

ARTICLES

**A MONGOL'S VIEW ON ECONOMIC DEVELOPMENT  
AND COOPERATION IN NORTHEAST ASIA\***

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*What is Northeast Asia?*

The concept of Northeast Asia is of relatively recent vintage. While it has been in use in academic writings for some time, as a concept for policy making, particularly in economic matters, it did not start until just a few years ago.

This sub region consists of several countries and provinces with different levels of economic and political development. With regard to economics, Northeast Asia includes the Japanese superpower, China's investor-friendly North-east, the South Korean powerhouse, autarkic North Korea, the resource-rich Russian Far East and Eastern Siberia, and, last but not least, Mongolia, a country both rich in natural resources and well on its way toward a market economy. When it comes to political orientation, the spectrum is every bit as wide, including as it does the well-established democracy of Japan, the infant democracies of Mongolia and South Korea, and rigidly orthodox North Korea with an avowed open economic policy.

In addition to this economic and political diversity, we must add problems left over from the Cold War. Decades of armed confrontation and verbal demonizing cannot be swept away in just a few years; it will require our patient efforts to eliminate their baneful effects. Finally, the end of the Cold War has also caused major changes in the geopolitical landscape in Northeast Asia, and none is greater than those pertaining to the two external superpowers, the USSR and the USA. Russia, as the chief successor to the Soviet Union, has been increasingly preoccupied with its internal problems, and consequently has curtailed its activities around the world, including Northeast Asia. The United States, too, has scaled back its presence in some parts of the world, caused by, as in Russia, an increased focus on domestic affairs.

The diminished roles in the region played by the two major external powers have contributed to an increased sense of unpredictability in Northeast Asia and beyond. Of special urgency are questions about the nature of relationships

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\* This article has been adapted from a paper prepared for the sixth meeting of the Northeast Asia Economic Forum, Honolulu, Hawaii, and January 1996.

between the United States and Japan and China, between Japan and China, between North and South Korea, and China's relationship to the ASEAN countries. We should remind ourselves that "traditional geopolitical/strategic concerns have not evaporated in the post-cold war age, despite the reality of inescapable economic, environmental and cultural interdependence".<sup>1</sup>

*What does it take to Develop Northeast Asia?*

Turning now specifically to Northeast Asia, I wish to emphasize the importance of a "geo-economic" approach to this sub region. By this I mean that we should be concerned not only with political stability but also with economic development. The way to achieve this dual goal is to concentrate on the following:

1. To encourage central and local governments in developed countries, as well as their business communities, to assist developing countries in creating a favorable climate for foreign investments;
2. To strengthen the national economic and technological security of countries inviting foreign investment;
3. To have foreign investors respect to the greatest possible extent not only the laws but also all economic, environmental and psychological conditions of developing countries;
4. for developed countries to establish preferential customs duties and other tariffs for exports from developing countries, particularly from landlocked countries like Mongolia; and
5. to recognize the right of landlocked countries to transit to and from the sea without hindrance.

At the same time, there are several important responsibilities that developing countries must assume. They include but are not restricted to the following:

1. to maintain political stability and a high degree of predictability in all parts of their territories;
2. to create favorable conditions for foreign public and private investments, particularly in the areas of taxation, customs, and real estate;
3. to create economic systems that are maximally adaptable to international norms; and
4. to pursue an open policy toward all countries, as evidenced in the participation in international cooperation and regional integration.

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<sup>1</sup> Vera Simone and Anne Thompson Ferraru, *The Asian Pacific: Political and Economic Development in a Global Context* (New York: Longman Publishers USA, 1994), 302.

