary and Policy Implications

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Introduction

In an increasingly globalizing world, the theory of gravity model in international trade and investment appears to be more valid than ever as an explanation for closer economic interactions at both regional micro level and national macro level among neighboring economies. At the trans-border regional micro level, much evidence has already been found in the European Pentagon, as well as inter-city cooperation across the North Sea and Baltic Sea, cross-border cooperation among supra-regions at the U.S.-Canada and the U.S.-Mexico borders. At the macro national level, we have also observed significant regional integration efforts in the form of free trade agreements (FTAs) and economic communities, just to name two. Both supply chain and production fragmentation have been reinforced by geographical proximity and differential factor endowments to generate closer economic linkages at the cross-border level particularly when neighboring countries develop open cross-border regions and supra-regions as a new national development strategy.

In the past two decades or so, growing interdependence in East Asia through trade, investment, and financial cooperation has also heightened the need for East Asian economies to engage in closer regional economic relations towards an “East Asian Economic Community.” Since the adoption of China’s trade-oriented open door policy, trans-border regional cooperation among local governments, sub-regions, and local cities in Northeast Asia has been becoming increasingly visible and significant. Academics and researchers in international agencies dealing with East Asian development including Northeast Asia have long proposed such concepts of “Pan Yellow Sea Economic Circle,” “Pan East Sea Circle,” “Tumen River Basin Development,” “Greater Mekong Sub-regions,” and “Pan-Beibu Gulf Economic Cooperation.” They could be defined as examples of a bottom-up micro development approach for economic community building.

The idea of an “East Asian Economic Community” beyond some academic investigations has taken on a more concrete framework right after the onset of the Asian financial crisis in 1997/98 with a newly awakened “East Asian Identity.” Until very

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1 In this paper, East Asia is defined as ASEAN plus China, Japan, Korea, North Korea, Taiwan, the Russian Far East, Hong Kong, and Mongolia. However, for the discussion of formal cooperation, East Asia can be narrowed down to ASEAN plus China, Japan, and Korea because of region-wide on-going formal economic treaties and country data availability for analysis.

2 Northeast Asia here is defined as those economies included in East Asia minus ASEAN.
recently, East Asian regionalism had been nurtured not by political and institutional arrangements but by sheer market forces such as a geographical proximity, the increasingly outward-looking orientation of East Asian economies, and a shift of global economic gravity toward East Asia especially due to rising China, active utilization of natural supply chains and production fragmentation prevailing in the middle of globalization, and East Asia’s self-help response against global hedge funds originating from financially advanced economies. While observing significant functional integration processes in terms of deepening trade dependence and cross-border investment flows through intra-regional FTAs and intra-regional self-help financial cooperation as institutionalized in the Chiangmai Initiative (CMI), the recent unprecedented global financial crisis has made the concept of the East Asian Community regain its momentum. These efforts are defined as the macro top-down approach for East Asian community building.

Toward this goal of East Asian community building, it is very important that both the bottom-up and top-down developments need to be discussed because of their inherent complementary nature and subsequent mutual reinforcement. Both developments have contributed a great deal to foster East Asian regionalism. Although a formal framework of “East Asian Economic Community” has emerged in the ASEAN+3 (China, Japan, and Korea) entity, the real driving force toward an East Asian community needs to come from the ‘Big Three’ economies in Northeast Asia in terms of economic size and political influence, namely China, Japan and Korea. Until recently, ASEAN has played more of a leadership role than the other three countries by developing an active regional cooperation mechanism far beyond the original security arrangement particularly after the Asian financial crisis. Recently, however, Asia’s big three in East Asia, constituting about 90 percent of regional GDP, have begun their own cooperative scheme. In May 2010, they agreed to establish a secretariat’s office in Seoul to work for the trilateral summit meetings. Most importantly, the big three agreed to elevate hitherto on-going trilateral FTA studies at a think tank level to an official study format with participation of respective government officials. If the big three agree on a wide-ranging top-down macro umbrella, trans-border cooperation is likely to take off toward more enhanced formal mechanism.

With those macro and top-down developments toward the East Asian Economic Community, we have also observed some meaningful trans-border micro and bottom-up developments in terms of intra-local, sub-regional cooperation interconnecting supra-regions, mega-cities, and localities lining the borders. This paper attempts to discuss
emerging economic integration efforts from both the bottom-up and top-down perspectives in East Asia towards an “East Asian Economic Community,” which have taken place in both trans-border sub-regions and at a macro-institutional level. While the micro bottom-up approach deals with cross-border sub-regional or inter-local city cooperation as evident Pan Yellow Sea circle or the Pan East Sea circle, the macro top-down approach will focus on-going bilateral and intra-regional FTAs and financial cooperation in East Asia.

Section II discusses the recent bottom-up development of trans-border regional cooperation, connecting supra-regions and mega-cities across regional boundaries within East Asia. Section III presents the top-down intra-regional cooperation movement in East Asia. Section IV discusses challenges and barriers toward East Asia community building with a special reference to Tumen River Basin Development and financing issues expected to emerge in vast SOC development projects. The paper concludes with summary and some policy implications.

Transborder Regional Strategies and Development of the East Asian Economies

Most economies in East Asia have been involved in developing supra-regions within national boundaries as well as cross-border regions to reflect the changing paradigm of regional policies of nation-states in response to increasing economic globalism and regionalism (Kim, Won-Bae 2010.) The characteristics of the newly emerging regional policy paradigm vary from one country to another.

Large countries like the United States focus mainly on supra-region construction for national competitiveness while cross-border cooperation at the U.S.-Canada and the U.S.-Mexican border, respectively, operates primarily by economic interests with low institutional density (Perkmann, 2003: Scott, 1999). Cross-border regionalism in Europe has come to exist by and large by formal integration process geared to European Union based on municipal autonomy and the support from the supranational organization in the course of integration.

