

Opening to the Outside World in Northeast China and Economic Cooperations in Northeast Asia

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I. New Pattern of Opening to the Outside World in Northeast China

Since Deng Xiaoping's speech during his inspection tour to the South of China, China's reform and opening has begun to get into a new development stage, and the Northeast China's opening to the outside world has begun to take a new step forward. The main manifestations are:

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1. The Tumen River Area development has made a substantive progress.

Since UNDP proposed to invest \$300,000 million in the Tumen River Area and to build the area of its lower reaches into another Hong Kong, the whole world has paid great attention to it. In 1992, the State Council of China confirmed The Programme for the Development and The Frontier Economic Cooperative Zone Along the Lower Reaches of the Tumen River. Recently Jilin Province and Tokyo have set up a joint venture corporation The Tumen River Development Industrial Co., Ltd. situated at the lower reaches of the river, has begun to take on a new and rapid developing look in a year of reform and opening. In 1992, 1693 companies of all kinds were approved set up with intentional investement of \$5,800 million in the city; its industrial production increase by 28.3%; its total sum of import and export reached \$1,200 million two and half times that of last year. All this shows that economic development of the lower reaches of the Tumen River has made a substantive progress and has got into the substantive development stage from the planning and investigation one.

2. A New Goal has been set for the East Liaoning Peninsula's Opening to the Outside World.

In December, 1992, Dalian City, situated at the far south end of the peninsula, has set a new development goal after ten years' reform and opening: that is to build Dalian into a North Hong Kong in about twenty years. The goal, which has been listed in the programme for the new economic development of Dalian City, specificaly is "to further its opening, to develop

actively the port economy centred on entrepot trade by means of its advantages as a Large port and a hub of communication in North China, to perfect its urban functioning, to turn it into a centre of trade, finance, information and tourism in North China, and to play the same role as Hong Kong in Northeast Asia." The development of Dalian's opening to the outside world has given an impetus the whole East Liaoning Peninsula's opening; finally with Dalian taking the lead, with Dadong, Yingkou and Jinzhou situated at its sides and with Shenyang, Anshan Liaoyang and other city being its inland, a new pattern of opening to the outside world will take shape.

3. The frontier trade between Russia, DPRK and China has been developing rapidly.

With the rapid development of the Coastal cities' opening to the outside wide, the inland frontier trade between Russia, DPRK and China has also been developing rapidly. According to the Statistics, the volume of frontier trade between USSR and China in 1988 amounted to SF 1.96 hundred million more than the total sum from 1983 to 1987. In the later 1980s and early the 1990s it even doubled; though the total trade volume decreased in 1991, the frontier trade increased greatly; for example, the volume of frontier trade of Heilongjiang Province with Russia reached SF 6.1 hundred million from January to August of 1991 more than 77.1%.

With the great increase of the volume of frontier trade between Russia and China, the internal structures has undergone great changes. The first change is in the variety of goods, which have developed from dozen kinds to thousands; the second is in the variety of ways in trade, which have developed from a single way of barter to such ways as

processing trade and joint production with barter being primary.

As a result, a zone of opening to the outside world in an all-round way has been formed in Northeast China. All the development areas in the zone have shown the following common characteristics in opening to the outside world and the goals and measures of regional economic development:

1) The large-scale development of basic facilities is put before everything else to form the zone of opening to the outside world all-round way.

Programmes of developing public basic facilities have been drawn out not only for the Tumen River Area development but also for the East Liaoning Peninsula's opening and the construction of Heilongjiang's frontier cooperation areas. For example, in the programme for the Tumen River Area development an over all construction of inland port groups along the Tumen River, airports, railways, highways and telecommunication facilities are proposed, which will need an investment of \$300 hundred million; in the programme for Dalian development a large-scaled development of basic facilities is involved to extend the old ports, railways, highways and airports, and to build new ones, which will need an investment of \$150 hundred million. If these programmes are realized, a great improvement will be made in such basic facilities as railways highways, ports and harbours, and telecommunications. By that time, the zone of opening to the outside world will have been developed with Dalian, Hunchun, Heibe and Shuifehe being the doors leading to the inland of Northeast China. The door of Dalian leads to the inland areas of Liaoyan, Anshan, Shenyang and Siping with Dandong and

