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A comparative study of regional strategies of northeast Asian countries

Sichen Zhang
Institute of Northeast Asian Studies, Heilongjiang Provincial Academy of Social Sciences, Harbin, China; e-mail: sichenzhang@163.com

ABSTRACT
After the global financial crisis in 2008, the US and Europe have experienced anemic economic growth, whereas Northeast Asia has become the most economically dynamic region worldwide. The region faced such challenges as rapid economic globalization and regional economic integration, in-depth adjustment of global economic and trade patterns, the Obama administration's *Asian Pivot* strategy, and domestic economic transformations. To address these challenges, Northeast Asian countries put forward development plans and regional strategies: Japan's *Abenomics* since 2012; China's *Silk Road Economic Belt* and *21st Century Maritime Silk Road* since 2013; South Korea's *Eurasian Initiative* proposed by President Park Geun-hye in 2013; Mongolia's *Prairie Road* Plan since 2014; *Eurasian Economic Union* led by Russia since 2015; the TPP revived by Japan as CPTPP after the US withdrawal; and the *New North* policy proposed by South Korea's newly-elected president Moon Jae-in in 2017. These projects reflect the countries' determination to play a more active role in the bilateral and multilateral cooperation in the region. The regional strategies are shaped by each country's specific economic conditions, geopolitical and diplomatic needs. Although these strategies are somewhat competitive in such aspects as resources and influence, they also offer more prospects for cooperation and integration of regional economies.

KEYWORDS
Northeast Asia; regional strategy; comparative study; *Belt and Road* Initiative; Trans-Pacific Partnership; TPP

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Сравнительное исследование региональных стратегий североазиатских стран

С. Чжан
Институт североазиатских исследований, Академия социальных наук провинции Хэйлунцзян, Харбин, Китай; e-mail: sichenzhang@163.com

РЕЗЮМЕ
После глобального финансового кризиса в 2008 г. США и Европа столкнулись со снижением темпов экономического роста, в то время как Северо-Восточная Азия стала самым регионом с наилучшей динамикой экономики в мире. Регион столкнулся с такими проблемами, как стремительная экономическая глобализация и региональная экономическая интеграция, углубленная адаптация глобальных экономических и торговых моделей, стратегия администрации Обамы «Азиатская ось» и внутренние экономические преобразования. Для решения этих проблем страны Северо-Восточной Азии выдвинули ряд планов развития и региональных стратегий, среди которых: японская «Абеномика» 2012 г., китайские проекты «Новый шелковый путь» и «Морской шелковый путь XXI века» 2013 г.; южнокорейская «Евразийская инициатива»; монгольский план «Прейри-роуд» 2014 г.; «Евразийский экономический союз» 2015 г., возглавляемый Россией; обновленное после выхода США Транстихоокеанское партнерство; и, наконец, политика «нового Севера», предложенная недавно избранным президентом Южной Кореи Мун Чжэ Ином в 2017 г. Эти проекты отражают решимость стран играть более активную роль в двустороннем и многостороннем сотрудничестве в регионе. Региональные стратегии определяются конкретными экономическими условиями каждой страны, геополитическими и дипломатическими потребностями. Хотя эти стратегии несколько конкурируют в таких аспектах, как ресурсы и влияние, они также предлагают больше возможностей для сотрудничества и интеграции региональных экономик.

КЛЮЧЕВЫЕ СЛОВА
Северо-Восточная Азия; региональная стратегия; сравнительные исследования; Инициатива «Один пояс, один путь»; Транс-тихоокеанское партнерство (ТТП)

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Introduction

Throughout its history, Northeast Asia has been dynamically developing and has been an arena for complex relationships and geopolitical tensions. On the one hand, problems like North Korean nuclear weapons, island disputes, and superpower games create uncertainty of development; on the other hand, the centre of global economic growth is moving eastwards, which turns Northeast Asia into the locomotive of the world economic development. Countries in the region devised their plans of national development and regional strategies, which brought about a complex pattern of regional economic cooperation.