In the case of East Asia, China’s rise as the world’s highest economically performing

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4 Kim, Won-Bae (2010) provided a conceptual paper as a reference material for paper writers for this conference. To be consistent with Kim Won Bae’s problem identifications with which this author agrees, this section heavily borrows from his background paper. See Kim, Won-Bae (2010)
country over nearly the past two decades has brought an urgency of territorial rescaling and trans-border linkages to the cities and regions of Northeast Asia. The emergence of mega-regions along China’s coastal area has triggered major territorial and structural adjustments in all the countries and sub-national regions interacting with these mega-regions.5

The rise of China has turned the Northeast Asian region into the third largest economic bloc along with North America and Europe. Apart from FTA talks in Northeast Asia, there have been lots of proposals and ideas with little implementation in diverse areas of energy such as Siberian and Sakhalin oil and natural gas development and pipeline construction, transportation networks including Northeast Asian railroad networks linking the Trans-Siberia, Trans-China, Trans-Manchurian, Trans-Mongol and Trans-Korea Railways and various environmental meetings such as the Tripartite Environment Ministerial Meeting in which South Korea, Japan, and China have taken part in since 1999. Three countries share the necessity to provide such cross-border public goods in Northeast Asia.

**Competitive Territorial Policies of Northeast Asia but Less Connected than EU and North America**

Traditionally, the national territorial and regional policies of South Korea, China and Japan are more strategic and objective-oriented than those of Europe and America where supra-regional policies and cross-border cooperation are created openly under the spontaneous changes of geopolitical conditions and the mechanisms of market and society (Kim, Won-Bae 2010). Across the borders in East Asia, the private sector rather than the central governments, in particular multinational enterprises in the three countries, has been leading the way to reap the benefits of supply chain and foreign direct investment (FDI). Only recently, national governments of those three countries have begun to pay attention to the implications of globalization and regionalization in their respective national territory. In this regard, it is critical to note that the tripartite summit of China, Japan, and Korea agreed to establish the secretariat office in Seoul in May 2010 to prepare the agendas for the regular tripartite summit meetings.

However, compared to the European nations, local autonomy in South Korea, China, Japan, and even the Russian Federation has not fully developed. In Northeast Asia,

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5 For details, see Kim, Won-Bae (2010) and Kurishima (2007)
government-led centralism has dictated the domestic socio-spatial development of these countries with a concomitant heavy concentration of population and activities in major cities and a few regions. As a result, these cities and regions lack the authority and capacity to manage cross-boundary and cross-border activities. The weak local autonomy of Northeast Asian countries has constrained the restructuring of local economies as well as trans-local cooperation activities.

The territorial and regional development strategies of Japan, China, and Korea have been largely formulated at a national level and focused on establishing growth axes and regions not only to lead national economic progress but to compete with other regions in Northeast Asia and beyond. For example, Japan launched a global strategy aiming to nurture mega-regions through designating four supra-regional axes and eight mega-regions as seen in the initiative, “Seamless Asia.” This is a strategy that attempts to connect the transportation and logistics networks of the Northeast Asian region so as to create and expand the scope of daily business activities of Japanese enterprises. It introduces an airline-centered network seeking to connect western regions of Japan such as Kyushu with South Korea, the eastern coastal region of China, and the mid-west part of China including Xian and Wuhan (Kurishima, 2007).

China’s regional policy has also been geared to national economic development. The 11th five-year plan had a slogan of “the active development of the west, the promotion of the northeast, the rise of the central region, and the leading role of the east,” thereby prioritizing balanced development across China. However, the central focus of China’s regional policy remains focused on nurturing mega-economic regions in the East Coast. As a spatial organization guideline, China has taken a strategy of ‘two North-South axes and two East-West axes.’ Following along these development axes or corridors, the Chinese government intends to build a dozen regional clusters or cities.

China’s cross-border cooperation strategy is most apparent in the country’s border regions. The most advanced case is associated with the Pearl River Delta region, where the Special Administrative Regions of Hong Kong and Macao are located. A greater integration is underway to include three new mega-clusters connecting Guangzhou, Foshan, Shenzhen, Hong Kong, Zhuhai, and Macao.

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6 The 11th five-year plan announced in 2006 summarized the trend of regional policy as follows: 1) shifting from quantitative development to qualitative development; 2) creating new growth engines; and 3) establishing integrated supra-economic regions and development axes.

7 In January 8, 2009, the State National Development and Reform Commission revealed its “Regional Reform and Development Plan for the Pearl River Delta Region.”
The objective of South Korea’s regional development policy direction has been aimed at the country becoming a business hub in Northeast Asia to take advantage of Korea’s strategic location between the “continental economic circle” and “ocean economic circle” including Japan and other Pacific economies (Ahn 2003). Since the 1990s, when the globalization trend became clear, a national comprehensive territorial plan has set a basic direction to establish open developmental axes. The 4th revised national comprehensive territorial plan (2006-2020) also clearly suggested the same direction; to build a trans-border foundation for territorial management, facilitating exchanges and cooperation between North and South Korea as well as among the Northeast Asian countries. The plan proposed open developmental axes, which connect to the Eurasian continent and the Pacific Rim. These development axes represent the South Coastal Belt, the West Coastal Belt, and the East Coastal Belt, and the North-South Border Belt, with each coastal belt designed to forge close linkages with China, Japan, the Russian Far East, and other Asia-Pacific countries. They are designed to overcome the problems associated with fragmented boundaries and to establish region-wide platforms for trans-boundary and trans-border cooperation. The government plans to nurture these regions as new open development corridors of the future.

The Supra-Region approach of Korea aims to establish open, new growth regions to secure global competitiveness and balanced development between the Economic Regions. The concept also takes into account the need to expand territorial platforms for increasing trans-border exchanges and cooperation as well as inter-Korean cooperation in coming years as seen at the Gaeseong Industrial Complex. To date, however, there have been few extensive and in-depth discussions on the cross-border component of the Supra Region strategy. It is noteworthy that the two Koreas have developed Gaeseong Special Economic Zone into which investment by South Korean companies was made with the plan of utilizing North Korean workers. As reviewed briefly, territorial development strategies of South Korea, Japan and China entail elements of both competition and cooperation across the border. The main objective, however, is geared toward serving national economic growth and partially encouraging balanced spatial development.

