

# East Asia's Development and Sub-regional Economic Zones: A Focus on Multilateral Cross-border Cooperation between Local Governments<sup>1</sup>

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## Introduction

Since the 1960s, countries in East Asia have realized strong economic growth, praised as the “East Asian miracle” (World Bank 1993). With Japan as the forerunner, the Asian newly industrialized economies (NIEs, i.e., South Korea, Taiwan, Hong Kong, and Singapore), the Association of Southeast Asian Nations 4 countries (ASEAN-4, i.e., Indonesia, Malaysia, the Philippines, and Thailand), China, and Vietnam have shown a pattern of catch-up development (in that order) known as “the flying-geese pattern” (Kojima 2004). However, since the second half of the 1980s, a number of sub-regional

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economic zones (SREZs) have emerged in different areas that span the national borders of East Asia's coastal regions (see Figure 1). Preceded by institutionalized regional economic zones such as the EU and NAFTA, these *de facto* SREZs have been formed in conjunction with global markets.<sup>2</sup> Such zones exemplify the characteristic development pattern of East Asia, which varies widely in terms of developmental stages and political systems (Watanabe 1992, Chen and Kwan 1997).

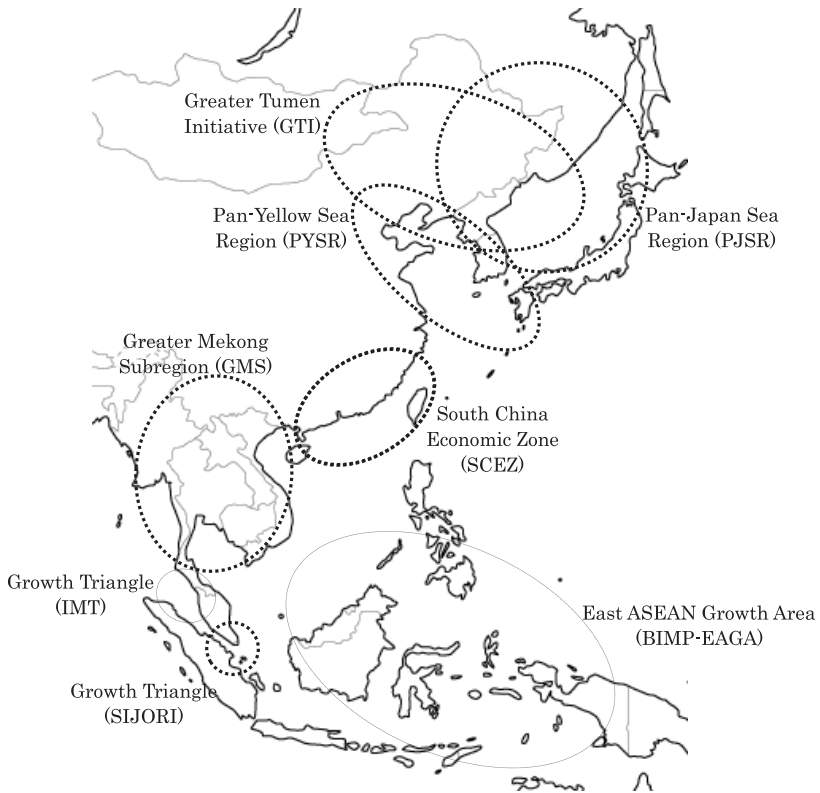
SREZs exist in a variety of circumstances and are not defined by uniform economic conditions or formation mechanisms. SREZs in the planning stages can also be seen in economies that have not begun to take off as of yet. In examining the prospects for the institutionalized regional economic zones of the future, the economic liftoff of SREZs and the expansion of regional zones that are linked with the global economy should be recognized as trending, thereby deepening the functional cooperation in East Asia. Simultaneously, within the interdependence of SREZs and the East Asian economy, multilateral cross-border cooperation between local governments is also deepening and broadening. In concretely planning for the formation of institutionalized regional economic zones at the inter-governmental level, it seems that a more accurate grasp of the actual situation facing regional zones, premised on the existence of these local governments, is essential.

Therefore, this paper, along with organizing the actual economic situations and characteristics of both the East Asian region as a

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<sup>2</sup> According to Watanabe (1992: 21), SREZs are "economic zones that span national borders, that contain dormant complementary economic relationships between different regions, and that are being actualized with the dissolution of Cold War frameworks."

Figure 1. Sub-regional economic zones (SREZs) in East Asia



Note: There are also no clear boundaries with regard to the geographic extent of SREZs.

Source: Author's creation. Blank map from <http://www.freemap.jp/item/asia/kouiki2.html> (accessed February 8, 2019).

whole and the sub-regional zones, discusses the real conditions of the driving force behind cross-border cooperation between local governments. In particular, the case of the Pan-Yellow Sea Region (PYSR), which extends between the areas of Kyushu and Yamaguchi in Japan and the coastal areas of the Yellow Sea bordering China and Korea, will be considered through a comparison with the Pan-Japan Sea Region (PJSR), which extends along the Japanese coast

of the Sea of Japan, Northeastern China, South Korea, North Korea, the Far Eastern area of Russia, and Mongolia.<sup>3</sup> Based on these results, I will attempt to examine the significance and potential of SREZs distributed throughout East Asia.

## 1. Analytical Perspective

The most famous example of SREZs in East Asia is the South China Economic Zone (SCEZ), which extends from centers in Hong Kong, Taiwan, Guangdong, Fujian, and Hainan. Beginning in the 1990s, attention became focused on the Singapore/Johor Bahru/Riau Islands Growth Triangle (SIJORI), composed of Singapore, the state of Johor in southern Malaysia, and the Riau Islands Province of Indonesia, including the island of Batam. In recent years, great interest has been drawn to the Greater Mekong Sub-region (GMS), which includes Thailand, Laos, Cambodia, Vietnam, Myanmar, the Chinese Province of Yunnan, and the Guangxi Zhuang Autonomous Region of China, among others. Additionally, other SREZs in East Asia include the PYSR and PJSR.

