

# Northeast Asian Economic Cooperation and the Korean Peninsula Economy: *The Impact of the Changjitu Development Plan*

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## Abstract

*This study discusses how advancing the Changjitu Development Plan can facilitate Northeast Asian cooperation and contribute to the peace and unification of the Korean peninsula. It uses the concept of the Korean peninsula economy to emphasize that the unification of the Korean peninsula serves as an open process for Northeast Asian cooperation. There are concerns that economic cooperation between North Korea and China may negatively influence the North Korean nuclear crisis. However, this study maintains that factors such as the response proffered by actors such as South Korea can influence the various methods and opportunities to overcome the problem and that North Korea's active efforts for regional cooperation in the form of the TRADP will not only bring Northeast Asian economic cooperation to a new level but also facilitate the resolution of the North Korean nuclear crisis. Lastly, attempts are made to introduce a development strategy that revolves around clear relations between Northeast Asian economic cooperation and the Korean peninsula economy.*

**Keywords:** Korean peninsula economy, North East Asian economic cooperation, Changjitu Development Plan, Tumen River Area Development Plan (TRADP), compound state model, access to the sea (借港出海)

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## **The Search for a New Unified Economic Model: The Korean Peninsula Economy**

The rapid advancement of North-South Korean cooperation in the 2000s raised the possibility of organic collaboration between the economies of Northeast Asia and the Korean peninsula. China's reform and opening policies led to rapid increases in economic exchange between South Korea, China, and Japan, and the formation of a Northeast Asian economic block.<sup>1</sup> However, the inability to overcome the conflicts and tensions between the two Koreas has led to the Korean peninsula not being effectively integrated into this newly emerging structure. The progression of North-South Korean economic cooperation created an opportunity to bring Northeast Asian economic cooperation to a new level, which in turn heightened expectations for a virtuous cycle that would positively influence the achievement of peace and the development of the Korean peninsula. Amidst such a context, the Roh Moo-hyun administration was inaugurated in 2003; it quickly adopted the establishment of the country as a Northeast Asian economic hub as part of the national agenda, and discussions on the merits of Northeast Asian cooperation pinnacle as a result.<sup>2</sup> However, few attempts were made to theorize the intimate connection between Northeast Asian cooperation and inter-Korean economic cooperation. One of these attempts was so-called the theory of the Korean peninsula economy.<sup>3</sup>

The theory of the Korean peninsula economy attempts to establish a theoretical framework that overcomes the problems associated with other approaches to South Korean economy (such as the economic development strategy, economic integration of the Korean

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1. For more on the progression of East Asian economic cooperation in the aftermath of China's reform and opening policy, including the concept of the Northeast Asian economic block, refer to Lincoln (2004).
  2. For more on the East Asian theory debate, refer to J. Lee (2011).
  3. For more on the concept of the Korean peninsula economy, refer to Lee et al. (2006). The main contents of this book were reported to the president in April 2006 and to the State Council in June 2006.

peninsula, and Northeast Asian economic cooperation) and to create organic links between them.<sup>4</sup> The theory of the Korean peninsula economy emphasizes that the unification of the Korean peninsula implies the political, military, and economic unification of the nation and serves as an open process for Northeast Asian cooperation. Moreover, unification would also entail the establishment of a new relationship between the Korean peninsula and Northeast Asia. The economic model based on this theory differs from the National Economic Community, claimed by the South Korean government as an eventual policy objective, in regards to the economic integration of the Korean peninsula. First, the members of the Korean nation are not the only key actors involved in the process of economic cooperation. Rather, the exclusivity that lies at the heart of the proposed National Economic Community is effectively replaced by the establishment of open relationships with Northeast Asia and the rest of the international community in the Korean peninsula economy theory. Second, the theory of the Korean peninsula economy seeks to avoid any unnecessary misunderstandings about the degree of North-South economic cooperation required within the desired economic community and to actualize a model of economic cooperation that is in line with the “South-North confederation” stage of the unification process. Therefore, the theory of the Korean peninsula economy is also significant in that it represents an opportunity to progress current perceptions regarding the unification of the Korean peninsula beyond the economic cooperation model.

However, discussions on the advent of the Korean peninsula economy have remained undeveloped since the initial stages.<sup>5</sup> Fur-

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4. The notion of a peace economy can be regarded as another new concept of North-South Korean economic cooperation or community which emerged alongside the concept of the Korean peninsula economy. The notion of a peace economy is focused on the establishment of a dynamic interrelationship between economic cooperation and peace on the Korean peninsula (Y. Kim 2006). For a comparison of the notions of the Korean peninsula economy and a peace economy, refer to J. Lee (2007).

5. The understanding of the Korean peninsula economy presented herein takes into account the arguments of Lee Il-Young, who focused on the microscopic basis of

ther development of the theory has been impeded by the difficulties faced by the two axes of the Korean peninsula economy, namely North-South Korean economic cooperation and Northeast Asian cooperation. The North-South Korean relationship has deteriorated to the point where serious military provocations have occurred, such as North Korea's attack on Yeonpyeongdo island in February 2011. Meanwhile, at the Northeast Asian level, the worsening U.S.-China and China-Japan conflicts have led to renewed concerns about the possible emergence of a new Cold War structure. From this standpoint, the Korean peninsula economy initiative may be considered excessively idealistic.

The inability to resolve the North Korean nuclear crisis, which seems to have become more intractable over time, can be identified as the most important reason for the current state of affairs. However, the North Korean nuclear crisis is a structural problem created by various complex factors that will remain difficult to resolve as long as regime change is considered the main solution. Such a mindset will only further exacerbate the situation. Rather, it is necessary to search for solutions for various other problems that have contributed to the current crisis, including the isolation of North Korea. It is imperative to develop a strategy to effectuate the use of environmental factors and opportunities to mitigate the serious structural constraints of the North Korean nuclear crisis.

The key actors have failed to capitalize on the opportunities for unification that emerged on the Korean peninsula and Northeast Asia following the collapse of the Cold War structure in the early 1990s. Both North and South Korea should be held accountable for a significant portion of this failure. The lack of a clear vision for the Korean peninsula economy displayed by both North and South Korean politi-

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the Korean peninsula economy, and Suh Dong-Man, who emphasized the fact that within the confines of the Korean peninsula economy, both the integration of North Korea into a market economy and the creation of a multilayered division of labor, including both horizontal and vertical relations, should be pursued in consideration of the economic development levels and stages of the two Koreas (I. Lee 2009; Suh 2007).

cal parties has been at the forefront of this failure to take advantage of the opportunities for unification. Above all, North Korea's erroneous focus on the direct resolution of its political and military conflicts with the United States has led to its failure to utilize relationships with other actors (namely China and South Korea) whose roles in Northeast Asia have increased. Rather than strategically opting to relieve itself from economic difficulties and isolation, North Korea obstinately sought to maximize its short-term interests by taking advantage of complex international rivalries. Expecting political gains, South Korea participated in North-South Korean economic cooperation ventures more actively than North Korea. However, North-South economic cooperation failed to move beyond the basic framework and develop significant connections to Northeast Asian economic cooperation. As a result, the worsening North-South relationship plunged the very existence of North-South economic cooperation into doubt. North-South economic cooperation has failed to serve as a mechanism to prevent the further deterioration of the North-South relationship.