Regional strategies and the recent progress of Northeast Asian countries

In 2013, Chinese President Xi Jinping first proposed *The Belt and Road* Initiative, which focuses on the idea of peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit as the incarnation of the *Silk Road* spirit. The platform of the Initiative is provided by the Asian Infrastructure Investment Bank and the Silk Road Fund. The central concept for the Initiative is the *community of common destiny* [1]. Over the past four years, the positive role of the Initiative has become obvious as it gained the support of over a hundred countries. The Initiative differs from the existing rule-oriented regional cooperation mechanisms because it offers a new development-oriented mode, which provides Eurasian countries with an open platform for cooperation and integration of resources.

The Belt and Road Initiative comprises six economic corridors with China-Mongolia-Russia Economic Corridor as the cornerstone. In June 2016, the heads of the three countries – China, Russia, and Mongolia – signed the *Draft Plan of the Construction of China-Mongolia-Russia Economic Corridor*. Since then, the common concern of the three partner countries has become the question of how to integrate the *Belt and Road* Initiative, Russia's Trans-Eurasia Railway and Mongolia's Prairie Road. The Economic Corridor is expected to strengthen their trade relationships, facilitate the exchange of human resources and promote common prosperity; it serves as a model for strategic integration and cooperation between countries in Northeast Asia [2].

As a major economy, Japan is closely connected with the United States in the political sphere and in terms of security, which makes it difficult for Japan to find its proper place and identity and makes Japan sway between East Asia and Asia Pacific. From the *East Asian Community* to *ASEAN +6* (Comprehensive Economic Partnership for East Asia – CEPEA), from the Regional Comprehensive Economic Partnership (RCEP) to the Trans-Pacific Partnership (TPP), the constant goal of Japan's economic strategy is to fight for dominance in the trade of the Asia Pacific region. In March 2013, Shinzo Abe's administration, despite the protests of the domestic opposition, formally declared Japan's entry into the Trans-Pacific Partnership, the US-led twenty-first century trade agreement as its twelfth participant.

Japan is interested in the TPP not only because it seeks to dominate in the sphere of trade and investment but also because its government wants to counter the growing influence of China in Asia-Pacific, which coincides with America's *Asia-Pacific Rebalancing* strategy [3]. U.S. President Donald Trump quit the TPP soon after he took office in 2017. After that, Prime Minister Shinzo Abe in vain tried to persuade America to return. Failing to do so, he decided to *revive* the TPP. In November, the eleven remaining members decided that they would continue to move ahead without the US. A new free trade agreement *Comprehensive Progressive Trans-Pacific Partnership* (CPTTP) will be signed after the conclusion of negotiations. Although the scale of CPTPP has reduced significantly, Japan's intention to take the lead in this new Asia-Pacific economic cooperation system remains unchanged.

South Korea's *Eurasian Initiative* is an important international cooperation initiative and national development strategy, which was proposed by former President Park Geun-hye in October 2013. It aims to expand South Korea's foreign trade and promote the country's economic and trade cooperation with European and Asian countries for sustainable development of Eurasia [4]. As a neighbor and strategic partner of China, South Korea has been actively participating in China's *Belt and Road* Initiative. In March 2015, South Korea decided to join the Asian Infrastructure Investment Bank. South Korea is also actively involved in promoting the free trade agreement (FTA) between China, Japan, and South Korea. In December 2015, China-South Korea FTA came into effect, which had a positive impact on Chi-

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na-Japan-South Korea FTA negotiations and was beneficial for South Korea's economic integration in Northeast Asia. However, the influence of the situation on the Peninsula and the US-South Korean alliance have soured the close economic and trade relations between China and South Korea. In September 2016, South Korea, despite the strong opposition from China, Russia and other neighboring countries, allowed the US to deploy its THAAD missile system on its territory. Since then, the relationship between China and South Korea have deteriorated. In March 2017, the impeachment of President Park made the Eurasian Initiative face an uncertain future. In September 2017, the incumbent president Moon Jae-in introduced the *New North* policy, which aims to connect the Korean Peninsula, the Russian Far East, Northeast Asia and Eurasia continent. This policy is expected to enhance economic cooperation in the region, eventually resulting in an integrated regional organization similar to the EU, which would allow the countries to ease the geopolitical tensions and achieve common prosperity [5].