There is a strong tendency to understand these SREZs as economic forms in which labor is divided between processes in a production and distribution network based on the principle of comparative advantage (Ohmae 1993, Kakazu 1995, Peng 2002-03, Sasuga 2004, OECD 2009, Kim et al. 2011). This viewpoint focuses on the optimization of economic interests based on the complementarity of production

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<sup>3</sup> As a debate exists concerning the term Pan-Japan Sea (in South and North Korea, “East Sea” is preferred), recently, the terms “Northeast Asia” and “Northeastern Asia” have been used instead. However, in this paper, “Pan-Japan Sea” is used throughout for convenience.

factors and geographical proximity. In comparison with these primary approaches, there is also a viewpoint that expects a correcting effect for local economic distortions produced under national economic cycles (e.g., disparities between regions) through cross-border mutual exchanges with other local economies (Ogawa 1995: 15-19, 200-201). In other words, economic sub-regions are expected to resolve center-periphery dependent structures that occur at the national level. Moreover, in contrast to these approaches, which are limited to a consideration of economic fields, a sociopolitical approach also exists that expects sub-regions to function as buffer zones in easing strained relationships between nations, thus contributing to the realization of proactive peace at the local level (Igarashi 2016). In addition, there is an approach that focuses on the local dimensions of international behavior and discourse and that views events in light of regional formation, such as the sharing and differentiation of identities between social groups (Hook 1999, Perkmann and Sum 2002).

In each of these cases, SREZs are social phenomena that produce cross-border regions in which smaller units within each nation are of core concern (Scott 2001, Chen 2005). Within the two differing movements of economic globalization and regionalization, in which national economies and national borders are erased, SREZs can be likened to a new dynamism that appears to be a synthetic vector. Accordingly, to what extent the development of open regionalism prepares for global integration in the limited region of East Asia and whether it will deepen East Asian regional integration seem to be focal points. Thus, to begin with, I will describe the characteristics of the actual economic situation in East Asia as a whole.

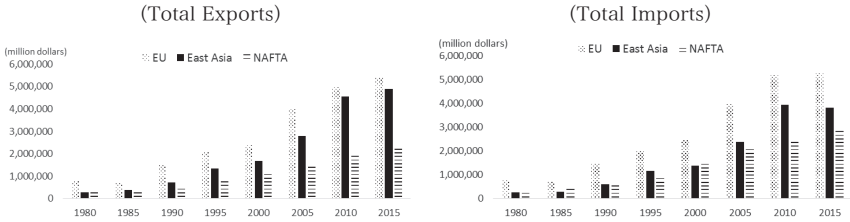
## 2. Economic Interdependence in East Asia

### *(1) Deepening of Economic Interdependence*

Figure 2 contrasts changes in trade volume in East Asia with similar changes for the EU and NAFTA. Changes over the 35-year period from 1980 to 2015 are shown in five-year increments. In contrast to increases in export volumes in the EU and NAFTA of 6.9 and 7.5 times, respectively, East Asia has experienced a dramatic increase by a factor of 17.7. Regarding imports, in contrast to increases of 6.8 and 9.7 times for the EU and NAFTA, respectively, East Asia experienced a striking increase by a factor of 14.9. Looking at the changes in the share of world trade within each region (see Figure 3), the EU has seen exports and imports decrease by about 10 points over these 35 years. The NAFTA has also experienced a decrease in exports of approximately three points and an increase in imports of only one point. In comparison, both exports and imports for East Asia have dramatically increased its share. Exports have almost doubled from 15.1% to 29.7%, and imports have increased by approximately 10 points, from 14% to 23.2%.

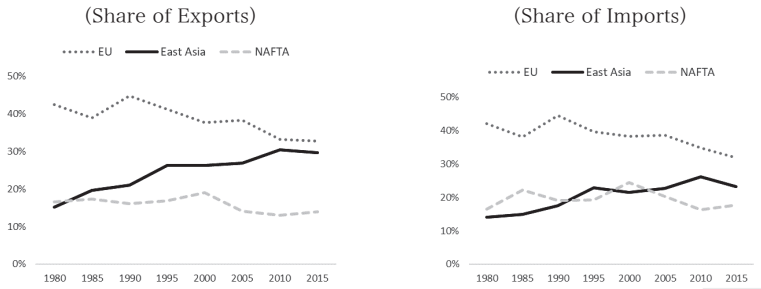
With such expansion in the share of world trade occurring in East Asia, there has been an increase in the degree of intra-regional interdependence regarding trade. Figure 4 compares changes in the proportion of intra-regional trade that occurred in East Asia for the EU and NAFTA. The NAFTA's proportion of intra-regional exports increased by 15 points, but the proportion of imports increased by only about five points. For the EU, both exports and imports initially involved high proportions of intra-regional trade (exceeding 60%), and the region has continued to grow on this basis. In comparison, both exports and imports in East Asia have had dramatic increases in

Figure 2. Changes in trade volume for the EU, East Asia, and NAFTA



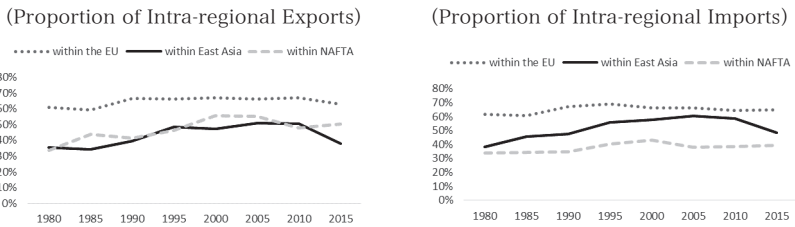
Note: East Asia includes Japan, China, South Korea, Taiwan, and the ASEAN.  
 Source: Author's creation based on the JETRO "World Trade Matrix" <<https://www.jetro.go.jp/world/statistics/>> (accessed February 8, 2019). However, the original source is the IMF, Direction of Trade Statistics, Taiwan Trade Statistics.

Figure 3. Changes in the share of world trade accounted for by the EU, East Asia, and NAFTA



Source: Author's creation based on the JETRO 'World Trade Matrix.' However, the original source is the IMF, Direction of Trade Statistics, Taiwan Trade Statistics.

Figure 4. Changes in proportions of intra-regional trade for the EU, East Asia, and NAFTA



Source: Author's creation based on the JETRO 'World Trade Matrix.' However, the original source is the IMF, Direction of Trade Statistics, Taiwan Trade Statistics.

the relative proportion of intra-regional trade. Intra-regional exports increased by 15 points (from 35.7% in 1980 to 50.6% in 2010), and the intra-regional imports increased by more than 20 points (from 38.4% to 58.8%). By 2010, East Asia showed an intra-regional export ratio on par with NAFTA's, and its intra-regional import ratio was close to that of the EU.