Although the current situation is far from optimistic, there are opportunities for change. There are significant forces that are vested in ensuring that tensions on the Korean peninsula do not escalate. The United States and China have developed similar perceptions of the current state of affairs and are trying to alleviate tension on the Korean peninsula. In this regard, China's Changjitu Development Plan,<sup>6</sup> announced in November 2009, can be regarded as a more direct opportunity adding momentum to the Tumen River Area Development Program (TRADP) and further activating economic cooperation between China and North Korea. While there have been opinions that this project would circumnavigate the sanctions imposed on North Korea and subjugate North Korean economy to China's few projects have as much potential to strengthen the organic links

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6. The official name of this project is the "Cooperation and Development Planning Outline of the Tumen River Area of China—Setting Changjitu as the Development and Opening-up Pilot Area." Changjitu is an abbreviation for Changchun city, Jilin city, and Tumen river area.

between Northeast Asian economic cooperation and the Korean peninsula economy or to induce the opening of North Korea.

An atmosphere in which the problems plaguing the Korean peninsula can be resolved through dialogue and spur pertinent actors to design programs to improve Northeast Asian cooperation, with the Korean peninsula serving as a medium, can generate new opportunities to resolve the North Korean nuclear crisis and realize the unification of the Korean peninsula. This study discusses the means through which advancing the Changjitu Development Plan can facilitate Northeast Asian cooperation and contribute to the peace and unification of the Korean peninsula. The second section delves into the background of the new impetus provided to the TRADP, particularly discussing the manner in which the Changjitu Development Plan was implemented. An attempt is also made to show how the TRADP is being propelled with great internal dynamics, contrary to its operation in the 1990s. Meanwhile, the third section deals with the implementation process of the Changjitu Development Plan. This section aims to move the research beyond excessive and subjective worrying about North Korea-China-Russia economic cooperation in order to objectively assess both the threats to and opportunities for the Korean peninsula economy inherent in the TRADP. The fourth section discusses how the implementation of the Changjitu Development Plan and the activation of the TRADP can benefit the development of the Korean peninsula economy. Attempts are made to introduce a development strategy that revolves around clear relations between Northeast Asian economic cooperation and the Korean peninsula economy rather than advocating Northeast Asian economic cooperation as an alternative to the Korean peninsula economy. Finally, the fifth section addresses the implications of the development of Korean peninsula economy in terms of the reorganization of unification theory. Here, it is posited that the economic integration model referred to as the Korean peninsula economy will provide valuable insight into the integration of the Korean peninsula.

## The History of the Tumen River Area Development Program (TRADP) and the Changjitu Development Plan

### *The Implementation of the Tumen River Area Development Program (TRADP) and Related Setbacks*

The development of the Tumen river area was first explored by Chinese experts and scholars who participated in the First International Conference on Economic and Technological Development in North-east Asia held in Changchun, Jilin Province, in July 1990. The original objective of developing the Tumen river area was to ensure China's access to the East Sea from Jilin province. In March 1991, the United Nations Development Programme (UNDP) adopted the development of the Tumen river area as one of the principal tasks to be addressed in its fifth programming cycle from 1992 to 1996. During a conference held in Pyongyang in October 1991, the decision was made to establish a Program Management Committee (PMC) to oversee the eventual establishment of the TRADP. In February 1992, the UNDP hosted the first such PMC meeting with representatives from China, North Korea, South Korea, and Mongolia in attendance.<sup>7</sup> A UNDP document regarding the program mentioned plans to attract US\$ 30 billion over a 20-year period in investments and to transform the Tumen river delta into the "Rotterdam of the East."<sup>8</sup>

Many projects for planning and research were carried out at each national level to develop ideas for the TRADP. Among the "border open cities"<sup>9</sup> announced on March 9, 1992, was the Chinese city of Hunchun. The Chinese government's establishment of the Hunchun

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7. Russia and Japan also attended, but only as observers. Russia officially became a party to the PMC meetings in October 1992.

8. For more on the background and early stages of the TRADP, refer to Yang and You (1994) and H. Kim (1993).

9. As part of its reform and opening policies in the 1980s, the Chinese government began to designate special economic zones along with coastal open cities and border open cities, which would be granted various privileges including open trade, retention of foreign exchange earnings, tax advantages, and the right to authorize small foreign investments.

Border Economic Cooperation Zone in September 1992 allowed the city to enjoy privileges favoring the open cities founded in the economic and technological development zones along the coast. Reacting to these changes in China, North Korea also took concrete steps. The port city of Rajin, which serves as a gateway to the Northeast region of the country, arguably holds the key to the future development of the Tumen river area. China does not possess any ports or marine routes with direct access to the East Sea. Although Russia, which shares access to the estuary of the Tumen river with North Korea, has its own ports entering the East Sea. These ports, subject to harsh winters, cannot compete with the ice-free port of Rajin. The designation of the Rajin-Sonbong Free Economic and Trade Zone in December 1991 signaled North Korea's strong desire to participate in the development of the Tumen river area. North Korea further extended the scope of the Rajin-Sonbong Free Economic and Trade Zone from 621 km<sup>2</sup> to 747 km<sup>2</sup> in August 1993. As a result, North Korea's free economic and trade zone became directly connected to the Chinese border town of Quanhe 圈河. In the same month, Russia announced the establishment of the Greater Vladivostok Free Economic Zone, followed by the establishment of the Nakhodka and Khasan Free Economic Zones in 1992, opening ports such as Vladivostok, Nakhodka, Zarubino, and Posiet. Afterwards, Russia undertook the task of building an international business complex in the city of Kraskino, which lies adjacent to Hunchun.

Intraregional transportation facilities were improved and an increasing number of ports were opened. Border trade between China and North Korea and between China and Russia gradually increased. The UNDP organized six PMC meetings and conferences by December 1995. During the sixth PMC meeting, China, Russia, and North Korea, all of which border the Tumen river, agreed to establish a Coordination Committee for Tumen River Area Development. The three bordering countries as well as Mongolia and South Korea also agreed to establish a consultative commission for the development of the Tumen River Economic Development Area and Northeast Asia. However, these results failed to meet the expectations that were put

in place when the notion of Tumen river area development was first raised. By the mid-1990s, the dynamism which initially animated the development of the Tumen river area had been greatly weakened.