Even though South Korea, China, Japan and to a certain extent Russia recognize the increasing importance of trans-border issues and cross-border cooperation in their respective territorial policies, they do not have ‘real’ force to pursue cross-boundary and cross-border cooperation. To this end, the three countries need to transform these
regions into more autonomous political and economic units. In the case of Russian Far East-South Korean economic cooperation, the inherent geographical proximity provides tremendous cost advantages for trade which could serve to encourage technology exchange and direct investment. South Korea’s repairing and maintenance of Russian ships is an illustration of this point.

Nevertheless, there exists tremendous room to synchronize national territorial development policies and programs of Northeast Asian countries, principally those of China, Japan and South Korea. Collaboration and synchronization will bring benefits in the form of reduced cross-border transaction costs to the countries involved. From the South Korean perspective, the development corridors of the three countries—South Korea, Japan, and China—and the Russian Far East have been gradually expanding around the Yellow Sea, East Sea and Korea-Japan Strait. With a shared vision of Northeast Asia, the concerned countries can identify and implement joint projects to produce concrete outcomes.

**Growing Connectivity of Intra-Regional Container Shipment and Air Passenger Traffic**

A growing connectivity among East Asian economies is clear from Table 1 and Table 2. China, Japan, and Korea being a global manufacturing hub, intra-regional container shipment among three countries have been risen very rapidly. Especially, the bilateral container shipment between China and Korea has grown at a phenomenal rate, registering 13.5 percent per annum between 1995 and 2009. To a similar extent, the shipment between China and Japan has also risen. However, the shipment between Japan and Korea has not been so high as that between Korea and China. This entails that new ports in the three countries have been rapidly expanded and need to be developed in a port-centric approach, which requires a number of harmonization on the regional container traffic flow.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea &amp; China - Korea</td>
<td>189</td>
<td>547</td>
<td>1,408</td>
<td>1,696</td>
<td>17.0%</td>
</tr>
<tr>
<td>China - Korea</td>
<td>332</td>
<td>924</td>
<td>1,161</td>
<td>1,365</td>
<td>10.6%</td>
</tr>
<tr>
<td>Total</td>
<td>521</td>
<td>1,471</td>
<td>2,569</td>
<td>3,062</td>
<td>13.5%</td>
</tr>
<tr>
<td>Korea &amp; Japan - Korea</td>
<td>257</td>
<td>331</td>
<td>459</td>
<td>466</td>
<td>4.3%</td>
</tr>
<tr>
<td>Japan - Korea</td>
<td>317</td>
<td>673</td>
<td>756</td>
<td>742</td>
<td>6.3%</td>
</tr>
</tbody>
</table>
It is very interesting to note that air passenger traffic among China, Japan, and Korea has demonstrated very similar pattern between two pairs of three countries as shown in Table 3. As a low-cost carrier airline system becomes popular and is likely to be introduced soon in Northeast Asia, the intra-regional travelers are likely to increase very rapidly to help human factor mobility increase a great deal.

Table 2: Tri-lateral Air Passengers among china, Japan, and Korea

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2000</th>
<th>2005</th>
<th>2009</th>
<th>CAGR(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Korea &amp; China</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea - China</td>
<td>523</td>
<td>1,134</td>
<td>3,282</td>
<td>3,520</td>
<td>14.6</td>
</tr>
<tr>
<td>China - Korea</td>
<td>549</td>
<td>1,176</td>
<td>3,291</td>
<td>3,529</td>
<td>14.2</td>
</tr>
<tr>
<td>Total</td>
<td>1,072</td>
<td>2,311</td>
<td>6,573</td>
<td>7,049</td>
<td>14.45</td>
</tr>
<tr>
<td><strong>Korea &amp; Japan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea - Japan</td>
<td>2,828</td>
<td>3,730</td>
<td>4,310</td>
<td>4,994</td>
<td>4.1</td>
</tr>
<tr>
<td>Japan - Korea</td>
<td>2,816</td>
<td>3,719</td>
<td>4,282</td>
<td>4,939</td>
<td>4.1</td>
</tr>
<tr>
<td>Total</td>
<td>5,644</td>
<td>7,450</td>
<td>8,592</td>
<td>9,933</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>China &amp; Japan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China - Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan - China</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: CAGR refers to a compound annual growth rate.

Source: Korea Civil Aviation Development Association, each year

East Asian Regionalism at the National Macro Level

Until recently, East Asian economies, particularly those in Northeast Asia, had not developed any meaningful economic cooperation schemes corresponding to their respective economic potential. However, intra-regional interdependence in trade and investment has been deepening in Northeast Asia due to geographical proximity and sheer market forces. As a result, the 1990s witnessed a global wave of free trade agreements, although East Asia largely ignored the proliferation of regional trading arrangements (RTAs) and the subsequent regional integration phenomenon.8

8 In this paper, East Asia implies ASEAN and Northeast Asian economies of China, Japan and Korea. For
Awakened East Asian Identity

The Asian financial crisis in 1997/98 triggered a rising sense of “East Asian identity,” which was accompanied by the global economic gravity shifting to East Asia. As seen in Table 3, East Asia accounts for almost one-third of the world’s population and slightly greater than one-fifth of the world’s GDP and trade volume (and about 11.8 percent of global FDI). In terms of population, GDP, and trade volume, East Asia is evaluated to have a similar economic potential as the EU and NAFTA in the years to come, provided that the region is properly integrated.