The context for such changes is the synergistic effect of the flow of direct investments from Japan to Asia, spurred by the sudden increase in the value of the yen following the 1985 Plaza Agreement and the export-driven industrial policies of East Asian countries. An international network for the division of labor based on a comparative advantage has been driven by the market, and intra-regional interdependence has been expanded through trade and direct investment. A triangle structure composed of capital and intermediate goods imported from Japan (and later from South Korea, Taiwan, and others), followed by the manufacture and export of finished goods to the U.S., has been established. Although the East Asian economy experienced a serious blow after the currency crisis of the late 1990s, it has returned to a course of growth, including overcoming a temporary bout of stagnation after the bursting of the IT bubble in 2001. While lacking an institutionalized framework such as that of the EU and NAFTA, East Asia has strengthened its market-driven economic interdependence.

## *(2) Emergence of the Chinese Economy*

Regarding the expansion of the East Asian economy after the currency crisis, the emergence of the Chinese economy after the implementation of economic reforms and the acceleration of capitalist market economization is particularly significant. Figure 5

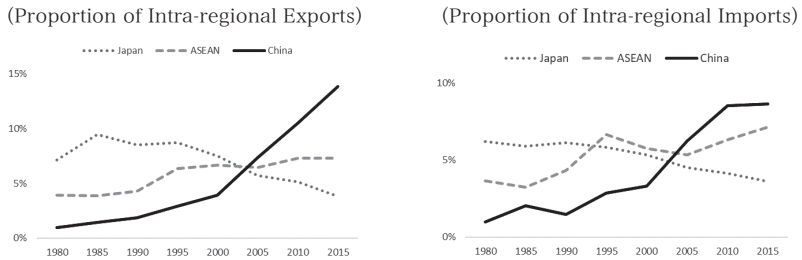


shows the comparison of changes in the proportion of world trade accounted for by Japan, the ASEAN, and China. In comparison to decreases in shares of exports and imports for Japan, China's sudden increases are remarkable. While the share of exports for China was a mere 1.0% in 1980, it had increased by nearly a factor of 14 by 2015. Imports also increased by nearly nine times from a mere 1.0% to 8.6%. China had overtaken Japan in both exports and imports by 2005, reaching a share that was more than twice that of Japan by 2015. China's total trade surpassed that of the U.S. in 2013, making it the largest trading country in the world.

China joined the WTO in 2001, strengthening integration between the Chinese and world economies even more, with diversified trading partners. Actually, the proportion of Chinese trade conducted with partners in East Asia decreased after the 1990s. Figure 6 shows the comparison of changes in the proportion of trade with partners in East Asia for Japan, the ASEAN, and China. Japan saw an increase in the proportion of trade carried out with partners in East Asia from more than 20% to close to 50%, whereas the ASEAN maintained a high proportion of trade with East Asian partners (more than 50%). China experienced a dramatic decrease in the proportion of both exports and imports from or to East Asian partners. Exports fell from a peak of 65.7% in 1990 to 24.4% in 2015. Imports also decreased from a high of 67.2% in 1995 to 32.3% in 1980, which is lower than the 1980 level.

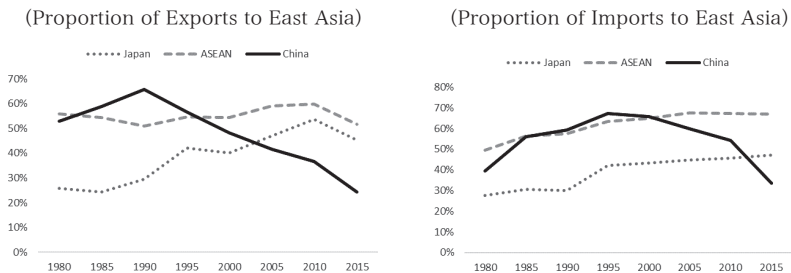
The sharp drop in the proportion of trade between China and East Asian partners was particularly significant between 2010 and 2015. With this decrease, the proportion of intra-regional trade for East Asia as a whole dropped sharply in 2015, decreasing to 1990 levels (see Figure 4). One of the factors behind this shift appears

Figure 5. Changes in the share of world trade accounted for by Japan, the ASEAN, and China



Source: Author's creation based on the JETRO 'World Trade Matrix.' However, the original source is the IMF, Direction of Trade Statistics, Taiwan Trade Statistics.

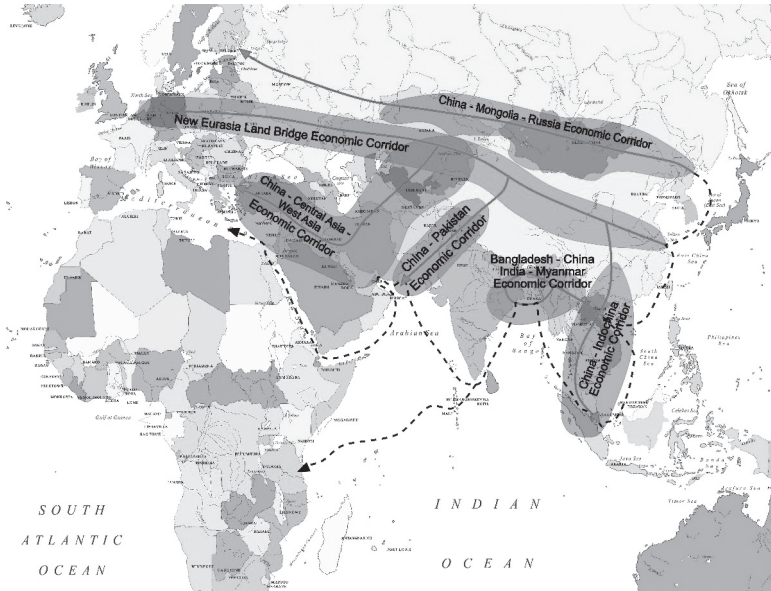
Figure 6. Changes in the proportion of trade with other East Asian partners of Japan, the ASEAN, and China



Source: Author's creation based on the JETRO 'World Trade Matrix.' However, the original source is the IMF, Direction of Trade Statistics, Taiwan Trade Statistics.

to be Chinese President Xi Jinping's revelation of the plan for the 'One Belt, One Road' economic zone. The goal of this plan was to construct a Eurasian economic zone centered on China through the establishment of two lines of infrastructure: a northern Silk Road (One Belt) and a southern marine Silk Road (One Road) (see Figure 7). East Asian cohesion continues to increase through the strengthening of intra-regional interdependence on the economy, but, simultaneously, it is becoming more diffuse through plans for economic zones extending in a westward direction—rather than in the Asia-Pacific region.