I believe the time has come for all countries of Northeast Asia to start making concerted efforts to overcome their differences and to greatly increase cooperation with one another. Scholars and politicians have repeatedly pointed out that the Northeast Asian countries have not only economic complementarities but also an increased will to pool their efforts in order to maximize the mutual benefits inherent in these complementarities<sup>2</sup>. In this connection, it is encouraging to note that over the past few years more border-crossing points have been opened, and border trade within Northeast Asia has been on the increase. At the same time, there have been more semi-official and non-governmental talks by representatives of all countries and provinces in this sub region. A recent report by the United Nations Economic and Social Commission for Asia and the Pacific concluded that in Northeast Asia “as a whole, the factors favorable to an enhanced level of economic cooperation outweigh the unfavorable ones and opportunities for establishing fruitful ties for joint activities in diverse fields are immense”<sup>3</sup>.

#### *The Tumen River Project*

Since the 1991 Ulaanbaatar meeting of the United Nations Development Program, the Tumen River Area Development Program has been successfully developed. The three riparian and two non-riparian countries have signed two legal agreements and a memorandum of understanding on the environment. The main objective of the program and subsequent documents is to transform the Tumen river area into international shipping, trading, and manufacturing base. It will eventually help Northeast Asia to ensure a sustainable and environmentally sound economic development. I believe that implementation of these agreements will largely depend on the political will of the governments who signed them to understand each other's needs and to facilitate cooperation between riparian and non-riparian countries. It is equally important that developed countries, like Japan, the United States, the Netherlands, France and others, as well as international organizations, especially financial ones, be made partners in the implementation process so as to facilitate the flow of financial resources and technological know-how. Provincial governments and the private sector could be of major help by taking the initiative for cooperation not only in the Tumen

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<sup>2</sup> Details can be found in many important studies and reports, including papers presented to the meeting of the Northeast Asian Economic Forum, the UN Economic and Social Commission for Asia and the Pacific, and studies about the economic development and cooperation in Northeast Asia, such as ST/ASCAP-1472 and E/ESCAP/SREC (7)2 of August 11, 1995, and E/ESCAP/SREC (7)1 of August 1995.

<sup>3</sup> ‘Strengthening of subregional economic cooperation in Northeast Asia’, E/ESCAP/SPES (7)2, p. 14.

River Development Program, but also in other projects. It should be noted in this context that the establishment of a Northeast Asian Development Bank, discussed at the most recent meetings of the Northeast Asia Economic Forum, has exceptionally high merit and ought to be discussed further.

*Mongolia's Development in the 1990s*

There is a growing consensus in the world today that optimal economic development is best served by a democratic form of government and a free market, and the trend has been in this direction. Mongolia is no exception. Since 1990, our country has developed into a politically pluralistic society, it has adopted an open and militarily non-aligned policy, and, compared to the time before 1990, its orientation has been more to Asia, especially Northeast Asia. In the economic realm, Mongolia's development prior to 1990 was based on the "non-capitalist way" imposed by the former Soviet Union. As a result, our economy became highly integrated with other centrally planned economies through the Soviet-led COMECON at the price of being isolated from Asian and Western markets. After a difficult period of transition, Mongolia's trade and economic relations have been vastly enlarged. Likewise, the macroeconomic situation in our country has been markedly improved, and for the second year in a row the national economy has registered some growth.

Table 1

**Major Economic Indicators of Mongolia**

	1991	1992	1993	1994	1995	95/94 (%)
Population (thousand)	2187.2	2215.0	2250.0	2280.0	2317.0	101.6
GDP (in 1993 prices, bln.tugriks)	198.3	171.4	166.2	170.0	180.7	106.3
GNP (in 1993 prices, bln.tugriks)	180.9	166.9	154.6	159.4	169.8	106.5
Export (mln.dollar)	348.0	388.4	182.6	367.5	511.6	139.2
Import (mln.dollar)	360.9	418.3	379.0	258.4	388.7	150.4
Inflation rate	52.7	325.5	183.0	66.3	63.1	-
Unemployment (thous.persons)	58.4	54.0	71.9	74.9	45.1	60.2
Large animals'	25.5	26.7	25.2	26.8	28.6	106.6

Source: Ardyn Erkh, January 10, 1996. p. 3

\* Large animals include horses, sheep, cattle, goats, and camels.