Table 3: Economic Profile of East Asia in the World (2008) (Unit: %)

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>GDP</th>
<th>Trade</th>
<th>FDI (inflows)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia</td>
<td>30.7</td>
<td>21.1</td>
<td>22.1</td>
<td>11.8</td>
</tr>
<tr>
<td>Northeast Asia</td>
<td>22.2</td>
<td>18.6</td>
<td>16.0</td>
<td>8.3</td>
</tr>
<tr>
<td>ASEAN</td>
<td>8.5</td>
<td>2.5</td>
<td>6.1</td>
<td>3.5</td>
</tr>
<tr>
<td>EU</td>
<td>7.3</td>
<td>28.4</td>
<td>37.0</td>
<td>29.7</td>
</tr>
<tr>
<td>NAFTA</td>
<td>6.6</td>
<td>28.4</td>
<td>15.0</td>
<td>22.6</td>
</tr>
<tr>
<td>Other</td>
<td>55.4</td>
<td>22.1</td>
<td>25.9</td>
<td>36.0</td>
</tr>
<tr>
<td>World</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: 1. FDI (2008).
2. East Asia is defined as ASEAN plus three (China, Japan and South Korea).
3. Northeast Asia is defined to include China, Japan and South Korea.
Sources: Global Insight [online]; UNCTAD FDI STAT [Online]; WTO Trade Database [Online].

In November 1999 after the eruption of Asian financial crisis at the ASEAN plus China, Japan, and Korea leaders meeting, the ASEAN+3 Summit released the Joint Statement on East Asian Cooperation that outlines a wide range of possible areas for regional cooperation. Many East Asians felt that they were let down by the West during the crisis. In their view, western banks and other financial institutions had created and exacerbated the crisis by pulling their funds out of the region.

In addition to the existing ASEAN Free Trade Agreement (AFTA), the three major Northeast Asian countries namely China, Japan and Korea recently joined the regional

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The areas for cooperation were diverse, including trade, investment, technology transfers, e-commerce, agriculture, small and medium-sized businesses, tourism and the development of the Mekong River basin.
FTA bandwagon. Feeling helpless in the aftermath of the Asian financial crisis, the framework for financial cooperation was launched in May 2000 through the ASEAN+3 Chiang Mai Initiative (CMI), which involves a regional currency swap to provide self-help and support mechanisms. The relationship between East Asia’s financial crisis and regionalism can be seen in studies by Bergsten (2000), Eichengreen (2002) and Yamazawa (2001). The countries began to toy with the idea of resolving their problems for themselves within Asia.” Bergsten (2000) suggests that “another motivation for Asian regional initiatives is the failure of existing international economic institutions to provide East Asia with a role consistent with its economic progress.”

**Rising Interdependence on Intra-Regional Trade and Investment**

Given the already institutionally implemented ASEAN FTA, we focus on integration efforts in Northeast Asia, which accounts for roughly 90 percent of East Asian GDP.

Table 4 shows the economic importance of key Northeast Asian countries in the world in 2008 and the relative importance of each country in terms of trade. It is evident that China, Japan and Korea are key players in any integration process for East Asian economies. Northeast Asia occupied 17.3 percent of the world GDP in 2008.

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
<th>Intra-trade</th>
<th>Trade</th>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>7.1</td>
<td></td>
<td>8.9</td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>8.1</td>
<td></td>
<td>4.9</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>1.5</td>
<td></td>
<td>2.7</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>China, Japan, Korea</td>
<td>16.7</td>
<td>21.7</td>
<td>15.2</td>
<td>16.5</td>
<td>14.1</td>
</tr>
<tr>
<td>China, Japan, Korea, Hong Kong</td>
<td>17.3</td>
<td>30.9</td>
<td>17.5</td>
<td>18.7</td>
<td>16.4</td>
</tr>
</tbody>
</table>


Even in the absence of an institutional frame of regional cooperation within Northeast Asia, the deepening trade interdependency even is more distinct when we look at the trade intensity index (Table 5). The trade intensity index of a country is usually used to
estimate the degree of trade linkage with another country.

Table 5: Dynamics of the Intra-Regional Trade Intensity Index in East Asia

<table>
<thead>
<tr>
<th></th>
<th>Year</th>
<th>China</th>
<th>Japan</th>
<th>Korea</th>
<th>ASEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>1980</td>
<td>0.08</td>
<td>2.39</td>
<td>1.97</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1991</td>
<td>0.79</td>
<td>2.62</td>
<td>1.99</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>3.13</td>
<td>2.06</td>
<td>2.08</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>3.53</td>
<td>1.76</td>
<td>1.77</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>3.55</td>
<td>1.41</td>
<td>1.93</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>1980</td>
<td>2.9</td>
<td>0.12</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1991</td>
<td>2.19</td>
<td>1.34</td>
<td>1.64</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>2.9</td>
<td>1.86</td>
<td>1.68</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>2.3</td>
<td>1.9</td>
<td>1.32</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>1.76</td>
<td>1.92</td>
<td>1.51</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>1980</td>
<td>3.71</td>
<td>3.59</td>
<td>3.05</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1991</td>
<td>1.55</td>
<td>2.83</td>
<td>2.38</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>1.86</td>
<td>2.64</td>
<td>2.56</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>2.19</td>
<td>3.23</td>
<td>2.36</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>2.22</td>
<td>2.91</td>
<td>2.20</td>
<td></td>
</tr>
<tr>
<td>ASEAN</td>
<td>1980</td>
<td>1.02</td>
<td>3.64</td>
<td>1.42</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1991</td>
<td>1.12</td>
<td>2.83</td>
<td>1.57</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>1.12</td>
<td>2.33</td>
<td>1.51</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>1.31</td>
<td>2.32</td>
<td>1.57</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>1.48</td>
<td>2.29</td>
<td>1.42</td>
<td></td>
</tr>
</tbody>
</table>

Note: 1. The trade intensity index of country i is defined as

\[ TII_{ij} = \frac{X_{ij}}{X_iM_j/M_w} \]

where \( X_{ij} \) is export from country i to j, \( X_i \) is total export of country i, \( M_j \) is total import of country j, \( M_w \) is world total import. \( TII_{ij} \) compares export from country i to j divided by total export of country i to the ratio of import of country j divided by total world import. If \( TII_{ij} \) is greater than 1 then country i and j are related more closely than others. The index was computed using Direction of Trade Statistics Yearbook, IMF (various issues).