Figure 7. Route map for “One Belt, One Road”



Source: Winter, Tim, “One Belt, One Road, One Heritage: Cultural Diplomacy and the Silk Road,” *The Diplomat*, March 29, 2016. <<https://thediplomat.com/2016/03/one-belt-one-road-one-heritage-cultural-diplomacy-and-the-silk-road/>> (accessed February 8, 2019).

### 3. A Comparative Consideration of SREZs

Meanwhile, one of the characteristics of the current East Asian economy is that, since the late 1980s, SREZs have expanded. SREZs exist in a diverse set of circumstances, and their respective economic conditions and formation mechanisms are by no means uniform in nature. Therefore, I will extract the issues and characteristics of each SREZs through a comparative consideration of the degree of development and participating actors.

#### (1) *Developmental Stages of SREZs*

Regarding the degree of development of an SREZ, attempts have

been made to model the definition into the following four stages: 1. cross-border trade, 2. contract manufacturing, 3. direct investment, and 4. localization.<sup>4</sup> The first stage, cross-border trade, is the initial level in which the use of production factors in adjoining regions by companies in the central region to bring down the costs of production does not occur. Rather, trade merely occurs across a national border. The second stage, contract manufacturing, is a form of production and trade in which companies in the central region export all parts and raw materials, and depending on the situation, equipment and machinery as well, to peripheral regions, provide instructions about production processes and conduct manufacturing and assembly in these regions, pay only manufacturing fees, and import all finished products. The third stage, direct investment, are situations in which companies from central regions acquire substantial management rights for companies in adjoining regions and conduct production, sales, etc., in these regions. The various methods include opening branch offices, establishing new subsidiaries, and acquiring existing companies, joint ventures, and so on. Finally, in the fourth stage of localization, companies from central regions shift all production and sales organizations, including the productions of parts and raw materials, to subsidiary companies in adjoining regions. Subsidiaries move outside of the direct control of the parent company in terms of

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4 According to this model (Nagai et al. 1993: 5-11), the degree of development of an SREZ is defined as “the extent to which the central region makes use of production factors in the adjoining regions.” Here, the “central region” refers to the “region of a country in which a production factor bottleneck occurs due to continued high levels of economic growth,” and “adjoining regions” is a term referring to “regions in which low cost production factors exist that also lag behind the central region in terms of economic development.”

production and sales (Nagai et al. 1993: 5-11).

Table 1 organizes the degree of development of East Asian SREZs according to this model. However, it is a simple comparison for grasping the characteristics of different SREZs and is not intended to be an empirical analysis using economic data.

Table 1. Developmental stages of SREZs in East Asia

Developmental Stage SREZs	Stage 1 (Cross-border trade)	Stage 2 (Contract processing)	Stage 3 (Direct investment)	Stage 4 (Localization)
SCEZ	██████████	██████████	██████████	██████████
SIJORI	██████████	██████████	██████████	██████████
GMS	██████████	██████████		
PYSR	██████████	██████████	██████████	
PJSR	██████████			

Source: Author's creation.

First, the earliest of the East Asian SREZs to emerge was the SCEZ. After the Chinese economy embarked on economic reforms in the first half of the 1980s, special economic zones (e.g., Shenzhen, Xiamen), 14 coastal cities (including Shanghai) and coastal deltas (including the Pearl River Delta), were designated as open economic areas. Making use of this opportunity, companies in Hong Kong rapidly advanced into the hinterlands of the Pearl River Delta for contract manufacturing and for the expansion of direct investment. With the normalization of relations with the U.S. providing a tailwind, Taiwanese companies—which needed to conduct entrepôt trade via Hong Kong—caused increasing activity in terms of direct trade and investment in Fujian (e.g., Xiamen) on the opposite shore of the Pearl River in Taiwan. In this way, the SCEZ deepened its interdependence with the global economy, and this seems to have created an integrated Chinese coastal economy. This zone, having developed

into a large production base in East Asia, has already reached the fourth stage of SREZ development and may be considered the prototypical model of an SREZ.

Next, we will consider SIJORI, the Southeast Asian SREZ that emerged in the 1990s. Singapore, which has an advanced industrial base, proposed a plan for SIJORI in 1989 to leverage a complementary relationship with the state of Johor in southern Malaysia and the Riau Islands Province of Indonesia, which includes the island of Batam. These are locations that have both labor and land that is cheap and plentiful. Subsequently, the development of the Batamindo Industrial Park on Batam Island proceeded, and investment in this area rapidly expanded as it grew into the next SREZ, following the SCEZ. By 2005, companies had gradually withdrawn because of the emergence of the Chinese economy. In recent years, however, with the advancement of the Iskandar Development Plan, which includes a portion of the state of Johor in southern Malaysia, investment in SIJORI has once again become active (JETRO 2015). Thus, SIJORI is also strengthening connectivity with the global economy and is considered to have reached the fourth stage of SREZ development.

Furthermore, the GMS is the focus of considerable expectation as an SREZ. The GMS originated in 1992 as a cooperative economic program under the leadership of the Asian Development Bank (ADB). Emphasis was placed on strengthening connectivity through improvements to transportation infrastructure over a wide area, and development has proceeded on the Kunming-Bangkok Expressway (which runs longitudinally through Indochina from Southern China to Thailand and Vietnam), the East-West Economic Corridor (which traverses the central portion of Indochina from Vietnam to Myanmar), and the Southern Economic Corridor (which runs along the southern

portion of Indochina from southern Vietnam to southern Thailand). On the intangible side, the Cross-border Transport Agreement (CBTA) has been concluded, and changes are proceeding for the rationalization and simplification of customs procedures, such as the mutual use of railroad cars (Sadotomo and Nakayama 2018). In particular, connectivity with Yunnan, China, and the Guangxi Zhuang Autonomous Region is deepening, and this SREZ is heading from stage 1 to stage 2 or 3. In the future, depending on the success or failure of development in the interior regions of China, there seems to be potential for the further fluidization of boundaries in the region.