Russia is a big Eurasian country, whose economic interests are largely oriented towards the EU. Since 2014, the economic sanctions imposed by Western countries and the following economic downturn forced Russia to start seeking new strategic support and opportunities for economic cooperation in Asia-Pacific. In January 1, 2015, the Russian-led Eurasian Economic Union was established. It is expected that this treaty will lay the foundation for multilateral integration within the CIS region, compared to that of the European Union [6]. It is also planned that the Eurasian Economic Alliance will provide a free flow of goods, services, personnel and funds by 2025. The ultimate goal is to create a supranational alliance and to form a single market.

Russia has launched a series of projects to accelerate the development of the Far East, to stimulate the transition of the Russian economy and create a more advantageous environment for attracting investment from the Asia Pacific countries. In addition, Russia is also promoting economic and trade exchanges with China and other Asian Pacific countries, actively participates in the construction of China-Russia-Mongolian Economic Corridor, in the strategic integration of the *Belt and Road* Initiative and the Eurasian Economic Union. In June 2016, in his speech at St Petersburg International Economic Forum, President Putin called for the establishment of the Eurasian Partnership, which should include the Eurasian Economic Union, India, Iran, South Korea, China and CIS countries. The Eurasian Partnership is a logical continuation of the *Look East* strategy, expansion of the Eurasian Economic Union, and the companion volume of the *Belt and Road* Initiative [7].

Located between the two great powers of China and Russia, Mongolia occupies an important geographical position. In order to revitalize its economy, promote industrial innovation and develop its energy and mining industry, Mongolia proposed the *Prairie Road* plan in September 2014. The plan comprises five projects of building an expressway connecting Russia and China, electric circuit, natural gas and oil pipelines, and an electrified railway across Mongolia [8]. The idea behind the plan is to strengthen partnership with Eurasian countries in logistics, energy and trade and to integrate into the Asia Pacific economic through the construction of modern infrastructure. In May 2017, Mongolian Prime Minister Jargaltulga Erdenebat expressed willingness to participate in mutually beneficial cooperation within the framework of the *Belt and Road* Initiative. The two governments signed the memorandum of understanding *Integration of Mongolia's Development Road and China's Belt and Road*. *Development Road* is the new name for *Prairie Road* project, with the basic connotation unchanged [9].

A comparison of regional strategies and development trends of Northeast Asian countries

After the global financial crisis in 2008, the US and Europe experienced anemic economic growth, whereas Northeast Asia has become the most economically dynamic region worldwide. The region faced such challenges as rapid economic globalization and regional economic integration, in-depth adjustment of global economic and trade patterns, the Obama administration's *Asian Pivot* strategy, and domestic economic transformations. To address these challenges, Northeast Asian countries put forward development plans and regional strategies: Japan's *Abenomics* since 2012; China's *Silk Road Economic Belt* and *21st Century Maritime Silk Road* since 2013; South Korea's *Eurasian Initiative* proposed by President Park Geun-hye in 2013; Mongolia's *Prairie Road* Plan since 2014; *Eurasian Economic Union* led by Russia since 2015; the TPP revived by

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Japan as CPTPP after the US withdrawal; and the *New North* policy proposed by South Korea's newly-elected president Moon Jae-in in 2017. These strategies reflect the countries' determination to play a more active role in the process of bilateral and multilateral cooperation in this region [10]. The similarities and differences of these strategies are largely determined by each country's different economic, geopolitical and diplomatic needs.