2. ASEAN data represent Indonesia, Malaysia, Philippines, Singapore and Thailand.

ASEAN’s trade intensity with China, Japan, and Korea remained nearly unaltered except for a substantial decrease between ASEAN and Japan. The intra-regional trade intensities among China, Japan, and Korea in the 2000s have been all greater than one, indeed very high in absolute magnitude. This high trade intensity among the three countries is due to the intensified interdependence in terms of intra-regional trade vis a
vis China. Indeed, a dramatic rise can be seen in the bilateral trade intensities between Korea and China.

Table 6 and Figure 1 compare the intra-regional trade shares of main economic blocs including Northeast Asia each other. East Asian economies saw an increase of intra-regional trade share from 30.9 percent to 37.0 percent during 1992 to 2008. The EU’s intra-regional trade had the highest ratio among the main regional economic blocs with around 60 percent over the last two decades (Table 6 and Figure 1). However, the EU’s intra-regional trade decreased slightly from 1990 to 2008 due to recent economic stagnation within the region and further joined by East European countries in May, 2004.

Table 6. Intra-Regional Trade Share of East Asian Economies

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Trade</th>
<th>Export</th>
<th>Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>30.9</td>
<td>27.6</td>
<td>34.6</td>
</tr>
<tr>
<td>1997</td>
<td>35.5</td>
<td>32.9</td>
<td>38.4</td>
</tr>
<tr>
<td>2001</td>
<td>36.9</td>
<td>32.8</td>
<td>41.6</td>
</tr>
<tr>
<td>2004</td>
<td>39.0</td>
<td>34.3</td>
<td>44.5</td>
</tr>
<tr>
<td>2005</td>
<td>38.4</td>
<td>33.6</td>
<td>44.1</td>
</tr>
<tr>
<td>2006</td>
<td>37.4</td>
<td>32.7</td>
<td>43.2</td>
</tr>
<tr>
<td>2007</td>
<td>37.3</td>
<td>32.7</td>
<td>43.0</td>
</tr>
<tr>
<td>2008</td>
<td>37.0</td>
<td>33.2</td>
<td>41.3</td>
</tr>
</tbody>
</table>

Source: Computed from IMF April 2010. Direction of Trade Statistics

Figure 1: Intra Regional Trade by major Economic Bloc
As another indicator of increased economic interaction in Northeast Asia, intra-regional foreign direct investment has also increased to take advantage of reduced production costs and secure shares of the expanded market. FDI among China, Japan and Korea increased rapidly until the mid-1990s but declined during the Asian financial crisis. Since 1999, however, trilateral FDI has risen again. It is worthwhile to note that the cross-border movement of trade and investment in Northeast Asia seems to be mutually reinforcing one another. Therefore, the introduction of regional FTAs and subsequent market expansion will not only increase intra-regional FDI, but also attract foreign investment outside East Asia.

**Financial Cooperation in East Asia**

In addition to the increase in the functional integration process in trade and investment due to sheer market forces, there has been remarkable development in the area of financial cooperation in East Asia. The Asian financial crisis has provided East Asian economies with a new perspective on regional cooperation matters. As a self-help and support mechanism for regional financial cooperation, the Chiang Mai Initiative was a significant turning point. The search for a regional cooperation mechanism that could forestall future crises is now gathering momentum and opening the door to possible significant policy-led integration in East Asia (Henning, 2000).

Bergsten (2000) foresees that because of the financial crisis and the nondiscriminatory nature of financial cooperation, East Asia’s institutional economic cooperation or potential integration movement might come first in the financial area. As a follow-up to the ASEAN+3 CMI, there is a critical need for East Asian countries to establish an institution that allows mutual consultation regarding exchange rates, interest rates and foreign exchange reserves.

As during the Asian Financial crisis, if the channels of contagion cannot be blocked through multilateral cooperation in the early stages of crisis, countries with insufficient foreign reserves might not be able to survive an unexpected financial downturn. Without sound financial institutions and adequate regulatory regimes, Asian financial markets will remain vulnerable to external shocks. Therefore, regional policy dialogue should contribute to strengthening the restructuring of financial markets and institutions in East Asia. In this regard, it is equally important that East Asian countries continue to undertake respective financial sector restructuring and development.
In order to expedite the CMI process while the global financial crisis unfolding, East Asian economies strengthened bilateral swap agreements (BSAs) to raise substantially the BSA amount from the initial amount at the onset of the crisis as seen in Table 7. This could serve as an effective preventive self-help mechanism when East Asian economies encounter a liquidity crisis of relatively milder scale.

Table 7: Bilateral Currency Swap Amounts under the Chiang Mai Initiative
(As of April 15, 2009)

<table>
<thead>
<tr>
<th></th>
<th>Korea</th>
<th>Japan</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>$10 billion (2.23.2012)</td>
<td>$3 billion (7.3.2010)</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>$4 billion (6.23.2010)</td>
<td>$3 billion (9.20.2010)</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>$1 billion (12.11.2007)</td>
<td>$6 billion (11.8.2010)</td>
<td>$2 billion (12.5.2004)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$1.5 billion (1.6.2012)</td>
<td>$1 billion (10.4.2007)</td>
<td>$1.5 billion (10.8.2005)</td>
</tr>
<tr>
<td>Philippines</td>
<td>$2 billion (10.16.2010)</td>
<td>$6 billion (5.3.2009)</td>
<td>$2 billion (4.9.2010)</td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td>$3 billion (11.7.2008)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$18.5 billion/$23.5 billion</td>
<td>$44 billion/$15.5 billion</td>
<td>$16.5 billion/$7 billion</td>
</tr>
<tr>
<td></td>
<td>Committed by 6 nations</td>
<td>Committed by 7 nations</td>
<td>Committed by 6 nations</td>
</tr>
</tbody>
</table>

Note: (a) The date indicate the expiry date of contract
(b) The existing $2.5 billion is included under the Miwazawa plan
(c) The numbers in total row indicate the amount offer and receivable respectively.