In contrast to the SREZs described above, PYSR and PJSR are two SREZs that have been formed or proposed in Northeast Asia. Looking at the PYSR first, trade between China and South Korea increased rapidly starting in the latter half of the 1980s. With the normalization of relations between the two countries in the first half of the 1990s, the number of South Korean companies performing contract manufacturing and production in Shandong and Jilin began to increase. Moreover, since 1989, South Korean investments in China have increased. Accordingly, the PYSR moved through stages 1 and 2 in the second half of the 1980s, shifting to stage 3 and encompassing a wider economic zone after 1989 (Nagai et al. 1993: 10). After the 'southern tour' speeches of Deng Xiaoping in 1992, the PYSR began to integrate with the global economy just as the Chinese economy took steps to deepen its interdependence with the global economy.

At the end of the 1980s, using the opportunity of the *perestroika* policy of openness adopted by what was then the Soviet Union, plans for the PJSR emerged. This would encompass a new economic zone combining in a complementary manner the natural resources of the Soviet Union, the cheap labor forces of China and North Korea,

Table 2. A comparison of SREZs in East Asia

Main actors SREZs	Companies	Local governments	Central governments	International organizations
SCEZ	⊙ <sup>1</sup>	○ <sup>2</sup>	○	
SIJORI	○	○	⊙	
GMS	○	○	○	⊙
PYSR	○	⊙	○	
PJSR	○	⊙		○ <sup>3</sup>

1 ⊙ shows the leading actor and ○ shows participating actors.

2 The Chinese government views Taiwan as a local government.

3 The UNDP provides financial support for the Tumen River Area Development Plan.

and the capital and technological powers of South Korea and Japan. However, today, the PJSR has been limited to developmental stage 1. As described above, the conditions for a SREZ to take off are, first, the expansion of interdependence with the global economy and the economy of the larger region. Secondly, however, if we consider the essential nature of support for economic growth from a policy perspective, as long as a lack of diplomatic relations with the Russian Far East and North Korea continues, it will be difficult to achieve the creation of state-led intergovernmental cooperation and global economic penetration.

## *(2) Actors Participating in SREZs*

The process for forming an SREZ is typically thought of as a self-generated, corporate-led mechanism, premised on economical rationality. However, it actually involves various support systems and development policies, both formal and informal, implemented by national and international organizations, local governments, and other actors. Therefore, I will perform a comparative examination of the formation process for each SREZs from the perspective of the participating actors (see Table 2).



First, the SCEZ is a model of an SREZ generated by market leadership. As a background, difficulties existed in reaching formal, mutual agreements between the governments of China and Taiwan because of continuous and severe political antagonism. From the Chinese perspective, economic relations with Hong Kong and Taiwan were viewed as a singular policy for local economic stimulation. However, with the beginning of the Ma Ying-jeou administration in Taiwan in 2008, the three-links (trade, travel, and postal links) policy was actively promoted, and in 2010, the Economic Cooperation Framework Agreement (ECFA)—equivalent to a free trade agreement (FTA) between China and Taiwan—was officially concluded. Under the administration of the Democratic Progressive Party's Tsai Ing-wen, which began in 2016, the current situation is being maintained. The SCEZ, first launched through market leadership, is now reinforced by political support based on an official agreement between the respective governments.

Alternatively, one of the strongest components of SIJORI from its earliest stages has been its status as an official economic zone created from cooperative agreements at the central governmental level (Kanai 2017). Singapore's Goh Chok Tong, who was Deputy Prime Minister in 1990, concluded several agreements, including the Agreement on Economic Cooperation in the Framework of the Development of the Riau Province and the Agreement for the Promotion and Protection of Investment. In 1991, the leaders of Singapore, Malaysia, and Indonesia concluded cooperative agreements during their respective summit meetings, and in 1994, a memorandum on cooperation at the ministerial level was signed. The Iskandar Development Plan announced by Malaysia in 2006 is also a case of proactive participation in regional economic policy by a central government.

The GMS is also less of a market-driven economic zone than a wide-area development project promoted by the ADB, an international institution led by Japan. Approximately 10 billion dollars from 1992 to 2007, approximately 22 billion dollars from 2008 to 2012, and approximately 30 billion dollars from 2014 to 2018 have been invested. Furthermore, approximately 66 billion dollars of investment is planned from 2018 to 2022 (ADB 2018). Various international frameworks other than the GMS are gathering to be involved in development activities in the Mekong River basin, a situation referred to as ‘Mekong congestion.’ As the necessary capital for domestic development in the various countries of the Mekong River basin is insufficient, participation from countries outside of the region has become essential, and a conflict over leadership has occurred, primarily between Japan and China.

However, local governments in Japan have played a considerable role in the PYSR and PJSR. Since Chinese economic reforms were regularized in the 1990s and economic interdependence has deepened, local governments in Japan, expecting the international deployment of local companies, have become the standard-bearers for stages of development. Accordingly, they have promoted exchanges with regions on the opposite coast (for the PYSR, with local governments of northern Kyushu and Yamaguchi prefectures, and for the PJSR, with the local governments of the Hokuriku, Tohoku, and Sanin regions). With the political antagonism between countries caused by the vestiges of Cold War sentiments, support from central governments cannot be expected, and companies face difficulties in implementing self-generated economic activity. However, looking at later developments, although the expansion and deepening of interdependence with the global economy can be seen

in the PYSR, the economy of the PJSR has not yet taken off. While the reaction of the Japanese government has been slow regarding the PJSR, national institutions have set out to support the PYSR in concert with the efforts of local governments.

Examining the situation in this way, it seems that support systems generated by the efforts of national and international organizations and local governments, as well as coordination between such actors, are indispensable for SREZs to launch economically. Below, I will consider in more concrete detail the example of the PYSR, through a comparison with the PJSR.

#### 4. Case Studies of the PYSR

##### *(1) The Formation and Deepening of Local Government Cross-border Networks*<sup>5</sup>

A plan that called for the connection of the PYSR as a single economic zone was first proposed in the early 1990s by the International Centre for the Study of East Asian Development (ICSEAD), a think tank in Kitakyushu (now the Asian Growth Research Institute). In 1991, this center implemented a project stating that the PYSR had the potential to develop into an economic zone through future improvements in infrastructure and transportation systems and the use of such developments for interregional exchanges (Nishimura and Watanabe 1991). In light of this, the city of Kitakyushu encouraged mutual understanding with other major cities in the PYSR. To construct a system of cooperation between the cities, Kitakyushu organized the Pan-Yellow Sea City Conference (PYSCC) in 1991 in cooperation with the adjacent city of

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5 See the website of OEAED at <http://oeaed.org/>. Accessed February 8, 2019.