As Table 1 indicates, in 1994 and 1995 Mongolia's gross national product has increased, both in absolute as well as in per capita terms, trade has achieved a favorable balance, and the inflation rate and the number of unemployed have markedly decreased. There is every indication that these trends will continue in 1996. This country's economic progress is also impressive when compared with some of the other countries which switched from command economies at about the same time as Mongolia, as shown in Table 2.

Table 2

**Annual Change in GNP and Inflation Rates in Selected Countries, (in percent)**

GDP	Inflation rates							
	1991	1992	1993	1994	1991	1992	1993	1994
Azerbaijan	-0.7	-22.1	-23.3	-21.9	105.6	912.6	1129.7	1664.4
Kazakstan	-13.0	-14.0	-12.0	-21.0	91.0	1318.0	1659.0	1889.0
Mongolia	-9.9	-7.6	-1.3	+2.1	121.2	202.0	268.4	87.6

Source: EfeSCAP/SPEC (7)/1, p. 12.

These figures show that Mongolia has done much better than some of the newly independent states of Central Asia, but it should also be acknowledged that Laos and Vietnam have done still better than Mongolia.

*Mongolia's Geographical Orientation*

The comparison with Azerbaijan and Kazakhstan brings to mind the fact that Mongolia is sometimes considered to be part of Central or Inner Asia. While historically and geographically there is considerable though by no means incontestable merit to this interpretation, from the standpoint of our country's developmental strategy, Mongolia should not align itself with the countries to the west for some very important reasons. Central Asia is another landlocked area and thus hardly of any help to Mongolia which is trying to overcome its own landlocked predicament; all Central Asian countries have just recently become independent and thus lack the degree of international experience Mongolia seeks; the political and strategic situation in Central Asia is still far from stabilized; the Central Asian economies continue to be closely intertwined with that of Russia; and, finally, the infrastructure in Central Asia is as poorly developed as in Mongolia.

For these and other reasons, I argue that it would be much more to Mongolia's advantage to align itself with the Northeast Asian countries and provinces. It is widely expected that the Asia-Pacific region, of which Northeast Asia is an important part, will become extraordinarily important in the next century. In addition, Mongolia will come strategically under the economic "umbrella" of technologically advanced countries like Japan, South Korea, and the United States; it will have improved relations with the Russian Far East and China's Northeast as well as with North Korea; Mongolia's eastern part, where many of our country's mineral resources are located, can be made readily accessible to the rest of Northeast Asia by road and railway, thus giving Mongolia another access to the sea, perhaps through Tumen; and it will give Mongolia the opportunity to serve as a land bridge between Northeast Asia and Europe.

These are some powerful reasons for Mongolia to continue, indeed to deepen, its involvement in the activities of the Northeast Asia Economic Forum and other sub regional organizations.

### *Prospects*

On the whole, the prospects for sustained economic cooperation and development in Northeast Asia are good. I already spoke of the Tumen River project, the complementarity of the sub region's economies, and plans for a Northeast Asian Development Bank. At the same time, it is incumbent upon me to point out some of the potential dangers and roadblocks that we in this sub region may well have to face. There are continued uncertainties about the political and economic future of the Russian Far East and North Korea. We also do not yet know how much of a positive response Northeast Asia can expect from corporate and financial institutions in the developed countries. We should also candidly admit that we still do not have the requisite degree of trust among the sub region's countries needed for successful economic cooperation. That, in turn, has resulted in a certain lack of political will on the part of some governmental organizations. We also need to share more information about each other's plans and, perhaps, most importantly, there is a dire need for a much improved infrastructure in the sub region, by which I mean to include not only roads, railroads, and air routes, but also telephone, telegraph, FAX, and electronic mail capabilities.

May I conclude by stressing that this rather formidable list of problems is not intended to throw cold water on the idea of a Northeast Asian zone of cooperation? Quite on the contrary, it is intended to make certain that none of us, governments and concerned individuals alike, will have any unrealistically high expectations. In this way, I am certain we will be able to overcome any obstacles and achieve our common goal of a prosperous and cooperative Northeast Asia.