CHAPTER III

GROWTH TRIANGLES IN EAST ASIA

There are as many as six growth triangles in Northeast and mainland Southeast Asia. These are the Southern China Economic Zone (SCEZ), the Tumen River Area Development Programme, the Japan Sea Rim Economic Zone, the Yellow Sea Rim Economic Zone, the Golden Quadrangle of Mainland Southeast Asia or the Baht Economic Zone, and the Greater Mekong Sub-Regional Cooperation (GMS).

3.1 The Southern China Economic Zone

The Southern China Growth Triangle, the first of its kind in East Asia having been emerged in the 1980s, consists of three countries/parties - Hong Kong, Taiwan and the four Special Economic Zones (SEZs) in coastal South China. These four SEZs are Shenzhen, Zhuhai (Pearl River Delta), and Shantou of Guangdong province, and Xiamen in Fujian province. The areas of co-operation in this growth triangle are manufacturing, trade and service. This is predominantly a private sector-driven and non-formalised growth area. Despite political and ideological differences among the partners in co-operation, economic complementarities resulting in comparative advantages, geographical proximity and cultural affinity, and government support in the form of national policy framework facilitating economic linkages have mainly been responsible for its success.

Hong Kong, which prides itself on the excellence of its entrepreneurial class, infrastructure and financial hub, has been lacking in land and labour since the 1970s, sending the cost of doing business soaring and necessitating relocation of its manufacturing industries overseas. Taiwan has been strong in its industry sector but again the land and labour shortage factor forced it to relocate its traditional industries overseas. Hong Kong and Taiwan had enough of surplus capital to invest abroad. Mainland China's SEZs, with abundance of land and low-cost labour, were just those places to relocate industries
and invest extra capital. The three partners' geographical proximity and their ethno-cultural affinity had, of course, acted as a facilitating factor. All three co-operating parties have enormously benefited from the triangle of growth, reflected in the rise in their income levels, volumes of trade and investment, employment generation, infrastructure building, and relocation of manufacturing processes. Southern China Economic Zone has been a success story in sub-regional co-operation, despite problems like political instability, trade friction, evasion of controls, lack of planning in infrastructure, and inadequate technology transfer.16

3.2 The Tumen River Area Development Programme (TRADP)

Over the last decade or so there have been several initiatives for economic co-operation in the Northeast Asian region. The Tumen River Area Development Project has so far made more progress than the others have in the area. The Tumen River marks the border between North Korea and China, except the last 15 kilometres. The estuary of the river, located on the border of North Korea and Russia, empties into the Sea of Japan. The Russia Far East is endowed with abundant mineral resources like petroleum, coal and metal, and other natural resources like forests and fisheries. But it is critically short of capital, technology, and human resources. China has vast expanses of land suitable for industrial development as well as agriculture, and a huge but mostly unskilled labour force. North Korea is rich in minerals and timber, but it lacks the wherewithal to exploit them properly. Mongolia is suitable for agricultural and livestock development. Japan and Korea have the capital, technology and management know-how.

It is relevant here to recall that it was Mikhail Gorbachev, the last President of the former Soviet Union, who mooted the idea of Northeast Asia economic co-operation first in his famous Vladivostok speech in July 1986 and then in his Krasnoyarsk speech in September 1988. He had offered to open up his country's regional economies to the outside world but nothing much happened in the 1980s in this regard.

However, since 1990 several international seminars have been held to discuss plans to develop the area through sub-regional co-operation. China expressed its interest in the development of the area in the Northeast Asia Economic Development Conference held in Changchun, China, in July 1990 and she presented a plan at a seminar in Tokyo in June 1991. Having had discussions with the United Nations Industrial Development Organisation (UNIDO), the Soviet Union followed suit as it presented a plan for the "Greater Vladivostok Free Economic Area", designating three international ports, such as Nakhodka, Vladivostok, and Posyet. The North Koreans, who were not to be far behind, also designated the Rajin-Sonbong area as a free economic and trade zone (FETZ).

Then came in the United Nations Development Programme (UNDP) in July 1991 on the basis of agreements reached with China, the two Koreas, Japan, Mongolia, and later with Russia. The UNDP report was quite optimistic in that it held the view that the Tumen Delta area could be a future Hong Kong, Singapore or Rotterdam in terms of the potential for entrepot trade and related industrial development. The report called for the development of infrastructure and transportation networks in the area, with the objective of facilitating joint exploitation of resources, and trade and industrial development. The idea was...


to open up regional borders and build a new port at the river mouth, 11 specialised harbours and a Trans-Eurasia rail hub.

The 1991 UNDP report estimated that the development programme would cost about 30 billion US dollars only for developing such infrastructure as ports and other transportation facilities. However, despite politico-security and economic problems relating to the Korean peninsula hotbed and the Russo-Japanese uneasy relations over the Kurile Islands issue, the countries concerned came to some sort of institutional arrangement in December 1995. Three years of tortuous talks culminated in three pacts, signed by representatives from Russia, China, North and South Koreas and Mongolia, setting up inter-governnental organisations for co-ordinating the development projects. The accords were signed at the end of a meeting of officials from the five nations. The talks resolved the outstanding differences on such issues as the timetable, action plan and budget for the second phase of developing the Tumen River area.

