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# Problems of the socioeconomic development of the border territory of the countries of Northeast Asia and their influence on the international integration of peripherals

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## Abstract

The article studies the problems of the socioeconomic development of the border territory of the countries of Northeast Asia (NEA) and its influence on the international integration of peripherals in Asia. The study starts from the assumption that the international integration of border areas depends on the presence of certain factors in the development of these territories.

At a methodological level, various tools of geopolitical and geostrategic analysis were used in the coordinates of interdisciplinary dialogue, also using theoretical and methodological devices from various disciplines such as: the humanities, international relations, economics, and socioeconomic geography. The discrepancy between the national average development indicators is typical of the border periphery of all Northeast Asian countries. The findings obtained allow us to conclude that the territorial disparities revealed in the course of the study are manifested in all areas of social relations (demography, economy, management, infrastructure). Despite the peripheral / border areas function in different natural, economic, and political conditions and have different traditions of economic development. However, the structure of development problems, in general, has similar mechanisms of influence in the processes of economic integration in this region of the world.

**Keywords:** integration problems; peripheral territories; Northeast Asian borders; cross-border region; international economic integration.

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## *Problemas del desarrollo socioeconómico del territorio fronterizo de los países del noreste asiático y su influencia en la integración internacional de periféricos*

### **Resumen**

El artículo estudia los problemas del desarrollo socioeconómico del territorio fronterizo de los países del noreste asiático (NEA) y su influencia en la integración internacional de periféricos en Asia. El estudio parte del supuesto de que la integración internacional de las zonas fronterizas depende de la presencia de ciertos factores en el desarrollo de estos territorios. A nivel metodológico se hizo uso de diversas herramientas del análisis geopolítico y geoestratégico en las coordenadas del diálogo interdisciplinario utilizando además dispositivos teóricos y metodológicos de diversas disciplinas como: las humanidades, las relaciones internacionales, la economía y la geografía socioeconómica. La discrepancia entre los indicadores de desarrollo promedio nacionales es típica de la periferia fronteriza de todos los países del noreste de Asia. Los hallazgos recabados permiten concluir que las disparidades territoriales reveladas en el curso del estudio se manifiestan en todos los ámbitos de las relaciones sociales (demografía, economía, gestión, infraestructura). A pesar de que las áreas periféricas / fronterizas funcionan en diferentes condiciones naturales, económicas y políticas y tienen diferentes tradiciones de desarrollo económico. Sin embargo, la estructura de los problemas del desarrollo, en general, tiene similares mecanismos de influencia en los procesos de integración económica en esta región del mundo.

**Palabras clave:** problemáticas de la integración; territorios periféricos; fronteras del noreste asiático; región transfronteriza; integración económica internacional.

### **Introduction**

Peripheral regions are traditionally viewed as the regions with disadvantages due to poor accessibility to large markets and low population density, which limits the development of economic processes. Regional authorities in these territories face difficulties in adequate social service provision due to low business activity and limited income. Border zones, in turn, are often defined as “periphery of the periphery” due to their remoteness from economic centers, lack of jobs and problematic development trajectories.

The governments of the countries that make up the cross-border regions consider the international environment as a resource for their development, but, often, integration stalls or goes into a format that is contrary to national interests. Thus, the macro-region as a whole and the border territories of the state's present there remain underdeveloped, as happened in the case of the countries of the Sea of Japan. Within the framework of this article, we tried to establish the problems of socio-economic development that are characteristic of border areas in Northeast Asia and make the constraining factors of cross-border integration.

## **1. Method**

The goal stated in the article can be solved on the basis of an interdisciplinary approach using theoretical and methodological tools of various disciplines: the humanities of international relations, economics, and socio-economic geography. At the same time, interdisciplinarity determines the variety of methodological approaches used in the study:

- the theories of “new regionalism” are characterized by a complex nature, increased attention to regional identity, the changes in the world economy, and the growing role of non-governmental actors. They are well suited for interpretation, analysis, and comparison of integration processes at the regional level.
- the world-system approach is a fruitful method for studying the processes of international economic integration of peripheral territories, because it allows us to consider the political and economic processes through the prism of the market world-economy evolution, primarily in terms of the “core” and “periphery”.
- the economic-geographical approach makes it possible to single out territorial structures of different ranks, to assess the factors, conditions, and trends of their dynamics, and, first of all, relative to the processes of socio-economic complex formation.

## **2. Results**

### **2.1. Problems of socio-economic development of the NEA country periphery**

The Far East of the Russian Federation is formed by 11 administrative entities that make up the Far Eastern Federal District (FEFD). The regional specificity of the economic development of the region forms similar problems of socio-economic development concerning the constituent entities of the district. These problems include:

1. Small amount of population. Occupying more than 40.6% of the territory of the Russian Federation, only 8.18 million people live in the Far Eastern Federal District, which is about 5.5% of the country's population.
2. Negative migration balance with relatively high mortality and low fertility. During the first half of 2019, 22.2 thousand people were born, and 26.4 thousand people died in the Far East (Lebedinskaya *et al.*, 2018). And if in previous years the natural decline was compensated by immigration, then during the last year the natural population losses are not compensated by mechanical growth.
3. Weak infrastructure of transport, energy, and communications. There is a lack of internal transport communications, which increases the transport costs of producers, making their products uncompetitive, and complicates the development of regional forms of economic cooperation (Mindlin *et al.*, 2017).
4. Sectoral disproportion of the regional economy in favor of the raw materials sector. In the conditions of market relations, the disproportions in the sectoral structure are increasing. If in 2005 the share of extractive industries accounted for 14.9%, in 2010 it reached 24.3%, and in 2018 - 28.2% (Federal State Statistics Service, 2018).
5. Overcentralization of regional policy and the growth of “development bureaucracy” instead of delegating powers to local authorities and state regulation weakening.