Most of all, with the notable exception of China, there was a marked decrease in the level of engagement displayed by the countries involved in the development of the Tumen river area. For instance, Russia and North Korea did not announce any significant plans for the TRADP after 1993. Such circumstances left the UNDP hard-pressed to raise the necessary funds. The gradual loss in momentum for the TRADP forced the UNDP to modify its overarching goal for the project in 1994. While the TRADP had originally been set up as a joint development endeavor, the UNDP began to call for the establishment of individual free trade zones along each country's border area and economic cooperation between these free trade zones (Yuan 2007). The most important factor contributing to this impasse was the failure to eradicate the Korean peninsula's Cold War structure brought about by the intensification of hostility between the two Koreas as well as between the United States and North Korea. Having failed to bring about the internal reforms needed to guarantee the success of its opening policy, North Korea adopted an increasingly passive attitude toward the country's opening. South Korea and Japan both grew increasingly cautious about investing in the TRADP. Furthermore, because of political and economic chaos following the collapse of Russia's political system and the Jilin provincial government's assumption of the main role of the TRADP, Russia and China could not provide impetus for the implementation of this large-scale and multi-state development program.

#### *The Changjitu Development Plan: A New Phase of the TRADP*

The TRADP experienced a revival in the 2000s. During the eighth meeting of the UNDP Consultative Commission of TRADP parties held in Changchun on September 2, 2005, all five countries—China, North and South Korea, Russia and Mongolia—signed the Greater Tumen Initiative (GTI) and agreed to expand the scope of the pro-

gram. This agreement would extend the 1995 agreement that led to the establishment of the Coordination Committee and Consultative Commission pertaining to the economic development of the Tumen river area for another ten years and expand the scope of the development to include three northeastern provinces of China, inner Mongolia, North Korea's Rajin-Sonbong Free Economic and Trade Zone, eastern Mongolia, South Korea's eastern port cities, and Russia's Primorsky region.<sup>10</sup> This attitude shift was motivated by the relevant parties' increased desire to open each nation in this period. Marked improvements in the political situation of the Korean peninsula following the Inter-Korean Summit of June 15, 2000 and the subsequent activation of South-North Korean economic cooperation created circumstances that were favorable to the implementation of the TRADP.



Source: <http://www.tumenprogramme.org/>.

Figure 1. Map of the Greater Tumen Region

10. The existing TRADP includes North Korea's Rajin-Sonbong Free Economic and Trade Zone, the Yanbian Korean Autonomous Prefecture in China, as well as Vladivostok, the Nakhodka Free Economic Zone, and some cities and ports in Primorsky, Russia. For more on the main bibliographies and reference materials related to the Greater Tumen Initiative (GTI), refer to <http://www.tumenprogramme.org/>.

However, China still remained the biggest driving force behind the TRADP. International interest in the program was revitalized following China's announcement of the Changjitu Development Plan in 2009, which was approved by the State Council of China on August 30, 2009 and officially announced on November 16, 2009.

The Northeast Area Revitalization Plan can be regarded as a salient example of China's aggressive attitude towards the development of the Tumen river area. On September 29, 2003, the Central Politburo of the Communist Party of China published a new policy document titled "Opinions of the State Council on Further Implementing the Strategy of Revitalizing the Old Industrial Bases Including Northeast China."<sup>11</sup> This strategy, immediately following the Grand Scheme to Develop Western China, was the second state-level attempt to mitigate regional disparities that took a significant turn for the worse in the era of reform and opening. The northeast region of China was once the most developed industrial area in the country when a planned economic system prevailed. However, the economy of the region plunged significantly following the implementation of reform and opening policies, leading to increased social problems such as strikes by employees of state-owned enterprises. The Northeast Area Revitalization Plan was designed to respond to these problems. On August 20, 2007, the Chinese government took an even further step in announcing its new Northeast Revitalization Plan (東北地區振興規劃). The slow development of the area was in large part due to the fact that its geographical proximity to North Korea and Russia ensured that it did not benefit as much from the opening policies as other regions. The Northeast Area Revitalization Plan effectively pushed the opening policies in two directions. First, Dalian rose as a core international shipping hub of Northeast Asia. Second, the construction of urban infrastructure and international logistics corridors in major border cities was enhanced. The Changjitu Development Plan

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11. <http://www.chnsourcing.com/outsourcing-news/policies/policy/content/409.html>;  
<http://www.chnsourcing.com/outsourcing-news/policies/policy/content/410.html>;  
<http://www.chnsourcing.com/outsourcing-news/policies/policy/content/411.html>.

can be regarded as an attempt to actualize this second objective,<sup>12</sup> at the core of which was the “construction of roads, ports, and economic cooperative zones at areas bordering Russia, Mongolia, and Democratic People’s Republic of Korea.”<sup>13</sup> This project was first introduced by the government of Jilin province in 2003 and raised as a topic in the eighth meeting of the UNDP Consultative Commission of the TRADP held in September 2005. An agreement was reached to replace the 54-km road linking Wonjong-ri and Rajin port in North Korea with a 48-km-long and 9-m-wide thoroughfare that meets the requirements of a class 2 standard road according to the Chinese highway system. Pier No. 3 at Rajin port was to be expanded, and plans for a new Pier No. 4 were proposed. Finally, the project also called for the establishment of economic cooperative zones for export processing and bonded logistics.<sup>14</sup> To support this project, the government of Jilin province approved a plan in March 2005 to transport domestic freight to Southern China via Rajin Port and the East Sea. The Rason Joint Venture Company of International Logistics, involving Hunchun City Donglin Economic Trade Co. LTD, Hunchun Border Economic Cooperation Zone (HBECZ) Co. LTD, and North Korea’s People’s Committee on Economic Cooperation in the Rajin-Sonbong Area LTD, registered in the city of Rason, was established in July 2005 to oversee the implementation of the project. North Korea provided the necessary land and resources (e.g. roads and the land on which to build industrial complexes) and China provided capital, machinery, and equipment; each nation took 50 percent stake. China acquired the right to charge toll fees and a license granting the right to use the land for 50 years. As such, the announcement of the Changjitu

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12. The English version of the “Northeast Revitalization Plan” can be found at [http://chinaneast.xinhuanet.com/2007-12/19/content\\_11981590.htm](http://chinaneast.xinhuanet.com/2007-12/19/content_11981590.htm).

13. [http://chinaneast.xinhuanet.com/2007-12/19/content\\_11981590\\_12.htm](http://chinaneast.xinhuanet.com/2007-12/19/content_11981590_12.htm).

14. This project was approved by the Jilin Province Development and Reform Commission in March 2006. At that time, the decision was made to provide 208 million of the total 240 million Yuan invested in this project. In exchange for an additional 32 million Yuan, North Korea provided spot goods and the land on which to build the roads, as well as a license for the usage of a 5 km<sup>2</sup> piece of land near Rajin Port for a 50-year period.

Development Plan was not sudden but was perceived as a continuation of measures that had long been underway.