The new accords set out a framework for sustainable economic and social development as well as a consultative commission to promote investment, technical co-operation and environmental protection, and a separate co-ordinating committee for trade and investment. The signatories were to set up administrative office staffed by their own representatives. However, with the political problems in the area still persisting and resource mobilisation being inadequate, as the United States, Japan and the European Union seem to be rather reluctant to commit financial support to the TRADP, the progress in the Programme has understandably been slow. Remarkably, Japan is conspicuous by its absence as a signatory to the agreements signed for the development of the TRADP.

3.3 The Japan Sea Rim Economic Zone & The Yellow Sea Rim Economic Zone

The attempts at sub-regional economic co-operation along the Japan Sea and the Yellow Sea rims have been in response

to the market forces and private sector initiatives. The areas on the rim of the Sea of Japan are Russia far East, north-east China, the two Koreas, and, of course, the western prefectures of Japan. Although Japan’s concerned areas are eager for economic co-operation with the other littorals, the central government of Japan is not known to have officially made any major commitments to the sub-regional co-operative venture involving itself with others in the immediate physical proximity.

The littoral areas of the Yellow Sea include Northeast China (namely the Bohai region, Shandong and Liaoning peninsula), North and South Koreas, and Southwest Japan. As Chia maintains, the changing geopolitical and economic environment has stimulated interest in reviving the historical trade and cultural exchanges of the Yellow Sea rim. South Korea appears to be more interested than the others in forging closer relations with Chinese provinces across the Yellow Sea, where as many as two million ethnic Koreans live. South Korea’s trade and investment with the above mentioned Chinese provinces have substantially increased over the last decade or so, with China exporting coal, petroleum, building materials, animal feed and textiles and South Korea exporting steel and electronic products. Direct sea routes, charter freighter operation, and car ferry lines have been established between the two countries. Potential for co-operation in other areas, such as tourism, between them also looks bright, given their ethno-cultural and historical ties.20 But the need for infrastructure development would most likely require additional money and efforts.

3.4 The Golden Quadrangle of Mainland Southeast Asia

Two of the strands in Thailand’s foreign policy, enunciated in 1988, were to turn Indo-china from a "battleground into a marketplace" and to remove the stigma of the infamous Golden Triangle. As such, Thailand mooted the idea of the Golden Quadrangle in 1992 for sub-regional co-operation among itself, Laos, the Yunan province of China, and Myanmar. The facilitating factors were a relatively more relaxed political situation in the area and the economic reforms in some of these

20. For more on this see Chia Siow Yue, "Motivating Forces in Subregional Economic Zones", op. cit., p. 9.
countries in the post-Cold War period, resulting in rapid growth in border trade. Another welcome factor was the wide use of the Baht, the Thai currency, as a transaction currency in the bordering areas. Due to this reason, the Golden Quadrangle of mainland Southeast Asia is also called the "Baht Zone".

As succinctly put by Than, the objective of the Golden Quadrangle is to formalise and develop the existing cross-border trade, tourism and transport links among these four countries. He illustrates in his study the existing factors that support the growth of sub-regional trade, tourism and transport links, such as "close historical ties and geographical proximity, existence of old trade routes, cultural and ethnic affinities, post-Cold War thawing of political tension and economic liberalisation in these participating countries...". Although the venture is government-initiated, the role of the private sector is significant in that the latter manages most of the cross-border trade. However, there are certain adverse consequences of the opening of the border areas. These are environmental degradation, illegal labour movement, refugee movement, cross-border prostitution and other crimes, skyrocketing land prices, iniquitous economic growth with racial dimension, and the possibility of "the flow of goods at borders [favouring] China and Thailand, by siphoning out precious raw materials for a flood of consumer goods". Be that as it may, mainland Southeast Asia's sub-regional co-operation arrangement appears to have a promising future as it has already shown the signs of movement of goods, capital and people increasing.

3.5 The Greater Mekong Sub-Regional Co-operation (GMS)

The Mekong is one of the greatest rivers in the world. The 4,180-kilometre river originates in Tibet and flows through Yunan province of southern China and along the Myanmar-Laos and Laos-Thailand borders before passing through

22. ibid. p. 33.
23. ibid. pp. 34-35.
Cambodia and southern Vietnam into the South China Sea. The Mekong River and the complex network of its tributaries and distributaries are a huge natural reservoir of water resources for these six riparian countries. The Mekong basin, one the poorest areas in the world, could immensely benefit from the common resources if these could be exploited for power generation, agricultural development, fish, forestry, water transport, etc. Since these countries are poor in infrastructure, financial and technical resources, they are in need of massive external assistance in this respect.

The four lower Mekong basin countries - Cambodia, Laos, Thailand and Vietnam - established in 1957 a multilateral arrangement called the Mekong Committee. The main objective was to "seek funding from international and regional agencies and donor countries", while the main areas of work included "hydroelectric power generation, irrigation, flood control measures, drainage, navigation improvement, agriculture, watershed management, fisheries and water supply projects". But, as is well known, Indo-china soon sank into the quagmire of political crises and wars and became a pawn in the zero-sum game of the ideology-induced bilateral power politics of the then super powers.