The Belt and Road Initiative, covering more than 64% of the world's population, is the largest in scale since it is open not only for countries located along the Belt and Road but also for any other countries willing to participate. After the US quit the TPP, the new, Japan-led CPTPP now includes eleven members in Northeast Asia, Southeast Asia, Oceania, North America and South America. This organization follows the diplomatic concept of *global diplomacy* proposed by Abe's administration. The Eurasian Partnership led by Russia has expanded the geographical range of the Eurasian Economic Union from the six former Soviet Union countries in central Eurasia to all Asian and European countries and regional economic organizations. South Korea's *Eurasian Initiative* is focused on the Korean Peninsula, Russia and China, while the *New North* policy is designed to create an economic community extended to the Northeast Asia and even to Eurasia. Mongolia wants to play a more active role as the Eurasian land bridge which connects Northeast Asian countries with those in Central Asia, West Asia and Europe through the *Prairie Road* [11].

Unlike other FTAs in Asia Pacific region, the TPP has high standards on labour, the environment, rules of origin, intellectual property, and government procurement. Compared with the TPP, the *Belt and Road* Initiative is more development-oriented as it seeks to integrate the resources of regional countries and achieve common development and prosperity [12]. It is a global public product created by China and jointly built by the participating countries. Russia's Eurasian Economic Union is an institutional regional integrated cooperation organization system of high geopolitical significance. The Eurasian Partnership is an economic development initiative aimed at promoting integration in Eurasia. Both South Korea and Mongolia's development in Northeast Asia region is closely related to big power politics, which means that both of their policies seek strategic integration with China and Russia.

As for strategic goals, the TPP aims for bigger external markets, and more importantly, it seeks to establish new global trade and investment rules, play the leading role in Asia Pacific regional economic cooperation and counter China's growing regional influence in East Asia. The Initiative connects the development of China with countries along the Belt and Road through connectivity policies, infrastructure, trade, finance and people. By fostering interconnections and creation of a new open, inclusive, and balanced regional economic cooperation mechanism, the Initiative aims to form a mutually-beneficial community of interests or a *community of common destiny*. Russia's Eurasian Partnership puts the Eurasian Economic Union within a wider framework of Eurasian integration, treating it as an updated version of *Look East* strategy and as a part of Russia's long-term strategy for revitalization of the Far East [13]. The new President of South Korea Moon Jae-in's policy was designed to address the problem of policy is the escalating North Korean nuclear crisis. Thus, the aim of this policy is to alleviate the geopolitical tension in Northeast Asia, create favorable conditions for long-term peace and regional cooperation, and ultimately achieve common prosperity.

The *Belt and Road* Initiative has been implemented for four years now and comprises over a hundred countries and international organizations. More than 30 countries are involved into institutional cooperation and more than 40 countries and international organizations have signed cooperation agreements with China. Chinese enterprises invest more than 50 billion US dollars in the countries along the Belt and Road; they are building 56 economic and trade cooperation zones in more than 20 countries, thus creating a large number of jobs. The concept of building a *community of common destiny* through the construction of the Belt and Road is gaining more and more recognition and support in the global community.

In February 2016, the TPP agreement was signed by twelve countries representing about 40% of the *world's economic* output, which made the TPP the largest FTA in the world. After the withdrawal of the US, despite some pessimistic forecasts, the impact of the CPTPP on the Asia Pacific regional integration process is still tremendous. This effect is likely to persist even if the US never returns. In East Asia, Japan is also involved in RCEP negotiations and Chi-

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na-Japan-South Korea FTA negotiations. If the CPTPP is successfully signed and comes into force, together EU-Japan Economic Partnership Agreement (EPA), Japan will further enhance its economic influence in the world. This means that other East Asian countries should contemplate some countermeasures [14].

Compared with the *Belt and Road* Initiative and the TPP, other regional strategies attracted less attention from the outside world. For example, although the Eurasian Economic Union came into force three years ago, it was weakened by Russia's declining economy and Western sanctions, which made member states seek help from Europe and the United States. South Korea upgraded the Eurasian Initiative to the *New North* strategy, Mongolia changed the *Prairie Road* to *Development Road* in order to respond to the changing domestic and international situation better.