The Changjitu Development Plan differs from the TRADP in some regards. The most important changes are the central government's assumption of responsibility and the expansion of the areas where development would take place to include not only the border city of Hunchun but also Changchun, Jilin, and the developed industrial cities in northeast China.

The Hunchun City Donglin Economic Trade Co. LTD's failure to induce investment and lack of funds motivated the Jilin provincial government to steadily petition the central government's active participation in the plans for development. This resulted in the construction of a road between Wonjong and Rajin—scheduled to begin in September 2006—being indefinitely postponed, which in turn put the overall plans for the region at risk. This case clearly proved that without active support from the state, a small-scale local company can hardly deal with the political and economic risks associated with a large-scale economic cooperation program, which includes the establishment of basis facilities such as power and roads, with North Korea. As such, the Jilin provincial government increasingly called for support and guarantees from the central government,<sup>15</sup> and the contracting parties in the Changjitu Development Plan launched full-scale discussions on the plan in 2007.<sup>16</sup>

While China remained half-hearted, Russia began to make concrete progress. North Korea and Russia agreed to modernize the Rajin-Khasan railway, previously utilized only by North Korean trains, so

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15. For more on the fifth session of the 9th Political Consultative Conference of Jilin Province held in January 2008, refer to [http://www.jl.gov.cn/zt/1hzt2008/wyta/200801/t20080102\\_350477.html](http://www.jl.gov.cn/zt/1hzt2008/wyta/200801/t20080102_350477.html) (accessed June 5, 2010).

16. According to "Special Supplement: Pilot Area Set to Boost Opening-Up in Jilin," a special report by Yang Fan and Wang Danna published in the *China Daily* on October 31, 2007, President Hu Jintao conducted an inspection visit to Jilin on January 28, 2007. During this visit, he suggested that the province choose some areas in which to lead reform and scientific renovation during the revitalization of traditional industrial bases. In August 2007, the Jilin provincial government reported to Premier Wen Jiabao about the Jilin-Changchun-Tumen Pilot Area.

that North Korean and Russian containers could be freely transported beginning in July 2006. Russia and North Korea signed an agreement on April 24, 2008, to repair the Rajin-Khasan railway and establish container terminals in Rajin Port. Russia also secured the right to build Pier No. 3 at Rajin Port. China was shocked not only by Russia's rights to develop Pier No. 3 at Rajin Port but also by its obtainment of a license to use the facilities. These changes further strengthened the need for the Chinese central government to play a more active role in the project (Zhang 2010).

Thus, various reasons led China's central government to become active in the participation in the TRADP and economic cooperation with North Korea. Here, special attention should be drawn to the fact that the Central Committee of the Communist Party of China (CCCPC) could not come to a decision without assessing the China-North Korea relationship. It is necessary to delve into the factors that led China's central government to not only assume a leadership role in the Changjitu Development Plan but also expand the scale of the project in its early stages. As seen by the friction surrounding the Sinuiju Special Administrative Region (SAR) in 2002, the development of the areas around the North Korea-China border will inevitably influence the China-North Korea relationship. To this end, the Chinese central government's decision to become the main actor of the Changjitu Development Plan suggests that the Central Committee of the Communist Party of China (CCCPC) was preparing to introduce a new strategic approach to the China-North Korea relationship, or that an agreement may be reached between North Korea and China regarding this plan. Although the political significance of the Changjitu Development Plan is yet to be determined, there is no denying that its implementation is based on the advent of new evaluations of the China-North Korea relationship.<sup>17</sup>

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17. North Korea's nuclear test in May 2009 set off a heated debate in China over the future of China-North Korean relations. By June 2009, the majority of pundits determined that the Chinese government would opt to maintain its strategic relationship with North Korea (ICG 2009, 8-11). However, the possibility that China's leadership might take a more hands-on approach towards North Korea could also

The announcement of the Changjitu Development Plan effectively marked the onset of the central government's active participation in and support for Tumen river area development. The TRADP would inevitably take on a different form than in the past. Moreover, the smooth implementation of the TRADP would take the China-North Korea relationship to a new level. In terms of financial means, the central government of China has recently become much better equipped to support the Changjitu Development Plan. In 1993, however, fears that the national economy would collapse were rampant amidst a precarious drop in the ratio of revenue to GDP and central government revenue to total government revenue of 12.3% and 22.0%, respectively. However, by 2009, these two ratios increased to 20.4% and 52.4%, respectively. In addition, the heightened economic value of the underground resources abundant in North Korea also helped to greatly enhance the potential expected economic benefits of such a venture. Contrary to the early 1990s, when dependence on external forces was very high, there is now a very strong internal impetus for the implementation of the TRADP.<sup>18</sup>

### **The Changjitu Development Plan and the Korean Peninsula Economy: Threats and Opportunities**

The November 2009 announcement of the Changjitu Development Plan further heightened concerns of the United States and South Korea that the plan would weaken sanctions on North Korea. Such concerns had already surfaced following Premier Wen Jiabao's traditional visit to Pyongyang in October of that same year to highlight

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not be ruled out. In this regard, China's more aggressive attitude toward economic cooperation with and strengthened political support for North Korea lends to the conclusion that China has pursued a strategy that has economically and politically supported North Korea to stabilize the situation.

18. For example, in August 2010, the Chinese government authorized the transport of domestic freight via an international marine route departing from Hunchun and arriving in Shanghai and Ningbo in the southeast via Rajin Port ([http://news.xinhuanet.com/fortune/2010-08/20/c\\_13454563.htm](http://news.xinhuanet.com/fortune/2010-08/20/c_13454563.htm); accessed August 25, 2010).

China's friendly relationship with North Korea. During the visit, the two sides signed various agreements, arrangements, protocols, and memorandums, including an exchange of documents pertaining to economic assistance. China's subsequent active participation in the development of North Korean resources further heightened fears that the North Korean economy's dependence on China would increase. Although such concerns and worries were not entirely baseless, solely emphasizing the threats posed by the Changjitu Development Plan would be excessive.

Presently, although the most serious public concern is that the Changjitu Development Plan may negatively influence the North Korean nuclear crisis, it is nevertheless difficult to envision how a full-scale blockade of North Korea, as promoted by the United States and South Korea, will resolve the nuclear crisis. Rather, such a denouement will in all likelihood spur North Korea to further exacerbate the situation by taking even more drastic measures. As China has adopted a passive attitude towards sanctions on North Korea, a decision that has been based on judgment that the extremity of the situation would negatively impact China's national interests, the effectiveness of the sanctions cannot help but be limited (ICG 2009, 13-16). This is why the resolution of the North Korean nuclear crisis requires the use of tools other than sanctions. China seems to believe that opening North Korea and increasing its cooperation with the international community will have a positive effect on resolving the nuclear crisis. The search for resolutions must inescapably consider variables that may ensue from changes in China's policy toward North Korea. Although North Korea's overwhelming trade dependence on China (approximately 80%) is alarming, the size of the overall trade between the two countries, estimated to be US\$ 3.06 billion as of November 2010, indicates that North Korea's dependence on China is of no grave significance. The increase in North Korea's trade dependence on China has been the result of decreased trade with other countries. As such, a more balanced international trade can be restored once North Korea decides to open its economy. However, if this trend of economic dependence on China is prolonged, the problem of dependence may

enter new dimensions, particularly if China secures a foothold in the development of North Korea's resources and infrastructure before other nations.