Yengkou Jinzhou by its sides to form the East Liaoning Peninsula opening zone, which will develop into the Round-the-Yellow-Sea Economic Cooperation Area together with the Shandong Peninsula, ROK's west coastal development area and Japan's Kyushu industrial area. The door of Hunchun, with three extensive railways of Tumen-Tonghua, Tumen-Changchun and Tumen-Harbin, helps to form a complete opening industrial town group, which will develop into the Round-the-Sea-of-Japan Economic Cooperation area together with Japan's coastal area the Sea of Japan, Russia's Vladivostok and DPRK's Chongjin. The door of Heihe and Shuifenhe links Russia and the east part of Northeast China together by the establishment of inland navigation systems with the connection of the Heilong River, the Washuli River, the Shonghua River and the Lenjiang River, which will develop into the North Economic Cooperation Area together with Japan's Hokkaido and Russia's Sakhalin. The formation of the above three big economic cooperation areas will surely promote the economic cooperation in Northeast Asia.

2) The main goals are to develop export-goods industries to establish financial and trade centres in order to form a multi-functioning international economic centre.

Because each country in Northeast Asia has its own specific conditions, the strategic goals of developing regional economy are different from one another. For example, in Far-east Development Programme of Russia, to develop the local natural resources is taken as the strategic goal whether in the development of Sakhalin Area or in the Assumption of establishment of Vladivostok Free Economic Circle. Northeast China is rich in labour force and good in transport and communication, and

therefore, its goal is to develop new and high-tech industries and export-goods processing areas. At the same time, each region there has set its own more specific goals according to its own geographical position, and present industrial and technical basis and structures. For example, Dalian city will intensively develop in industries of such export goods as food, textile and clothing as well as new and high-tech industries; in the Hunchun City's development programme, the key industries to be developed are such as automobile, chemical and opening agricultural ones according to the specific conditions of Jilin Province; in Heilongjiang Province's development programme, and opening zone along the rivers and frontiers is to be established with Heihe and Shuifenhe being its opening doors, intensive Labour force industries of export goods are to be emphasized in its development, and to establish financial and trade centres is an important part of its goal while the old industries centred in such cities as Harbin, Qiqihar and Daqing are fostered emphasizedly into new and high-tech ones.

Each region regards the establishment of financial and trade centres as an important component in its strategic goals while developing industries of export goods. In Hunchun City's programme, the goal is set to establish a financial, trade and international communication centre in order to link Northeast China with the countries along the Sea of Japan because Hunchun lies in a place where three countries of Russia, DPRK and China meet with the advantage of a hub of water and land communications; in Dalian's programme the goal is also set to establish a financial and trade centre in order to link the countries in the Asian Pacific.

From the above strategic programmes, we can see that in the twenty first century, a number of international communication

centres will be established in Northeast China, and they will perform an important integrated function of finance, trade, and export-goods processing. They will be increasingly developed and play an increasingly important role in Japan's and ROK's structural regulation and transference of industries and in the development and the change of the global international division of labour.

3) The key countries of the area to export funds and technology are Japan and ROK and the international division of labour between Japan, ROK and China will be developed at different levels.

In the situation of China's import of funds and technology in a large scale, Northeast China will surely become the main area for Japan and ROK to make investments in because of its geographical position, historical tradition, national culture and other factors. For example, in the direct investment made by Japan in China 14.8% has gone to Northeast China and Inner Mongolia(12.8% to Liaoning Province alone), which surpasses that to Guangdong, Fujian and Hainan the three coastal provinces in the south. Japan is the largest investor in Northeast China next to Hong Kong. Take Liaoning Province for example, it got Japanese direct investment of over \$20 million amounting to 6% of its total foreign direct investment, while in Dalian City the Japanese investment came up to 50.9% of its total. In addition the direct investment made by ROK has just begun in a small number main in Shandong, Liaoning and Yanbian but it has developed rapidly. Therefore, Northeast China will surely become the key area for Japan and ROK to make their investment in as its investment environment is being improved.