Shimonoseki by appealing to their sister cities. Participating cities included the Chinese cities of Dalian and Qingdao and the Korean cities of Incheon and Busan, as well as Kitakyushu and Shimonoseki, for a total of six cities from three countries. They began this effort by holding an intelligence council for academic experts and an economic council, primarily for individuals with ties to chambers of commerce and industry (Nishimura and Hayashi 1992). With the normalization of relations between China and South Korea in 1992, the momentum for increasing exchanges was heightened by top administration officials. Thus, in 1993, a mayoral conference was held. Through such efforts, development of an intercity network at the administrative level became a goal. The number of member cities expanded in 1994 with the addition of the Chinese cities of Tianjin and Yantai, in 1997 with the Korean city of Ulsan, and in 2000 with the Japanese city of Fukuoka, expanding to a total of 10 cities. During this period, the mayoral conference expanded to include exchange projects and jointly held environmental conservation seminars, youth sports exchanges, and economic exchanges, as well conferences held by research institutions. As the primary result of such efforts, cooperative projects were held in Kitakyushu to contribute to environmental conservation in Dalian (Osako 2005).

At the mayoral conference held in Incheon in 2002, it was agreed that the Organization for the East Asia Economic Development (OEAED) would be established to strengthen coordination between the mayoral conference and the economic council. Behind this decision were circumstances such as the rapid growth of the Chinese economy and China's entrance into the WTO, deregulation in South Korea, and movements for a Japan-South Korea FTA, resulting in the rapid development of coordination within the PYSR and the

expansion of its markets. In the 10 years since its inception, the biennial mayoral conference and the annual working conference produced a close-knit exchange, though the following must be acknowledged: 1. given the rarity of conferences, it was not possible to hold in-depth discussions or reach solutions for shared challenges; 2. the economic council had become isolated and was not facilitating active economic exchanges; and 3. a wall was being hit in terms of limitations at the governmental level for developing a leading intercity network for East Asia. The establishment of the OEAED was desired to provide a main body for promoting intercity exchanges. It would improve the functionality of the PYSCC in overcoming these types of problems, while also taking the international course of events into consideration, such as economic integration between Japan, China, and South Korea. With the ICSEAD as the core, research committees formed at research institutions in each member city were established as permanent institutions within the PYSCC; after a two-year examination period, in 2004, the establishment of the OEAED was agreed upon at the fifth mayoral conference in Kitakyushu.

The mayor and head of the chamber of commerce and industry in each city established an organizational conference as a decision-making body, and an executive committee was formed with officials from each city and executives from each chamber of commerce and industry. Additionally, four section meetings were established as operations departments for each type of important industry (international business, environment, logistics, and tourism). The Main Office for the Promotion of Section Operations was established as a supervisory department. Five important issues to be addressed in developing the PYSR were identified: 1. the creation and promotion of an East Asian FTA limited to the region, 2. the creation of a Pan-

Yellow Sea environmental model region, 3. the construction of a system for the generation of new business, 4. the development of a Pan-Yellow Sea tourism brand strategy, and 5. the formation of a platform for human resources development and technological exchanges. All of these goals were achieved and projects for each individual city to address in solving the associated challenges were undertaken. Moreover, signs of further expansion are being seen, such as the addition of the city of Kumamoto to the PYSR in 2015.

*(2) Toward a Support System by National Institutions*<sup>6</sup>

In concert with these movements led by local governments, national organizations began to get involved. For example, the Pan-Yellow Sea Economic and Technological Exchange Council was formed in 2001. This council, under commitments from governmental agencies of the three involved countries—such as the Japanese Kyushu Bureau of Economy, Trade, and Industry; the South Korean Ministry of Trade, Industry, and Energy; and the Chinese Ministry of Commerce and Ministry of Science and Technology—includes related municipal governments and economic groups, companies, researchers, and other actors as participating institutions. To improve economic and technological exchanges within the PYSR, this council aimed to establish multiple platforms for such exchanges by gathering related governmental institutions, municipal governments, economic groups, and so on, and to discuss policies in order to promote the expansion and facilitation of mutual exchanges and the mutual development of the PYSR.

The first meeting of the council was held in Fukuoka in 2001, and

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<sup>6</sup> See website of Kyushu Economy International (KEI) at <http://www.kyushu-kei.org/interactions/kankokai.html>. Accessed February 8, 2019.

it has convened in a different country each year on a rotating basis. In 2017, the 17<sup>th</sup> meeting will be held in Kagoshima City. This council holds business negotiation meetings to promote exchanges between companies, dispatch delegations, and encourage cooperative exchanges through the conclusion of the MOU between Japanese and South Korean clusters in the field of environmentalism, for example (the Kyushu Recycle and Environmental Industry Plaza and the ECO Executive Office of the Korean Industrial Complex Corporation). In addition, exchanges between universities are encouraged, as exemplified by the conclusion of a cooperative agreement between the Kyushu Institute of Technology and Changwon National University regarding the transfer of patents owned by universities to private enterprises.

### *(3) Comparisons with PJSR*

In the end of the 1980s, the Tumen River Area Development Programme (TRDAP), introduced under the United Nations Development Programme (UNDP), gained attention as a plan for the economic development of the Tumen River area through multilateral cooperation (Ding 1996). This area straddles the three countries of China, Russia, and North Korea. However, as it was not possible to raise the capital necessary for establishing the infrastructure and other projects, the TRDAP was never able to get off the ground, and it remained at a deadlock (Hughes 2002). In 2005, the organization was shifted to the Greater Tumen Initiative (GTI), and the target development area was expanded to the three northeastern provinces of China, the North Korean Rason Special Economic Zone, the eastern portion of Mongolia, the eastern coastal region of South Korea, and a portion of the Russian Primorsky Krai. Accordingly,

joint funding was organized.<sup>7</sup> In 2009, China published Essential Points Regarding the Tumen River Area Cooperative Development Plan, and expectations were raised because of the Changchun-Jilin-Tumen Development Plan's position as a leading open development district (a national level project). However, along with North Korea withdrawing from the project in 2009, Japan remains as a mere observer, and it is difficult to confirm the formation of an economic zone in the PJSR at this time.