In other words, although legitimate concerns have been raised about North Korean-Chinese economic cooperation and the Changjitu Development Plan, it is difficult to specify how either poses a serious threat in the current political context. Factors such as the response proffered by actors like South Korea can influence the various methods and opportunities to overcome the problem, as suggested by the actual contents of the Changjitu Development Plan. The Changjitu Development Plan was not designed to establish a self-circulative system linking China, Russia, and North Korea. Rather, its objective is to foster the development of logistics networks and industrial cooperation at the entire Northeast Asian level. The document detailing the implementation of the Changjitu Development Plan announced in January 2010, titled "Plan for implementation of 'Cooperation and Development Planning Outline of the Tumen River Area of China'" (hereafter "Plan"), maintains that the objectives are:

- to establish a core in opening China's Northeast region to Northeast Asia via the Tumen river area;
- to allow China to strengthen its comprehensive capacity to participate in the joint development of the Tumen river area;
- to continuously improve the level of joint development in order to increase China's advantage when it comes to the combination of inter-state mobility and the optimization of production factors;
- to strengthen the mutual complementarity between China and the other economies of Northeast Asia so as to increase mutual interest in one another;
- to establish an international environment for the peaceful development of the Northeast Asian region.<sup>19</sup>

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19. "中共國務院批復圖們江開發綱要 將建首個沿邊開放區 (1)" (Yanbian, Priority of Chinese Government's Tumen River Development Project [1]), [http://www.cdnews.com.tw/cdnews\\_site/docDetail.jsp?coluid=113&docid=100972079](http://www.cdnews.com.tw/cdnews_site/docDetail.jsp?coluid=113&docid=100972079).

The construction of transportation networks has been the most actively executed project. The main goal of the project is the construction of an international transport corridor connecting Changchun, Jilin, and the Tumen river area to adjacent countries (Mongolia, Russia, and North Korea). In terms of railways, the core project has been the establishment of links with the China-Mongolia Transport Corridor. This railway begins in Ulaanbaatar, Mongolia and ends in the town of Arihashate in the Inner Mongolia Autonomous Region via Choibalsan. It is connected to the Chinese cities of Aershan, Baicheng, Changchun, and Hunchun (the railway runs for nearly 1,300 km in China alone), as well as to the port cities of Russia and North Korea. The opening of this railway will effectively connect Mongolia, China, Russia, and North Korea. It will also pave the way for the establishment of connections with Central Asia and Europe in the west and Japan and South Korea in the east via the East Sea, thus effectively becoming the core transport corridor of the Northeast Asian region.<sup>20</sup> For the successful completion of this railroad, a new 190 km railroad between Choibalsan in Mongolia and Aershan in China (25 km inside China) and the repair of a 264 km railroad linking the Chinese cities of Aershan and Baicheng are necessary. China plans to invest about 934 million yuan in the construction and repair of these railroads. This investment is also one of the main projects associated with the Greater Tumen Initiative (GTI).

One of the currently operating main projects revolves around the building of a transportation network in the Changjitu area. Scheduled for completion in 2010, the extension of the Changchun-Jilin Express Railway to include Hunchun City was approved by the State Council of China (total length of 378 km, total investment of 390 million Yuan).<sup>21</sup>

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20. This railway, beginning in the Russian cities of Makhhalino and Posiet and including Rajin in North Korea, will run to the Trans-Siberian Railroad (TSR) via Hunchun, Jilin, Changchun, and Aershan in China, as well as Choibalsan and Ulaanbaatar in Mongolia. Also called the Tumen River Transportation Corridor, it will constitute one of the nine Northeast Asian Transport Corridors (Kawamura 2001).

21. The proposal for this project was officially approved by the National Development and Reform Commission, operating under the State Council of China, in July 2010 (<http://news.chineserailways.com/Html/19/201008/20100809091957.html>).

This section of the railroad will run from Jilin in the western region to the eastern terminus of Hunchun City, with stops in the cities of Jiaohu, Dunhua, Yanji, and Tumen, as well as Antu county. Once this section of the railroad is completed, it will be possible to travel its entire length in a mere 2 hours and 30 minutes. Additionally, a new Changchun-Jilin-Tumen-Hunchun Expressway was inaugurated in September 2010. This expressway effectively reduced travel time between Changchun and Hunchun from 8 to 5 hours. Meanwhile, the travel time between Tumen and Hunchun was reduced from 1 hour and 30 minutes to 30 minutes.

However, links to Russia and North Korea remain poor at best. The state of the road linking Hunchun and Rajin is particularly dismal. While the optimal speed on this particular stretch of road is a paltry 20 km/hr, not even this speed can be reached in the rain. However, China has made efforts to mitigate this situation. A bridge (Tumen River Bridge, or Wonjong Bridge) connecting Quanhe and Wonjong was constructed on June 1, 2010. Plans for the construction of the Wonjong-Rajin Expressway are once again underway. It is expected that travel time from Changchun to Rajin will be reduced to approximately 6 hours once this project is completed. In addition, the construction of an expressway connecting Longjing, China, to Chongjin, North Korea, as well as a railroad connecting the city of Tumen to Chongjin Port is in progress. A competition of sorts has emerged between the cities of Hunchun and Tumen to become the first to gain access to the East Sea. While the completion dates of these projects are not fixed, there are some indications that they are progressing rather quickly. December 7, 2010, marked the first transport of freight to southern China across the newly completed Tumen River Bridge via Rajin Port. According to a report in *JoongAng Ilbo*—a South Korean daily newspaper based in Seoul—on January 7, 2011, a public Chinese corporation signed an MOU in December 2010 with a North Korean investment and development consortium valued at US\$ 2 billion to establish a Special Industrial Zone in Rajin Port.

China's insistence on the establishment of links to Rajin Port can be traced back to one of the primary objectives of the Changjitu

Development Plan to lease a port through which to gain access to the sea (借港出海). China's end goals are to gain access to the East Sea, establish a logistics network for immediate access to the Pacific Ocean, and to effectively connect South Korea, Japan, and southern China. In many ways, the success of both the Northeast Area Revitalization and Changjitu Development Plans rests on the establishment of the logistics network granting China access to the Pacific Ocean. Japan and South Korea's participation in these large-scale projects is necessary in order for China to secure the necessary investments for this logistics network. Moreover, China can expect economic profits from this massive investment project only when it succeeds in attracting freight from South Korea and Japan and the logistics network is connected to each country's respective markets.