Source: The Bank of Korea, Haewegyungjae jungbo (Overseas Economic Information), 2009-45-

Most East Asian countries that are willing to participate in regional financial cooperation agree in principle that the CMI needs to be supported by an independent monitoring and surveillance system. The system should be able to 1) monitor economic performance in the region, 2) serve as an institutional framework for policy dialogue and coordination among the members, and 3) impose structural and policy reform on the countries drawing from the BSAs.

As East Asian economies grow more open and interdependent, they are becoming vulnerable to international disturbances given the high degree of capital mobility across countries in the world. The spread of capital mobility makes it difficult for a single small country to keep its pegged exchange rates. Some argue that East Asia might need
a more systematic monetary coordination in the form of a quasi-monetary bloc. If this is to happen, greater political and economic convergence is a necessary process toward establishing common monetary standards. Increasing intra-regional trade, a regional FTA and capital investment is likely to contribute to the formation for a common currency area, as discussed in Kwack, Ahn and Lee (2003)

**Growing Web of Intra-Regional FTAs in East Asia**

Recently, there has been growing interest in FTAs in East Asia, a region which has experienced a rapid functional integration process. The newly emerging enthusiasm for FTAs in East Asia can be attributed to a set of factors: proliferation of regionalism worldwide, the intensified integration process of the EU and NAFTA, the East Asian financial crisis, East Asia’s awareness of the need to boost its economic cooperation, China’s WTO accession, competitive FTA initiatives by China and Japan and the expansion of East Asian policymakers’ networks through various meetings.

The main regional trade agreement in East Asia is the AFTA, initially composed of six member countries including Malaysia, Indonesia, Thailand, the Philippines, Singapore and Brunei.\(^{10}\) The possibility of an East Asian FTA has been actively discussed at ASEAN+3 meetings. An East Asian FTA was proposed by the East Asian Vision Group (EAVG)\(^{11}\) in a report to the ASEAN+3 Summit in 2001, and the issue has been an important agenda at the succeeding ASEAN+3 Summit meetings. Table 8 summarizes a web of FTAs in progress in East Asia.

<table>
<thead>
<tr>
<th>Implementation</th>
<th>Conclusion</th>
<th>Negotiations</th>
</tr>
</thead>
</table>

Table 8: East Asia’s Intra-Regional FTA Arrangements in East Asia

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\(^{10}\) AFTA was formed as a result of the fourth ASEAN Summit meeting in 1992. With Vietnam joining in 1995, Myanmar and Laos in 1997 and Cambodia in 1999, AFTA developed into a regional trade agreement overseeing the entire Southeast Asian region.

\(^{11}\) The East Asian Vision Group was composed of 26 representatives from 13 member countries (two representatives per country) and was assigned to produce a report for East Asian economic cooperation. The Vision Report was reported to the ASEAN+3 Summit held in Brunei Darussalam in November 2001. The report recommends that East Asia should pursue economic integration through the liberalization of trade and investment, developmental and technological cooperation, and information technology (IT) development.
The development of leaders’ networks has been an important factor in accelerating recent talks on East Asian regionalism. The ASEAN+3 Summit first took place in 1997 when former Malaysian Prime Minister Mahathir unofficially invited the political leaders of China, Japan and Korea to ASEAN’s 30th anniversary. This event sparked the acceleration of discussions on intra-regional economic cooperation and consolidation in East Asia.

After the financial crisis, East Asian countries realized the limit of an export-oriented developmental policy, mainly targeting the U.S. market (Ahn, 2001, 2003). Being heavily dependent on a major export market (such as the United States) made East Asia vulnerable to negative effects stemming from the depression of the U.S. economy and growing U.S. trade deficit and a stagnating world economy. Regarding this aspect, Munakata (2001) points out that the East Asian regional market should be integrated to stimulate regional demand. While East Asian countries are concerned about the “hollowing out” of industries triggered by China’s industrialization, they hope to make the most of China’s economic growth. Moreover, as the stagnation of the world economy causes a substantial reduction of East Asia’s exports to other regions, the incentive for East Asian countries to expand exports to China is growing.

So far, East Asian countries have achieved high economic growth through increased exports to the U.S. market. However, since U.S. demand for imports may wane with the fierce competition in its markets and the country’s growing trade deficit, it is time for
East Asia to create its own demand for a sustainable growth. The establishment of an East Asian FTA represents an effective way to go about creating this demand. Considering the deepening processes related to the EU and NAFTA, an East Asian FTA is likely to improve the economic and social stability of East Asia and contribute to strengthening the region’s presence in the international community (Ahn and Cheong 2007.)

There are several possible ways to promote an East Asian FTA. Under current conditions, it may be difficult to promote an FTA covering the whole East Asian region in the short term. Therefore, as the second best alternative, simultaneous and/or piecemeal an entire East Asian FTA should be phased in, starting with the FTAs currently under discussion. For example, each country in Northeast Asia has already made a trilateral FTA with China, Japan, and Korea and then amalgamated their respective FTAs with ASEAN leading to an East Asian FTA (Ahn and Cheong 2007.)

The third option is to have Northeast Asia create a China-Japan-Korea (CJK) FTA rather than having multiple bilateral FTAs and then to move in the direction of consolidating through AFTA. Wanandi (2000) supports this approach to the East Asian FTA by presenting that East Asia is able to establish an FTA across the region in the mid to long-term through bilateral negotiations and through activation of sub-regionalism in East Asia. These bilateral FTAs will contribute to sub-regional trade liberalization and increase the need for an East Asian FTA while fostering a foundation for it.