Things began to change for the better in the post-Cold War era with renewed interest in developing the Mekong River basin. The Manila-based Asian Development Bank (ADB) became involved. The newly formed Mekong River Commission (MRC), representing the four lower riparian countries of the Mekong - Cambodia, Laos, Thailand and Vietnam - drew up a plan in 1995 for sustainable development in the area. The plan was to spend US$232.32 million in 1996 on 94 projects and activities ranging from studies on hydroelectric dams to navigation schemes and agriculture. More than three-quarters of the projects earmarked for 1996 were basin-wide and designed to help the region's fragile economy grow in a way that did not impoverish its people or destroy its environment. In November 1995, the Mekong basin received a major boost when 18 donor countries and agencies had agreed to support the plan for sustainable development in the area. The biggest individual foreign donors were Denmark, Sweden and the Netherlands.

followed by Japan, South Korea as well as the UNDP, the World Bank, the ADB, and the Food and Agriculture Organisation of the UN. Then the MRC also set up a formal framework to meet donor nations each year to agree on the objectives for further development.²⁵

The ADB involvement in the Mekong basin sub-regional cooperation is significant. It launched the Economic Co-operation Forum in 1992, with a view to identifying projects for bilateral or multilateral development, either by public or private sectors or a combination of both. With the ADB help, the six member governments of the Greater Mekong Basin countries singled out 77 priority projects in 1995 for co-operation in six areas - transport, energy, environment, trade and investment, human resource development and tourism. One possible joint project is the construction of 1,000 kilometres of roads connecting Bangkok, Phnom Penh, Ho Chi Minh City and Vung Tau in southern Vietnam. Telecommunication projects have also been under study. The ADB contribution amounted by the end of 1995 to US$280 million in loans for road, air transport and energy projects and it extended another US$7.6 million in technical assistance to members. The six member countries, which displayed commitment to the ADB co-ordinated Economic Co-operation Forum, also recognise the role of the private sector as they have urged the private businessmen to invest in the Mekong area. Thailand has been trying to float the Indo-china Development Fund with US$200 million.²⁶

On the other hand, the ASEAN leaders have responded favourably to a proposal by Singapore’s Prime Minister, Goh Chok Tong, that the group should co-operate in developing the Mekong basin. He noted that if ASEAN was confident about the opportunities and stability in the region, it could help the private sector to create an infrastructure fund specially dedicated to those countries.²⁷ Indeed, ASEAN itself has subsequently identified two projects involving a Trans-Asian railway link from Singapore to Kunming and a gas pipeline linking the old ASEAN with Cambodia, Laos and Myanmar.


This, in effect, is likely to work as collaboration and guarantee by the ASEAN states for areas where investors and MNCs are hesitant.\textsuperscript{28}

On 5 April 1995, Cambodia, Laos, Thailand and Vietnam signed a 42-article \textit{Agreement on Co-operation for the Sustainable Development of the Mekong River Basin} to launch a new era of co-operation in the lower basin of the Mekong River. This would allow the member countries to exploit the vast resources of the international waterway on the basis of "reasonable and equitable use" of the water in the Mekong. The Agreement would give the signatories greater freedom to make use of resources in the Mekong compared to the two previous agreements that would be scrapped. They also approved a draft plan to develop the Mekong River jointly in the wake of their historic agreement on common usage of resources in the waterway. The draft plan included projects on flood control, navigation, fisheries, human resource training and building dams on river branches and the main river. The working blueprint had two dimensions: Basin-wide schemes whose implementation needed consent from other member-countries and national projects that could be carried out by each nation unilaterally. The governments of the four nations could now start soliciting funds from donors for their projects.

Under the new Agreement signed in the northern Thai province of Chiangrai, dam building on the mainstream Mekong would require consultation with other members. If the dam is to be used to divert water from the Mekong to other basins during the dry season, the proposing country needs approval for the project from the other three. But in general, the Agreement allows the four signatories a great deal of liberty to use water in the river. The Agreement also bars one country from vetoing the projects of the others. The group has a ministerial level policy making council and a joint committee consisting of experts created to aid the ministerial body. There shall be a secretariat of the group, which would be run by a Chief Executive Officer (CEO).\textsuperscript{29}

\textsuperscript{28} Linda Low, "Rethinking the IMS-Growth Triangle", \textit{Trends/The Business Times}, Singapore, 30-31 August 1997.

\textsuperscript{29} \textit{The Straits Times}, Singapore, 1 March, 8 and 10 April, 19 October and 10 November 1995.
No co-operation process goes as smoothly as planned or expected. And indeed China is perceived to have been creating some problems with its Mekong-dam plans to the four lower riparian countries. The concern is about the possible water-level changes due to China's plan to build 15 major hydroelectric dams on the Mekong River's upper reaches. All in all, the Mekong Six appear to have to go a long way indeed before they could reap tangible benefits from sub-regional co-operation in the Greater Mekong basin.