The participation of countries such as South Korea and Japan is also essential in terms of industrial cooperation. China's dismissal of its strategy centering on Hunchun in favor of a new strategy revolving around the Changjitu area was occasioned by its determination that the TRADP could only succeed when accompanied by industrial development and cooperation. Contrary to border cities such as Hunchun, Changchun and Jilin already boast a strong industrial basis. Nevertheless, China can only create new impetus for the industrial development and advancement of the Changjitu area with the participation of South Korea and Japan, as industrial competitiveness of the Changjitu area can be significantly enhanced by combining China, Russia and North Korea's labor and resources with South Korea and Japan's capital and technology. The above-mentioned "Plan" also identified the construction of an international industrial cooperative complex as one of its main objectives. Other suggested key projects include the establishment of a China-Japan-Korea Circular Economy Model Base in Hunchun, a manufacturing base of environmental protection equipment in Hunchun, a China-Russia S&T Park in Changchun, a China Singapore Food Zone in Jilin, a Korean Industrial Park in Jilin, and a Korean Industrial Park in Yanji.

Russia also welcomes South Korean and Japanese participation in the TRADP. Russia's ability to enhance the economic efficiency of

its resources in far eastern Russia is predicated by its access to the South Korean and Japanese markets. Russia has used the fact that the 2012 APEC Summit will be held in Vladivostok to actively promote Vladivostok as an international cooperative hub of the Asia-Pacific region, a task initially introduced in the plan titled "Economic and Social Development of the Far East and Zabaikalye until 2013" (November 21, 2007). Russia plans to invest one fourth of the total budget of 284.2 billion rubles in the development of the Far East for the period spanning from 2008-2013 in this particular venture. The majority of the necessary funds will come from federal coffers (Prokapalo 2009).

Both China and Russia have sought to promote regional cooperation as part of their efforts for the development of the Tumen river area. There exists the possibility that North Korea, China, and Russia's development of the Tumen river area without the participation of other countries such as South Korea, Japan, and the United States could exacerbate economic chasms in Northeast Asia, which would not benefit China or Russia. As a result, the direction of the TRADP and Changjitu Development Plan will largely depend on the future decisions made by South Korea, Japan, and the United States. These potential participant nations have adopted highly cautious attitudes toward these projects based on political considerations of matters such as the North Korean nuclear crisis. However, North Korea's active efforts for regional cooperation in the form of the TRADP will not only bring Northeast Asian economic cooperation to a new level but also facilitate the resolution of the North Korean nuclear crisis. It is especially important to use any improvements in the political atmosphere surrounding the North Korean nuclear crisis as an opportunity to connect North Korea-China-Russia cooperation to the parallel development of Northeast Asian economic cooperation and the Korean peninsula economy.

## **The Development of a Strategy Connecting Northeast Asian Economic Cooperation to the Korean Peninsula Economy**

North Korea is the most uncertain variable in the process of connecting the TRADP, which encompasses the Changjitu Development Plan, to the development of Northeast Asian economic cooperation and the Korean peninsula economy. North Korea has recently exhibited a more positive attitude towards economic cooperation with China and Russia than in the past. A delegation of representatives from Jilin province, led by Governor Han Changfu, visited the Rason (Rajin-Sonbong) area in North Korea from January 26 to 27, 2009 at the invitation of Hamgyeong-do province authorities. During this visit, Han Changfu discussed the two countries' common points of interest with Kim Su-yeol, the Chairman of the Hamgyong Provincial People's Committee. The matters discussed included the joint development and use of the ports in Chongjin and Rajin, repair and construction of bridges connecting China-North Korea border areas, the construction of roads connecting the ports of Chongjin and Rajin to Chinese border cities, and cooperation in the fields of trade and tourism. The exchange of human resources has also been actively implemented between North Korea's Hamgyeong-do and Pyeonganbuk-do provinces and China's three northeast provinces.

On December 16, 2009, shortly after China announced the Changjitu Development Plan, the Korean Central News Agency (KCNA) reported that Kim Jong-il conducted an inspection of the Rason area for the first time since the establishment of the Free Trade Economic Zone in Rason. However, no mention was made regarding when Kim's inspection actually took place. This report, an obvious response to the Changjitu Development Plan, served to confirm once again North Korea's willingness to develop the Rason area. North Korea's announcement that Rason was elevated to the status of a special city on January 4, 2010, was followed by a flurry of activities that included the establishment of the Daepung Group (January 20), the organization of a national development bank and inauguration of the Pyunggon Investment and Development Group (February), and KWP Internation-

al Department Director Kim Young-il's visit to the provinces of Liaoning and Jilin (February 27-28). However, the event which attracted the most attention was Kim Jong-il's visit to China in late August 2010, during which he inspected the majority of the core areas associated with the Changjitu Development Plan. Kim Jong-il made two visits to China in 2010 and was accompanied both times by the chief secretaries responsible for Hamgyeong-do and Pyeonganbuk-do provinces, which lie adjacent to the areas involved in the Changjitu Development Plan. North Korea and China held a groundbreaking ceremony on June 8, 2011, at the site of a proposed joint development project on the island of Hwanggeumpyeong in the Amnokgang river. The next day, North Korea and China held a ceremony to repair the key logistics road that links the city of Hunchun to the port of Rajin.

It is difficult to determine North Korea's true intentions. The North's recent about-face may not be a strategic choice but rather nothing more than a stalling tactic designed to evade the most pressing problems. If it is true that North Korea is using economic cooperation with China and Russia as a substitute for the waning North-South Korean economic cooperation, then it is difficult to expect that North Korea-China-Russia cooperation will evolve into Northeast Asian cooperation or contribute to the development of the Korean peninsula economy. North Korea started to show a more active attitude towards economic cooperation with China and Russia after the suspension of the Kungangsan tourism project and the questionable future of the Kaesong Industrial Complex. North Korea will be able to induce investments from China and Russia, which have been engaged in a struggle for access to the East Sea, without significant changes to its internal policy simply by agreeing to the development of Rajin Port.

However, the economic benefits enjoyed by North Korea will be significantly lower than expectations if such moves are not supported by strategic decisions related to economic reform and opening policies and the general adjustment of its foreign policy. An overarching focus on North Korea-China economic cooperation or North Korea-Russia cooperation will make it difficult for the North to use the logistics, capital, and technologies of South Korea or Japan. The acti-

vation of the North Korean economy cannot be achieved based solely on the profits garnered from limited social overhead capital (SOC) construction or the lease of pier management rights. North Korea's ability to maximize the potential profits from the development of Rajin Port, which can be regarded as one of the few economic levers North Korea has at its disposal, is predicated on the implementation of a reliable opening and reform policy that would make Rajin Port not only a logistics hub but also a hub for the development of industries such as processing trade.