However, the consolidation of different FTAs could be tremendously difficult since the different trade regulations under various bilateral FTAs will have to be standardized into one agreement. It is highly unlikely that an East Asian FTA will evolve by itself as a result of amalgamation of bilateral FTAs. In addition, there is a possibility that the competition between China and Japan, with both currently vying for regional leadership, may be intensified through bilateral FTAs with ASEAN, making an East Asian FTA more difficult.

**Challenges and Issues for Northeast Asian Community Building**

While promoting an East Asian FTA, East Asian economies are likely to face complex issues at hand, such as the economic gap between member countries and leadership issues throughout the region. The ASEAN+3 Summit discussed the possibility of an East Asian FTA in future ASEAN+3 meetings, while recognizing the
continuous global expansion of regionalism. However, China and Japan, the two hegemonic powers in the region, have different interests and hence different strategies for economic integration in East Asia.

Other dynamic benefits could result from the web of FTAs underway in East Asia. First of all, common standards for production technology, product regulations, distribution, and after-sales services can be expanded across countries in the region. Even if these standards are in conflict with the standards of North America or the EU, Asian countries can gain leverage during international standardizing negotiations by presenting a unified front (Igawa and Kim, 2001).

Rapidly emerging China has already changed the economic landscape in East Asia and is likely to influence whatever mechanism East Asian economic cooperation might envision, as East Asian countries need to strengthen cooperation with China. Some have proposed the restructuring of East Asia’s development model after the financial crisis.¹²

**Hegemonic leadership issue**

As Baldwin¹³ suggests, there is a danger that hub-and-spoke bilateralism led by China and Japan, respectively, might develop. If this happens, “this arrangement tends to marginalize the spoke economies both economically and politically.” It also leads to a profusion of FTAs that can make the whole region less attractive to foreign direct investment – an effect that might be called, in an Asian context, the “noodle bowl problem,” creating a bicycle pattern of East Asian FTAs as shown in Figure 2.

Figure 2: A Possible FTA Pattern: East Asian Bicycle
One of ways to avoid the issue of competitive leadership in East Asia is to form a trilateral FTA between China, Japan and Korea. European experience shows that stronger economic cooperation reduces political conflicts substantially. The trilateral FTA can be an important stepping stone for an East Asian FTA and the subsequent integration process. Due to regional characteristics, an East Asian FTA may be realized only if it is promoted from a long-term perspective. From a purely economic point of view, constructing an East Asian FTA by amalgamating both the CJK FTA and the AFTA would be a more realistic approach than realizing it through a web of bilateral FTAs.

East Asian countries will face many economic and non-economic obstacles while pursuing region-wide economic integration. Among the economic challenges, there are the substantial differences in stages of economic development, trade barriers and market opening issues of agriculture. Non-economic factors might be more critical. Regardless of how important the CJK FTA is in terms of economic gains and strategic aspects, the three countries have different political, social and historical perspectives. Unfortunately, mutual distrust among the three Northeast Asian countries is the most crucial factor impeding the conclusion of a political decision. Ohnishi and Yin (2002) point out that “building trust among the people of the three countries, rather than presenting empirical evidence of economic benefit, is the necessary step to realizing a Japan-Korea FTA or CJK FTA.”

**Inducing North Korea into the East Asian Community**

In the process of Northeast Asian Integration, there exists a large stumbling block due to North Korea’s long-standing isolationism engulfed in the inter-Korean hostilities after the Korean War (1950-53). North Korea has proven to be a huge geographical vacuum which prevents any meaningful connectivity across two Koreas, which could link Northeastern China and the Russian Far East.

Obviously, Northeast Asian economic integration is expected to have very positive effects on the security of the Korean peninsula. Once the benefits of economic community permeate each member economy, no country would dare to destabilize peaceful environment. Therefore, measures to persuade North Korea to participate in the East Asian integration process should be addressed. Economic cooperation among countries in the region with different systems of economic management faces a host of
challenges and barriers that would not exist at all between market economies. Often both legal framework and confidence building for long-term economic cooperation between two systems of state-managed economy and free market economy in Northeast Asia are still lacking.

As a new approach with to exert the confidence building necessary to promote regional economic partnership in Northeast Asia, it is worthwhile to pay attention to the much acknowledged on-going Tumen River Area Development Programme (TRADP), consisting of North Korea, Northeastern China, and the Russian Far East, which is a part of the United Nations Development Programme’s efforts. The TRADP appears to be a concrete starting project which will facilitate economic cooperation on a sub-regional basis. The strategic location of Tumen’s River Delta area in terms of global trading patterns provides the countries in Northeast Asian countries with enormous potential. Being located at the northernmost tip of North Korea, the Tumen River Delta is ideal for establishment of a Special Economic Zone (SEZ) for North Korea in separation of large dwelling communities.

Unlike other multilateral relations, inter-Korea trade can exploit a number of unique common denominators. They include the possibility of direct ground shipment, common language and common cultural heritage, just to name a few. Such favorable factors are not found in other bilateral relations in the region. A barter trade scheme similar to the one between South Korea and Russia could well be implemented to circumvent North Korea’s hard currency problem. Of note, the two Koreas have already conducted barter trade at a very minimal scale.

In this regard, the establishment of an SEZ in a “linear free trade area” at the “Golden Delta” of the Tumen River where Russia, China, and North Korea share a common border, should be able to serve as a catalyst for regional development which will trigger the initial opening process on the part of North Korea and accelerate Russia’s East-bound strategy. As Scalapino’s (1991) natural economic territory states, when formal economic agreements such as FTAs are introduced in Northeast Asia, intra-regional trade and the subsequent economic gains are expected to increase due to trade creation effects and augmented investment on the basis of geographic proximity and expected reduction of logistic costs.

One feasible multilateral cooperative effort in Russia could be the natural resource development in Siberia through direct investment from the U.S., South Korean, Japan,
etc. Russian authorities may also give serious consideration to inviting direct foreign investment in telecommunication systems and plants producing petrochemicals, forestry products and electronic and electric goods to the region.