II. Characteristics of Regional Economic Cooperations in Northeast Asia

With the relaxation of the political situations in Northeast Asia, the economic cooperations among the countries, the areas has begun developing rapidly on the basis of mutual economic complement. But because it is composed of countries of different social systems, there exist in politics south-to-north relationships and in economic development great difference. All this determines the complex nature of the economic cooperation there and makes it different from other economic areas in the following characteristics:

1. The Countries in Northeast Asia have a characteristics of internal trade structure on the basis of natural economic connection.

The economic cooperations in Northeast are different from those of the European Economic Community and American-Canadian Free trade area for they do not depend on agreements or policies that connect them but have developed spontaneously on the basis of natural economic connection, which shows clearly the interdependence of internal trade in the area. We can see from Tabel 1 that the interdependence of trade between Japan, ROK and China is higher in Northeast Asia more than 20% on average, among which it comes up to over 40%. In view of China, though Northeast China's dependence on internal trade in Northeast Asia counts only to 23.98% on the whole, it is higher than other areas in China. Take export for example, the volume of export of Northeast China to other Countries in Northeast Asia Takes 44.0% of its total volume, which nearly

doubles the average volume of the whole country. However, it does not include the export to ROK; if this considered the proportion will be higher.

Tabel 1. Proportions of Trade Volume in Northeast Asia

	Japan	ROK	China	Russia	DPRK
Japan	—	25.89	11.13	4.29	0.28
ROK	18.79	—	2.30	0.55	—
China	17.62	3.03	—	2.76	0.57
Russia	4.84	0.53	2.78	—	2.35
DPRK	0.45	0.03	0.23	1.51	—

The Economic relationship formed on the basis of national economic connections in Northeast Asian Countries make them attractive to one another thus becoming an internal strength that concerns each of their economic fates, and this strength will be enhanced increasingly with the constant development of science and technology and the deepening of international division of labour and will promote the development of their economic cooperations. However, it must be pointed out that the cooperation in Northeast Asian countries are only those in exchange of products, especially industrial and primary products; compared with the cooperations between Japan and other newly developed countries in Asia and its allied countries, they have just originated. Therefore, the economic cooperations in Northeast Asia should be developed to a higher level.

Table 2. The Export of Northeast China to Other Countries
in Northeast Asia(1992, Million Dollors, %)

	Japan	ROK	China	Russia	DPRK	Global	(A)/(B)
Lianing	25, 464 (40.3)	—	14, 777 (2.6)	9, 632 (1.7)	249, 873	560, 000	44.6
Jilin	18, 065 (24.0)	—	16, 086 (21.4)	1, 853 (2.5)	36, 004	75, 172	47.9
Heilongjiang	17, 209 (15.8)	—	35, 895 (33.0)	7, 630 (7.0)	60, 734	108, 659	55.8
Total	260, 738		66, 758	19, 115	346, 611	743, 381	46.6
Proportion in the National Total Volume	21.6		37.6	52.1	19.9	10.4	

Reference taken from Yearbook of social economic Statistics of Liaoning, Jilin and Heilongjian Provinces

- Trade structure of multiple axis will be formed by putting vertical division of labour in proper place developing horisontal one.

In the present systems of international division of labour in Northeast Asia, especially in the system of Japan, ROK and China, the division of labour is primarily vertical. It is intensively reflected in the trades between Japan and China and between ROK and China. Though industrial manufactured goods exported of China to Japan keep increasing recently, primary products count to a large proportion in the exports of Northeast China to it. Take for example Liaoning Province, the most advanced in industry of the three provinces in Northeast

China, its export volume of primary products amounts to 57.2% of its total more than 20.4% of that of the nation on average. In the Sino-ROK trade, China mainly exports such primary products as cotton, raw silk yarn, corn, coal and oil, while ROK exports to China such manufactured products as plastic products, clothing, electronic products, and machinery, so the division of labour between ROK and China is chiefly vertical. In view of the development of international trade after WW II, this kind of vertical division of labour has resulted in the deterioration of trade conditions in the developing countries, which hinders the development of multiple-sided economic cooperations. In Sino-Japan and Sino-ROK economic cooperations, the vertical division of labour hinders the international circulation of funds and the transference of technology and brings a lot of difficulties to the economic cooperation among them, so it become a serious problem.