The question thus becomes whether the Changjitu Development Plan can progress in the direction desired by South Korea, given that North Korea is unwilling to and incapable of making such strategic decisions. This study emphasizes the fact that the development of Rajin Port, which is connected to the Changjitu Development Plan, can link Northeast Asian cooperation and the Korean peninsula economy and induce changes in North Korea more effectively than North-South Korean or North Korean-Chinese economic cooperation. For North Korea, it is much easier to implement special policies in Rason, located along its border with China, than in the Kaesong Industrial Complex, adjacent to its capital and the DMZ, across which the two Koreas are still in military confrontation. The fact that Rason is located in an area adjacent to countries that are on amicable terms with North Korea may help to decrease worries about political side effects that might result from opening the North Korean economy. Meanwhile, as the development of Rajin Port is implemented as an international undertaking, it will become easier for South Korea to guarantee the stability and continuity of the project. The development of Rajin Port can also be helpful in terms of an organic relationship between Northeast Asian economic cooperation and the Korean peninsula economy. Contrary to the Kaesong Industrial Complex, which has not been linked to Northeast Asian cooperation in any significant regard and has been in competition with China from an industrial aspect, the development of Rajin Port can be connected to the development of both China's northeast and Russia's far east regions. Thus, Northeast Asian cooperation and North-South Korean economic coopera-

tion can be heightened simply by taking advantage of all of these positive factors.

However, to attain this, it is essential to devise a proactive strategy capable of connecting the TRADP to the development of the Korean peninsula economy. Although it has continuously participated in the TRADP, the South Korean government has mostly focused its attention on the peninsula's western coast regarding North-South Korean cooperation. Discussions and agreements were reached on the progress of various projects during the 2007 Inter-Korean Summit. Topics included the maintenance of the Kaesong-Sinuiju railroad and Kaesong-Pyongyang expressway, the transportation of freight on the Munsan-Bondong railroad, and the establishment of a special zone of peace and cooperation in the West Sea. However, few initiatives related to the East Sea were introduced (J. Lee 2007). This can be regarded as the result of the fact that the strong multilateral nature of the TRADP makes it difficult to effectuate changes to the programme at the inter-Korean summit level. Both Koreas failed to comprehend the importance of East Sea area development, and there were no detailed strategies in place for the development of the area. The maximum potential impact of the development of Rajin Port is in many ways predicated by the further expansion of the scope of this project, both from a geographical and industrial standpoint.

From a geographical standpoint, there is a need to facilitate the development of the East Sea Rim that connects China's northeast and Russia's maritime region to the Rajin-Sonbong area in North Korea, Kungangsan Special Tourist Zone, the east coast of South Korea spanning from Sokcho to Busan, and the west coast of Japan. Contrary to the Kaesong Industrial Complex and Kungangsan Special Tourism Zone, which are specialized in export processing trade and tourism, cooperation can occur in various industrial sectors by combining the resources and labor of North Korea, China, and Russia with the capital and technology of South Korea and Japan. For example, energy cooperation can be expected to produce effects both before and after development. Such international cooperation can facilitate long-term cooperation in heavy industrial sectors such as

steel production and develop an international tourism industry. Lastly, it is essential to connect these projects to devise development strategies for the West Sea Rim, which links together China's north-east region, the Bohai economic zone, and the West Sea area of the Korean peninsula.<sup>22</sup> Such an outcome will in turn ensure the greater economic and political impact of North-South economic cooperation in the West Sea area, such as the Kaesong Industrial Complex.

Inter-Korean economic cooperation projects have been carried out by integrating limited production factors (South Korean capital, North Korean labor and land) within the limited area known as the Korean peninsula. However, the current state of affairs calls for the establishment of initiatives that can connect the Korean peninsula economy to Northeast Asian economic cooperation. Inevitably, the outcome of the project will continue to be uncertain as long as political and military tensions are not relieved. Therefore, such initiatives must be implemented in an incremental manner, and mutual trust in terms of political and military affairs must be fortified. The development process of the project can be divided into the following three stages.

The first stage is foundation building. Foundational strategies and structures must be solidified for the successful future implementation of desired results. As evidenced by the Changjitu Development Plan, China has recently displayed an active attitude toward economic cooperation with North Korea, whereas South Korea has failed to actively respond to these changes for political and military reasons. The results of North-South Korean economic cooperation, such as the Kumgangsan Special Tourist Zone and the connection of the East Coast inter-Korean Railway, must be linked to the progress of the TRADP. There is also the need to open maritime transportation between China,

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22. The construction of railroad and road networks connecting the East Sea and West Sea regions of the Korean peninsula can be achieved in a relatively short period. North Korea plans to establish transportation networks connecting Pyongyang, Wonsan, and Rason. Long-term attention should be paid to Kim Seok-cheol's calls for inter-Korean channels connecting the Kumgangsan and Imjingang river areas (S. Kim 2007, 426-429).

Russia, North and South Korea and establish the basis for a Northeast Asian logistics network by building railroads and road transportation networks. Based on the establishment of a regional governance system to manage the logistics networks, these projects will facilitate the institutionalization of Northeast Asian cooperation. The financial resources used during this stage should be secured from sources within the region such as China and South Korea.

The second stage is development. The major goals at this stage are industrialization and internationalization. Industrialization refers to strengthening the connectivity between the logistics network and intra-regional industrial development. The Changjitu Development Plan includes areas such as Changchun and Jilin, which boast a strong industrial basis. The synergic effects of cooperation can be heightened when such factors are taken into account in establishing an industrial basis on the Korean peninsula, and by strong internal connectivity within the Korean peninsula economy. North Korea can begin to participate in the global economy by establishing a processing trade complex in Rajin Port. The designation of a joint resource development district, such as the Danchon area of Hamgyeongnam-do province initially proposed during the 18th South-North ministerial talks held in Pyongyang in April 2006, can be implemented in this stage. Internationalization refers to the process of using the outcomes of all projects mentioned thus far to induce the participation of Japan and Western countries that are cautious about the TRADP. In this case, the East Sea region of the Korean peninsula and Russia's maritime region can function as a hub connecting the inland areas to maritime ones. At this stage, securing stable financial resources through the establishment of a Northeast Asian Development Bank may be considered.