In contrast to the TRDAP, there have been movements to form a regional cooperative framework led by local governments. An example is the Association of North East Asia Regional Governments (NEAR), formed in 1996 in North Gyeongsang Province, South Korea, represent one of these attempts.<sup>8</sup> NEAR's framework is the widest in Northeast Asia; in 2018, 78 regional governments from six Northeast Asian countries, including Mongolia and North Korea, participated. Active participants included Japan, Toyama, Shimane, and Hyogo. At present, NEAR is nothing more than an interactive forum, but in the future, policies to offset the limits of intergovernmental cooperation may be produced as a result of this association (Nakayama 2015).

The characteristics of the support system for the PJSR, compared with those of the PYSR, are, first, differences in the actors that have taken leadership roles. In the case of the PYSR, concerned municipalities, such as Kitakyushu, make decisions about development, and national agencies from Japan, China, and South Korea are participating. Conversely, in the case of the PJSR, there

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7 See website of GTI at <http://www.tumenprogramme.org/>. Accessed February 8, 2019.

8 See website of NEAR at <http://www.neargov.org>. Accessed February 8, 2019.



is no active support from the Japanese government, and even the cooperative relationships between regional governments—such as those of Niigata, Toyama, and Shimane prefectures—are not carried out satisfactorily. Second, while support systems and development policies are succeeding to some degree in the PYSR, in the case of the PJSR—even if a network linking local governments exists—, it at best functions to facilitate cultural exchanges and exchange experiences. Thus, it does not do anything more than promote a mutual understanding between different places. In light of these facts, it seems that cooperative relationships between central and local governments are important factors for controlling whether SREZs succeed.

## 5. Cross-border Cooperation between Local Governments in the PJSR

Cross-border cooperation between local governments in the PJSR has managed to deepen and expand; in fact, a loose institutionalization is apparent. In realizing the formation of a regional economic zone at the intergovernmental level, it is essential to assume the existence of this kind of cooperation between local governments in order to obtain a more accurate grasp of the real situation facing regional zones. Below, the actual situation of multilateral cross-border cooperation between local governments in the PJSR is organized.

### *(1) Expansion*

The origins of a cross-border network of local governments in the PJSR were the Japan-Soviet (now Russia) Coastal Mayors' Association

(JRCMA), launched in 1970, and the Conference of Japan Sea Coastal Cities for Japan-North Korea Friendship and Trade Promotion, launched in 1972. Both of these were started through initiatives of Niigata City, Japan. The JRCMA includes participation from 17 cities in Japan and 18 cities in Russia and has continued youth exchange programs, the dispatch of workers, and the submission of requests to governments and relevant institutions for more than 45 years, with the goal of promoting intercity friendship and economic exchanges.<sup>9</sup> The Conference for Japan-North Korea Friendship has acted as one of the few contact points for exchanges with North Korea.<sup>10</sup>

After the Cold War at the beginning of the 1990s, a network of local governments was gradually formed in the PJSR. In 1992, the Permanent Joint Committee Regarding Economic Cooperation was formed between Hokkaido and the Far East region of Russia.<sup>11</sup> At the initiative of Shimane Prefecture, the Conference of North East Asia Regional Governments also commenced. In 1994, at the initiative of Tottori Prefecture, Mongolia was added to the list of participating countries (i.e., Japan, China, South Korea, and Russia) to form five Northeast Asian governments. Subsequently, a discussion framework for local governments, the Summit for International Exchange and Cooperation of Regional Governments around the Sea of Japan (now in Northeast Asia) (SIECRGNEA)<sup>12</sup> was launched. In addition, as a four-

9 See website of JRCMA at <http://www.nichienkai.jp/index.html>. Accessed February 8, 2019.

10 However, at the Japan-North Korea summit in 2002, North Korea admitted to the abduction of Japanese citizens and was forced to suspend activities in 2003.

11 See website of Hokkaido government at <http://www.pref.hokkaido.lg.jp/ss/tsk/russia/russia/r-keizai/jousetugoudouinkai/index-ke.htm>. Accessed February 8, 2019.

12 Five participating regional governments from five countries include:

country network of cities, the Conference of Major Cities in the Japan (East) Sea Rim Region (CMCJSRR)<sup>13</sup> also began. In 1996, the Conference of North East Asia Regional Governments became NEAR.

Since the end of the 1990s, though new organizational efforts have slumped, the Japan-China-South Korea Three Country Symposium for Exchange between Regional Governments was held by international exchange organizations from each country (e.g., the Council of Local Authorities for International Relations (CLAIR), the Chinese People's Association for Friendship with Foreign Countries, and the Governors Association of Korea (GAOK)). It was an experiment aimed at providing support and economic stimulation from higher levels of government.<sup>14</sup> The Japan-South Korea Governors' Council, started in the same year, is a joint project by the National Governors' Association of Japan (NGAJ) and the GAOK. Further, the Japan-Russia Governors' Association, which began in 1968 but suspended activities in 1997, restarted in 2010, and in 2012, the Japan-China Forum for Governors and Provincial Leaders also began.<sup>15</sup> The Northeast Asian Mayors' Forum (NAMF) was launched in 2014 under

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Tottori Prefecture, Jilin Province of China, Gangwon Province of South Korea, Primorsky Krai of Russia, and the Töv Province of Mongolia. See the website of Tottori Prefecture at <http://www.pref.tottori.lg.jp/dd.aspx?menuid=37627>. Accessed February 8, 2019

13 Participating cities are Japan's Yonago, Sakaiminato, and Tottori; South Korea's Sokcho, Donghae, and Pohang; China's Hunchun, Yanji, and Tumen, Russia's Vladivostok, Nakhodka, and Khasansky District, and so on. See the website of the CMCJSRR at <http://www.city.tottori.lg.jp/kannihonkai/top.html>. Accessed February 8, 2019.

14 See website of CLAIR at <http://www.clair.or.jp/j/exchange/chiiki/index.html>. Accessed February 8, 2019.

15 See website of NGAJ at <http://www.nga.gr.jp/data/activity/international/index.html>. Accessed February 8, 2019.

the leadership of the Mongolian city of Ulaanbaatar.<sup>16</sup>

## *(2) Institutional Deepening*

The characteristics of the cross-border network of local governments in the PJSR are, first, that the member organizations extend over a variety of ranges. If they were to be classified according to country of affiliation, there would be those that bridge two countries (JRCMA, the Conference of Japan Sea Coastal Cities for Japan-North Korea Friendship and Trade Promotion, the Permanent Joint Committee Regarding Economic Cooperation between Hokkaido and the Far East region of the Russia Federation, the Japan-South Korea Governors' Association, the Japan-Russia Governors' Association, the Japan-China Forum for Governors and Provincial Leaders); those that bridge Japan, China, and Korea (Japan-China-South Korea Three Country Symposium for Exchange between Regional Governments); and those that bridge a wider area (SIECRGNEA, CMCJSRR, NEAR, NAMF). The various organizations have different scopes. If we focus on the initiative that led to an organization's founding, there are many cases in which each local government has led an organization as one method to encourage local economic activity, but in more recent times, cases in which organizations are deeply connected to national strategies have become more visible (e.g., the Japan-China-South Korea Regional Government Symposium, the Japan-South Korea Governors' Association, the Japan-Russia Governors' Association, and the Japan-China Forum for Governors and Provincial Leaders). These organizations can be used as platforms to construct cooperative

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<sup>16</sup> See website of NAMF at <http://neamf.ulaanbaatar.mn/>. Accessed February 8, 2019.

relationships between national and local governments.