Though the vertical division of labour is primary, the horisontal one has begun to develop rapidly. This is not only shown in the trade of manufactured products between Japan and ROK but also shown in the development of Sino-Russian frontier trade. Recently, with the development of Sino-Russian frontier trade, a great change has taken place in the structure of products. At present, China mainly exports to Russia such manufactured products as light industrial products, clothing, family appliances, while it imports from Russia such products of steel, chemical fertilizers and automobile. From the structure of products, we can see that the trade between Russia and China is primary horisontal.

This horisontal division of labour between Russia and China has changed to some extent the old pattern of vertical division of labour in Northeast Asia, and the increase China's export of

manufactured products to Japan and ROK, these two kinds of labour will surely exist in developed and developing countries, which will change the situation of heavy dependence on Japan and the pattern the regional economy centred on Japan thus promoting the formation of trade structures with multiple centres.

3. Economic cooperation systems of multiple levels are to be formed with Japan, ROK and China as the cores.

There are two main characteristics in the regional economic cooperation systems. One is that Japan, ROK and China are the cores because they play an important part in them. As is shown in Table 3, the trade between Japan and China and between ROK and China amounts to 78.76% of the total volume of trade in the region; and though Sino-ROK trade has just started, it surpassed Sino-Russian trade in 1990.

Table 3. Proportion of Northeast Asian Countries (%)

	Japan	ROK	China	Russia	DPRK
Japan	—	25.89	11.13	4.29	0.28
ROK	18.79	—	2.30	0.55	—
China	17.62	3.03	—	2.75	0.57
Russia	4.84	0.58	2.78	—	2.35
DPRK	0.45	0.03	0.23	1.50	—

The other is of multiple levels for there is not only an economically advanced country: Japan and a newly developed country: ROK, but there are also such developing countries as Mongolia, DPRK and China. In these three levels, Japan

mainly provides funds and advanced technology and products, ROK mainly provides secondary technology and products, and China mainly provides Labour-concentrated of primary products.

The systems of international division of Labour of multiple levels have two meanings. One is that industries will be promoted with economic development of each country in the region. For example, Northeast China will develop its basis of supplying products into the basis of exporting labour-concentrated industrial products; ROK will gradually turn its export of labour-concentrated industrial products into export of funds and technology-concentrated industrial products. At the same time, each country, in its regulation of industrial structures, will turn its industries with no advantages into those with advantages in other countries to realize the most reasonable disposition of the regional industrial structures. The other one is to carry out economic cooperations between countries similar in economic development, which will help form horizontal convection of goods and all the productive elements between one country and another to realize mutual development and prosperity. Therefore, all this will mitigate the contradiction between the south and the north and create an objective base for carrying out multiple-sided economic cooperations in Northeast Asia; as a result, the development of the regional trade will greatly be promoted.

III. Assumption of Promoting Cooperations in Northeast Asia

Some favorable factors to promote the regional economic

cooperations have already apperared in Northeast Asia. But there are also a lot of difficulties. Facing the situation of co-existence of difficulties and hopes and of challenges and chances, every country in the region should take an active attitude toward and enter into the cooperations. So the measures that should be taken are:

1. Independent development of each country is to be strengthened and its domestic development is to bring along the development of the regional economic cooperations.

The key to the development of the regional economic cooperation in Northeast Asia is to strengthen and promote the independent economic development of the developing countries in the region.

In view of the present conditions, position and role of Northeast China in the regional economic cooperation, its economic development will include the following:

1) Economic systems reform will be deepened; systems socialist market economy be perfected; obstacles resulting from political and economic systems in economic cooperations be cleared away as soon as possible in order to make the economic systems suitable for the international cooperations; natural economic connections between Northeast China and the other countries in Northeast Asia be strengthened with market economy being the ties.