Situated within easy access to major markets in the industrialized Chinese provinces of Jilin and Heilongjiang and to favorable supply factors such as labor and natural resources from Russia, DPRK (North Korea) and Mongolia, the Tumen River region also possesses a tremendous advantage in its proximity to Japan and South Korea, and furthermore, through access to Europe14. As far as the two Koreas are concerned, the United Nations Development Programme project could serve as a unique confidence building process between the countries.

The TRADP may be viewed as a truly multinational scheme, the first of its kind, to facilitate inter-country trade as well as technology transfer, and attract foreign capital investment to the region, if the project is implemented as conceived in the initial United Nation’s Project document. Most importantly, once North Korea joins the integration efforts, she can fill in a number of missing links including railway and gas pipeline connectivity.

Summary and Policy Implications

Although it is regarded as one of the three major economic pillars in the world, East Asia has still the lowest level of economic cooperation and integration at both the micro and macro level when compared to the EU and NAFTA. Economies in East Asia should therefore recognize the need for strengthening regional economic cooperation to utilize a “partnership from differences.” Although there are difficulties in establishing intra-regional free trade areas in Northeast Asia due to hegemonic leadership competition in the region and historical legacies, Northeast Asian countries need to recognize the necessity of economic integration while observing FTAs being proliferated worldwide and experiencing great difficulty from such economic shocks as the Asian financial crisis in 1997 and cross-border regional cooperation.

East Asian countries have been remarkably successful in nurturing manufacturing sectors able to compete in international markets under export-led development regimes. Recent East Asian enthusiasm for regional FTAs is likely to enhance regional

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14 For details, see Ahn, Choong Yong (1990)
manufacturing efficiency. East Asian economies were less successful in developing the financial sector; hence financial weakness persisted even during the years of high performance. The Asian financial crisis in the late 1990s ushered in a new era for East Asian economic cooperation. The CMI has already set the tone for regional financial cooperation. Regional FTAs in East Asia that have been completed or in progress are likely to add renewed momentum to the on-going integration process. The two forces will accelerate the “long march” toward an East Asian Community.

East Asia has great potential to match the EU or NAFTA provided that East Asian countries with their huge diverse economic and political backgrounds can reconcile whatever differences they may have to achieve region-wide growth dynamism within a sustainable framework. East Asian economies have undertaken restructuring efforts as evident in cross-border investment and trade facilitation measures and behind-the-border structural reform agenda in the APEC process. Japan has actively pursued development of a special economic zone for deregulation, while China has also strengthened legal and institutional reform to comply with the level playing fields requirements after WTO accession. South Korea has also proposed a vision for a Northeast Asian business hub by making a serious commitment to becoming a transparent and “international best practices” economy (Ahn, 2003). Similar developments with varying degrees are also observable in ASEAN. Various structural reforms underway in East Asia in line with the WTO principles are likely to set a positive tone for a closer economic cooperation towards East Asian community in the years ahead.

In particular, it is also of tremendous importance that all the countries in the region recognize the fact that economic cooperation between North and South Korea is crucial to expedite mutually beneficial economic activities among countries in the region. Undoubtedly, increased economic contacts between South and North Korea will automatically lead to continued expansion of economic cooperation in Northeast Asia. For example, a gas pipeline to develop Siberian energy resources will require tripartite involvement from Russia and North and South Korea. A trans-Asia-Middle East traffic route will involve China and the two Koreas. Thus, the standing conflicts on the Korean Peninsula must be resolved to ensure future peace and prosperity in the region.

Creation of Northeast Asian Bank for Cooperation and Development

Finally, all the countries in the region, especially Japan, South Korea and China
should take some initiatives to establish the “Northeast Asian Bank for Cooperation and Development,” which will assist in financing regional as well as cross-border development projects of common interest. Northeast Asia with a great development potential is the only region of its size and complexity that does not have that does not have a development bank. Katz (2010) and others have long argued that a regional development bank in Northeast Asia is needed to accelerate economic and social development to channel financial resources from overseas for investment in infrastructure and vast stores of natural resources in the region. Today, international capital market is highly liquid so that they could be combined with all the positive factors together in the region with successful opening up of Russia, China and North Korea to transform a still limited economic openness into the idea of unlimited openness in the long run. Then, Northeast Asia may be able to emerge as a feasible economic cooperative economic entity perhaps in a commercialized form of Professor Scalapino’s “Natural Economic Territories” (Scalapino 1991).

In the years to come, it is very likely that Northeast Asian countries with the possible short-run exception of North Korea will be outward-looking and Pacific-oriented. The trend of trans-Pacific trade in the past decade clearly suggests that the trans-Pacific orientation of South Korea, Japan and China will either be on the rise or at least continue unabated. Consequently, trans-border cooperation among China, Japan, and Korea needs to take off in parallel with on-going intra-regional FTA movement and financial cooperation. Local governments, mega-regions, and sub-regions across border lines should double their efforts to maximize “economies of proximity” and “economies of diversity” and supply chain embedded in Northeast Asia. Academics and policy makers should search for the ways for local organizations such as local municipal governments, local business enterprises, and academics in East Asia to accelerate bottom-up development at the trans-border lines and grow together across the seas for East Asian community building, embracing simultaneously bilateralism, sub-regionalism or regionalism, and globalism in the years to come.

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15 For the necessity of creating a multilateral financing scheme for the regional projects, see Hiroshi (2010) and Katz (2010).
16 In the past 10 years or so, the Northeast Asian Economic Forum directed by Dr. Lee-Jay Cho at the East West Center, Honolulu, has explored the concepts, methodology, and intellectual outreach seminars.
17 Professor Scalapino defined the natural economic territories to be sometimes a product of governmental policies, in some cases the result of private initiatives, and in many cases a combination of both. Whatever their stimuli, they cut across political lines. For example, combining Guangdong, Hong Kong, and Taiwan is one case and South Korea and Jilin in Shandong Province together could be another. For details, see Scalapino (1991)
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