Although the regional strategies of Northeast Asian countries are competitive in terms of resources and influence, they also complement and support each other, so the collaboration space is far greater than that of competition [15]. China's *Belt and Road* has provided a new type of regional economic cooperation mode in Northeast Asia. Unlike the previous regional cooperation mechanisms, the *Belt and Road* is an open platform for cooperation, which enables countries with different development strategies to complement each other. The *Belt and Road* Initiative is connected with other regional projects seeking to enhance the countries' competitive advantages and help them build common interests: China's *Belt and Road* and Russia's *Eurasian Economic Union*; *Belt and Road* and Mongolia's *Prairie Road*; *Belt and Road* and South Korea's Eurasian Initiative, and China-Mongolia-Russia Economic Corridor. The coordinated development of each country should stimulate integration of regional economies and promote the Asia Pacific regional integration.

Conclusion

Although the US is not a traditional Northeast Asian country, its presence in the region must not be underestimated. Barack Obama's *Asia-Pacific Rebalance* strategy and the TPP agreements have profoundly affected the pattern of economic cooperation in Northeast Asia. At the beginning of 2017, when President Donald Trump took office, he announced his withdrawal from the TPP to fulfill the commitments of putting *America first* and *making America great again* that he had taken during his presidential campaign. In November, during his first trip to Asia, President Trump proposed the *Free and Open Indo-Pacific* strategy – an important symbol of his Asia-Pacific strategic readjustment. The strategy focused on India as an important strategic partner together with Japan and Australia, and was, therefore, welcomed in Japan. With the introduction of the concept of *Indo-Pacific* to replace *Asia-Pacific*, the focus of Asia-Pacific strategy has been extended to the Indian Ocean. India, which is enjoying a gradual rise in its economic and geopolitical importance, is used to reintegrated the geostrategic layout of the Asia-Pacific region. The change of the name from *Asia-Pacific Rebalance* to *Indo-Pacific*, however, does not mean that the US government have abandoned their goal to *contain* China's growth. At this stage, although the Indo-Pacific Strategy cannot yet be regarded as a mature regional strategy, we should not underestimate its impact on the process of the Northeast Asian integration. The main driving force behind the reform of the future order in Northeast Asia will be provided by the growing regional influence of China and the strategic choice of the United States.

Against the current slowdown in world economic growth and the rising anti-globalization sentiments, the economy of Northeast Asia, unlike the rest of the world, still maintains its vitality and growth. The year of 2017 saw many events that were important for economic and trade cooperation in Northeast Asia: for example, in May, China hosted the Belt and Road Forum for International Cooperation in Beijing, involving delegations from Japan and South Korea. At the Forum, it was announced that 76 major agreements had been signed and 270 deliverable results had been achieved. It was the first such official occasion when Japanese Prime Minister Shinzo Abe expressed his willingness to cooperate. Moreover, Japan sent the largest delegation of over 250 businesspeople from three major economic groups to China in November. In November 2017, the APEC Summit in Vietnam reaffirmed the commitment of its participants to supporting sustainable economic growth and cooperation. At the meeting of the RCEP participating countries, a joint statement was issued that the RCEP would conclude the negotiations in 2018, thus marking an important step towards signing a multilateral free trade agreement in the Asia Pacific region.

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U.S. President Donald Trump took the first Asian trip to Japan, South Korea, China, Vietnam and the Philippines. He signed cooperation agreements worth a total of 253.5 billion U.S. dollars during his visit to China, setting a new record of world trade and economic cooperation. Although economic and trade cooperation in Northeast Asia will still suffer from such negative factors such as the US-Japan-ROK military alliance, North Korean nuclear crisis, island disputes and so on, the overall trend is still favorable. Although the CPTPP led by Japan and the *Indo-Pacific* Strategy of the U.S. will add uncertainty to the process of regional economic integration in Northeast Asia, in the long run, the high-standard terms of trade advocated by the TPP will promote other FTAs in Asia-Pacific region. Looking ahead, it is highly likely that countries in Northeast Asia should continue to build common interests, promote modernization and coordinate their development strategies to ensure regional economic integration.

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Information about the author

Sichen Zhang – Research assistant of Institute of Northeast Asian Studies, Heilongjiang Provincial Academy of Social Sciences (No. 501 Youyi Road Daoli District, Harbin, China); e-mail: sichenzhang@163.com.

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