2) The industries in Northeast China are to be improved so that their standing in Northeast Asian cooperations will be increased. As mentioned above, through Northeast China depends heavily on the trade in the region at present, its exports are largely primary products in proportion. To change this requires its industrial structures to be improved quickly,

labour-concentrated industries to be developed in a large scale, and the ratio of manufactured goods to be increased so that the base of exporting primary products will be developed into a base of labour-concentrated industries exporting manufactured products.

3) Domestic markets will be further opened; more preferential policies will be made to import funds; duty-free trade areas will be established among the areas along the sea, river and frontier on the present base of opening politics. These areas will take the lead and bring along the inland areas.

2. Multilateral economic cooperations, centred on Northeast China, will be carried out all levels.

Northeast China holds a very special position in Northeast Asia. First, its favorable natural and geographical conditions and its all kinds of relationships with other countries of the region in history are advantageous to economic cooperations among the countries in the region; secondly, Northeast China keeps a vertical relationship of labour division with Japan and ROK and a horizontal trade relationship with Russia and DPRK. Therefore, it lies at the intersect of vertical and horizontal relationship in the compound multileveled systems of division of labour, thus becoming the ties of economic cooperations between different countries. Finally, Northeast China has a population of one hundred million, which is favorable to develop industries of intensive labour force in a large scale and is to become the future largest market in Northeast Asia. All this naturally makes it the centre of economic cooperations in Northeast Asia. So it is possible to carry out the multilateral economic cooperations centred on Northeast China.

Particularly, the cooperations include the following two kinds:

The first is the economic cooperation between Northeast China and Japan and ROK. Northeast China will change its present situation of exporting primary products by improving its industrial and exports structures, carry out productive economic cooperations with Japan and ROK, establish the international relationship of labour division in industries, and develop the present bilateral economic cooperations between China and Japan and between China and ROK into a trilateral ones among China, Japan and ROK.

The second is the economic cooperations of many kinds with Russia and DPRK, centred on the frontier trade. On this base, multilateral economic cooperations will be established to make use of Japan's funds and technology and China's rich labour force in tapping and processing Russia's natural resources and then to ship the products to Japan and ROK. Thus, a united continuous processing and producing system will be formed.

In short, the economic cooperations of all levels will help improve the trade conditions of the developing countries, promote their progress of industrialization and then carry out multilateral economic cooperations in the region.

3. The mode that direct international investment brings along the regional trade development should be taken in economic cooperations in Northeast Asia.

In modern international investment plays an important part in promoting international and regional trade. The direct international investment made by transnational corporations have aroused increase of import and export trade, the ratio of which accounts for a large percentage of the foreign trade both

in developed countries and newly industrialized countries. For example, in America and Japan, the import that is aroused by their transnational corporations' direct foreign investment makes up about 52% and 57% of total import respectively. Meanwhile, in the newly industrialized countries and some developing countries, this kind of investment will play a greater part in promoting their import. According to the statistics of the UN, the import-brought about by this kind of investment in Singapore, Brazil and ROK amounts to 90%, 40% and 25% of their total import respectively. From this, we can see that the direct international investment is an important factor to promote international trade.

In Northeast Asia, the leading role that the international investment plays in international trade is also very important. The reasons are:

- 1) The direct international investment made by Japan and ROK in Northeast Asia will promote the regulation of the regional industrial structure, speed up the improvement of the regional industries, reform the pattern of the regional trade which is primarily horizontal, and promote the regional multilateral economic cooperations.

- 2) The direct international investment will promote the transference of developed countries buying resources and selling technology from and to developing countries, and speed up the industrialization of the developing.

- 3) The direct international investment will help establish systems of international division of labour in the region on the mutually complementary basis, in which each Northeast Asian country can bring its own strong points into full play and satisfy its own needs. In this way, the regional economy will merge into an organic whole.

In order to realize this development mode, Japan, as an economic superpower in the region, should lay its emphasis of economic development strategy on East Asia and Northeast Asia, play the part of funds and technology suppliers and actively transfer its funds and technology to the countries in the region to bring along their economic development. The development of those countries will, in turn, be sure to increase Japan's political and economic position in Asia and in the world, and finally the whole Northeast Asia will be thriving and prospering.