The third stage is economic integration. The significant differences in the economic systems of Northeast Asian countries dictate that the TRADP and Korean peninsula economy be implemented under assumptions of regional bases as special zones. However, in the long run, the focus should be on Northeast Asian economic integration, progressing from the development or connection of footholds

to regional economic integration. While the Korean peninsula economy may be established in this stage amidst a national confederation, economic and trade agreements will have to be concluded at the

Table 1. Strategies to Link the TRADP to the Korean Peninsula Economy

Stage	Northeast Asian economic cooperation	Korean peninsula economy
Foundation building	<ul style="list-style-type: none"> <li>- Normalization of six-party talks</li> <li>- Connection of roads and railway transportation in the Tumen river area</li> <li>- Establishment of a railway and road transportation governance system in Northeast Asia</li> </ul>	<ul style="list-style-type: none"> <li>- Agreement on a third inter-Korean Summit and new cooperative measures</li> <li>- Assurance of cooperative bases such as the activation of the Kumgangsan Special Tourism Zone</li> <li>- Connection of East Coast inter-Korean Railway</li> </ul>
Development (industrialization and internationalization)	<ul style="list-style-type: none"> <li>- Denuclearization of North Korea</li> <li>- Mutual investment and trade between Changchun, Jilin, Yanbian, the maritime area of Russia, Rajin, and the base cities on the east coast of South Korea</li> <li>- Establishment of an East Sea Rim economic network</li> <li>- Establishment of a cooperative organization to secure the necessary financial resources such as a Northeast Asian Development Bank</li> </ul>	<ul style="list-style-type: none"> <li>- Inter-Korean economic agreement</li> <li>- Support for industrial restructuring of North Korea (privatization of munitions industry)</li> <li>- Implementation of special joint resource development district in the Danchon area</li> <li>- Establishment of an industrial cooperation system between Pohang, Ulsan, Kumgangsan, Danchon, and Rason</li> </ul>
Economic integration	<ul style="list-style-type: none"> <li>- Northeast Asian peace system</li> <li>- Northeast Asian FTA and financial cooperation</li> </ul>	<ul style="list-style-type: none"> <li>- North-South confederation</li> <li>- Formation of Korean peninsula economic network (connection between East Sea and West Sea)</li> </ul>

Northeast Asian level.<sup>23</sup>

### **Reorganization of the Korean Peninsula Economy and Unification of the Korean Peninsula**

The development of the Korean peninsula economy linked to North-east Asian cooperation can pave the way for new approaches to the unification of the Korean peninsula. The issue of unification has been regarded as a nationalistic task associated with the construction of an independent and unified nation-state. However, considering the past 60 years of the peninsula's division into North and South Korea, a solely nationalistic approach is laden with potential domestic and international pitfalls.

The pursuit of unification at the current juncture, in which the two Koreas have developed markedly different ideologies and institutions, is bound to bring about serious side effects. This kind of unification will inevitably involve one nation's absorption into the other, which will lead to serious political and military competition and conflicts. Moreover, there is no guarantee that the economic and social costs associated with unification are manageable. The time has come to consider the possibility of unification through a compound state model. Article 2 of the June 15 Joint Declaration of 2000 states, "For the achievement of unification, we have agreed that there is a common element in the South's concept of a confederation and the North's formula for a loose form of federation. The South and the North agreed to promote unification in that direction."<sup>24</sup>

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23. Economic and trade agreements can of course be reached between South Korea, China and Japan in the first and second stages. However, it will take a long time before North Korea, Russia, and Mongolia can be included in such agreements.

24. Many of the key actors have argued that North Korea accepted the notion of confederation through this agreement (Lim 2008, 99-106). For more on the significance of a national confederation in the unification process, refer to Paik (2009). For more on the argument that a compound state-based unification formula may hold new implications for the resolution of regional problems in Northeast Asia, refer to Baik (2009, 92-98).

Korean unification based solely on a close-minded nationalistic ideology will make it difficult to induce the cooperation of surrounding countries and may even lead to opposition to the unification of the peninsula. Mindful of this possibility, the concept of open-minded nationalism has also been promoted. Nevertheless, the task of combining emphasis on the nation as a homogeneous unit and the internal integration of the nation with the establishment of a Korean peninsula beyond nationalistic intentions is complex and cannot be resolved simply by the introduction of new ideas such as open-minded nationalism. Open-minded nationalism can only carry practical significance when the unification of the Korean peninsula can be transformed into a process through which the participation of other relevant actors is possible in addition to the main role of the Korean people.

The possibility of economically overcoming such potential domestic and international pitfalls is inherent in the notion of the Korean peninsula economy. First, the Korean peninsula economy is an attempt to create a model of inter-Korean economic cooperation that functions at the stage of unification known as North-South confederation. At this stage, inter-Korean economic cooperation is based on the assumption that North and South Korea remain independent economic actors. From an economic standpoint, it can rightfully be envisioned that both South and North Korea will continue to maintain their characteristics as independent customs territories for a considerable period of time. In the long run, the level of inter-Korean economic integration will depend on the openness of the North Korean economy. The two Koreas can achieve a higher level of economic integration once North Korea meets the requirements to join the World Trade Organization. Economic cooperation at this level will be carried out centering on the cities (Kaesong, Sinuiju, and Rajin) and regions (Kumgangsan and East and West Sea Rims) connected by railways, roads, and maritime routes.

As the Korean peninsula economy is based on a combination of regional economic factors rather than one economic unit featuring the Korean people as its main actor, the participation of external actors is

essential. As emphasized in this study, it is imperative that the development of the Korean peninsula economy be linked to Northeast Asian economic cooperation. The development of inter-Korean economic cooperation in a direction leading to competitive relationships with surrounding countries will not only narrow the scope of inter-Korean economic cooperation but also limit potential economic benefits. Furthermore, more external actors with vested interests in the development of the Korean peninsula economy will help to facilitate more positive attitudes toward the unification of the Korean peninsula. Therefore, future progress of the Changjitu Development Plan, as well as examples of inter-Korean economic cooperation such as the Kaesong Industrial Complex, should closely consider correlations to Northeast Asian cooperation.

This study has emphasized the fact that the Changjitu Development Plan can provide an opportunity to actualize the abovementioned potentials, and includes suggestions for the future direction of the plan as well as the means to develop it. The Korean peninsula economy, formed as a result of implementing this plan, will carry greater significance for the unification process than the traditional concept of political unification and integration of the Korean peninsula. New political, economic, and societal models of unification can be created by the various actors related to the Korean peninsula. This will in turn create the conditions and impetus to bring Northeast Asian cooperation to new levels.

The political situation of Northeast Asia is in a delicate state. There are many difficulties obstructing the successful development of the Korean peninsula economy. It will be very difficult to advance economic cooperation as long as political and military tensions remain unabated. That such problems can be resolved through the mere development of the Korean peninsula economy is an overly optimistic scenario. However, the interaction between the political and economic spheres is complex and cannot be explained solely as a unilateral relation.

Strategies for the development of the Korean peninsula economy can serve as a guideline to effectively take advantage of new opportu-

nities which may arise on the way to unification and bring inter-Korean and Northeast Asian economic cooperation to a new level. There are significant limitations to the resolution of problems particular to the Korean peninsula solely through Northeast Asian cooperation. Conversely, there are also limitations to the resolution of the Cold War era legacy that still lingers on the Korean peninsula solely through inter-Korean cooperation. The unification of the Korean peninsula will require strategies to effectively combine Northeast Asian and inter-Korean cooperation not only in economic terms, but also in other spheres as well.

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