Attention should also be paid to the fact that since the late 2000s, cross-border networks for local governments have achieved loose institutionalization (Lee 2010). After roughly 10 years of discussion, in 2005, a permanent office was established for NEAR in the city of Pohang in South Korea. The sub-committees for the promotion of individual projects have also expanded to 14 fields (see Table 3). The Logistics Sub-committee, International Personnel Exchange Sub-committee, and International E-Commerce Sub-committee, all newly established in 2017, were proposed by Chinese local governments. A proactive stance has been seen from China. Regarding financial systems, although a membership fee has been shelved, a system for the division of the costs of holding meetings has been instituted. Beginning in the mid-2000s, a network with other international institutions has also been initiated, and relationships have been built with the GTI and the UN Economic and Social Commission for Asia and the Pacific (ESCAP), the Assembly of European Regions (AER), and the R20 Regions of Climate Action.<sup>17</sup>

The development of this kind of loose institutionalization is aimed at strengthening the functions of NEAR as a cross-border network for regional governments. It can be surmised that NEAR has loosely begun to form the basis for implementing cross-border political devices to solve real challenges—that is, cross-border governance—rather than simply hold international meetings. In the future, if policies to offset the limits of intergovernmental cooperation are created, an international actor with autonomy, permanence, and influence may be involved.

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<sup>17</sup> See website of NEAR (<http://www.neargov.org/jp/>). Accessed February 8, 2019.

Table 3. Sub-committees of NEAR

Sub-committee <sup>1</sup>	Coordinating region	Year formed
1. Economy and Humanities <sup>2</sup>	North Gyeongsang Province	1998
2. Environmental	Toyama Prefecture	1998
3. Education and Cultural Exchange <sup>3</sup>	Shimane Prefecture	1998
4. Disaster Prevention	Hyogo Prefecture	1998
5. Oceans and Fishery	Shandong Province	2008
6. Tourism	Henan Province	2008
7. Mineral Resources Development and Coordination	Magadan Oblast	2010
8. Energy and Climate Change	Shanxi Province	2010
9. Life and Medical Industry	North Chungcheong Province	2011
10. Agriculture	South Jeolla Province	2011
11. Sports	Sakha Republic	2013
12. Logistics and Transportation	Heilongjiang Province	2017
13. International Exchange of Human Resources	Jilin Province	2017
14. International E-Commerce	Henan Province	2017

1 The Border Region Cooperation Sub-committee (formed in 2004, coordinated by Irkutsk Oblast), the Science and Technology Sub-committee (formed in 2006, coordinated by Gyeonggi Province), and the Women and Children Sub-committee (formed in 2010, coordinated by Dornod Province) had no organizations accepting the status as coordinating regions. Therefore, they were abolished in 2017.

2 The Economy and Commerce Sub-committee formed in 1998 was renamed in 2013.

3 The Cultural Exchange Sub-committee and Normal Exchange Sub-committee formed in 1998 were merged in 2008.

Source: Website of NEAR at <http://www.neargov.org>. Accessed February 8, 2019.

## Conclusion

In examining the prospects for the future of an institutionalized East Asian economic zone, first, the economic liftoff of these SREZs and the expansion of economic zones linked with the global economy should be recognized as methods for deepening functional cooperation (i.e., a bottom-up strategy)<sup>18</sup>. Although these regions, which have historically complicated circumstances, have been planned as artificial (i.e., top-down) communities in which the nation is the organizational unit, there is a strong possibility that regions in

<sup>18</sup> SREZs are constructed from possible regions and fields that are gradually developed until eventually a full-scale regional economic zone is formed. This is a multistage and multilayered approach (Ogawa 2004).

which no actual shared cultures and consciousness exist will collapse at the slightest sign of resistance. Along such lines, exchanges between locals that have historically conducted exchanges with each other—which, as a result, have become active exchange partners (or are highly likely to become active)—may be considered effective for establishing a shared sense of community.

Additionally, if the East Asian economic zone actually develops at the national level, then specific industries, such as those dealing with agriculture, forestry, and fishing, will be unable to avoid having a negative impact on local economies. Thus, correspondence of some form will be needed to accompany compensation, either before or after such negative impacts have occurred. In this sense, sub-regional exchanges between locals can be thought of as having a mitigating effect from a new, non-national scale on the negative impact of expanding regional disparities that accompany the formation of FTA.<sup>19</sup> In such a case, support for such initiatives from cooperating national and local governments would lay the groundwork for an East Asian economic zone.

However, the circumstances, even for SREZs, are diverse, and developing actual exchanges requires a variety of different factors. As such, a more accurate analysis of the actual situation facing sub-regions may be essential. Above all, the role of a local government in SREZ, which is the most important factor in the development of the PYSR, is crucial. Further, the political willingness of top officials

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19 The PJSR, unlike other “actually occurring sub-regional economic zones” that have been naturally occurring, has a strong “strategic” aspect to it, in which local government-led attempts are made to develop peripheral areas that have been relatively slow to develop (Hirakawa 2003).

of local governments to focus on conditions necessary for expanding trade and direct investment is also urgently required. Considering that even in the PJSR, which faces many challenges, expanding and deepening cross-border cooperation between local governments appear to make it possible to implement policies to offset the limitations of intergovernmental cooperation, which provides encouragement for the future.

In this way, the SREZs distributed throughout the East Asia, having emerged in new, cross-border spaces along the coastal rim, are likely to develop into international actors. Whether this is market driven or based on national strategies, the transformation of such SREZs into international actors foretells the organization of a new international system with multilayered and multi-centric characteristics.

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