### **2.1.1. People's Republic of China**

Historically, three provinces Heilongjiang, Jilin, and Liaoning, known as Inner Manchuria or Dongbei, form the northeastern periphery of China (“rust belt”). The main problems of their development may include the following:

1. Demographic potential decrease. More than half of the region 85 cities are facing population decline, exacerbated by low fertility, and aging of population. It is estimated that over the past decade about 1.8 million people left the Northeast (Elaine, no date).
2. Inefficient / outdated sectoral structure of the regional economy. Most of the economy is state owned. This problem has two aspects. The first is associated with the prevalence of outdated technologies and industries. The second aspect is the domination of large state-owned enterprises (SOEs), which do not adapt well to market conditions.

3. The economic downturn caused by the depletion of the old resource base. The volume of industrial production is sharply reduced in the cities specializing in the development of natural resources. Thus, there is a steady outflow of residents to more developed regions of the country for the search of work and better living conditions.
4. The overload of enterprises with a social burden. The current assets of most SOEs are associated with huge unproductive costs due to significant social obligations.
5. Preservation of state planning elements in the economy. According to both Chinese and foreign experts, the preservation of the state planning mindset in the northeast impedes change and creates an unfavorable business climate.

### **2.1.2. Japan**

The uneven economic development of the territory of Japan is conditioned by both historical and geographical factors. Over the past fifty years, not only economic centers have been created, but also the economic periphery of Japan. It includes Hokkaido, Tohoku, Chugoku, Shikoku, and Kyushu. The main problems associated with leveling the disparities in the socio-economic development of the Japanese periphery include the following (System of Social and Demographic Statistics, 2018):

1. Outflow of local production factors - capital and labor resources to more developed and dynamically developing regions of the country.
2. Decrease in demographic potential due to population aging and migration outflow. Negative demographic processes are typical for Akita (5.2%), Aomori (4.4%), and Kochi (4.0%) prefectures. The concern about population reproduction is caused by its age structure. The percentage of age groups is the following: up to 15 years - 13.2%; 15 - 64-year olds - 63.8%; 65 years and older - 23.0%.
3. Low rates of economic growth and reduced investment attractiveness of peripheral territories.
4. Preservation of imbalances in the sectoral structure of the economy with the preservation of a high proportion of those employed in agriculture. As of 2010, the gross agricultural product produced in the peripheral regions amounted to 3.5% of the GRP, with 17.8% employed in agricultural production, while in the central prefectures this indicator made 1% and 3.5%, respectively.

5. Low level of self-sufficiency of the country with food. In 1965, food self-sufficiency ratio in Japan was 86% (as the ratio of food produced and consumed). Due to the outflow of labor and financial resources from the agricultural periphery of the country, the level of food security dropped to 66% by 2015 (Markaryan, 2017).

### 2.1.3. South Korea

1. Territorial imbalances in economic development. The economic development of RK is proceeding, first of all, along the Seoul-Busan line, other regions, especially the North-East and South-West, are lagging behind. The economy declined, living conditions deteriorated, incomes and the quality of jobs dropped in rural areas and small towns, without central regulation and stimulation.
2. Outflow of the resident population from peripheral areas. The peripheral regions of the Republic of Korea have a negative migration balance. More than 90% of the inhabitants of the Republic of Korea live in cities, and about half of the country population is concentrated in the metropolitan agglomeration, which accounts for only 13% of the land (Kim, 2016).
3. Aging of the resident population. Low fertility and long-life expectancy are common problems in South Korea, but they are most acute in the periphery. As young people strive to make a career in big cities, the concentration of retirees is increasing in the periphery.
4. Aging of fixed assets and production infrastructure. Many capital buildings, industrial buildings, land roads and marinas in the periphery became unnecessary when South Korea economy became specialized in high value-added goods and services.
5. Weak foreign economic ties. Peripheral regions are poorly included in global production networks. National chaebols and foreign TNCs are focused on large cities exclusively.
6. The threat of war with North Korea. Constant military readiness in the border counties of South Korea is implemented through strict administrative control that restrains economic activity (Kang, 2018).
7. Chinese Korean ethnic tensions in Jeju. After the liberalization of economic activity regime for foreigners, Jeju has become popular among the citizens of the PRC. In addition, the participation of Chinese capital in construction, tourism and services has become noticeable. The dominance of the Chinese in the local economy causes discontent among the indigenous people (Choe, 2015).

8. Disproportions in the placement of objects of science and education. The best universities, research centers, research laboratories of large companies are concentrated in the capital region and in Pusan, which additionally stimulates the outflow of young people to large cities (Jang, 2009).

#### **2.1.4. North Korea**

1. Poor development of infrastructure for roads, electricity, and communications. Regional highways in the DPRK are mostly unpaved, the speed of trains is no more than 30 km/h, and the power supply is usually modest.
2. International economic sanctions. In order to restrain the development of the nuclear missile program, the DPRK was imposed by the UN sanctions and by unilateral sanctions of the United States, Japan and South Korea, which limit the possibilities of international economic cooperation (Kozlov, 2018).
3. Dependence of inter-Korean economic ties on the change of power in South Korea. As a rule, the democratic governments of South Korea try to improve the relations with the DPRK through joint economic projects, while conservative governments usually lead to cooperation freeze (Zakharova, 2016).
4. Poor investment climate. In addition to sanctions, foreign business is confused by the frequent failure to fulfill obligations by North Korean counterparties and the authorities, difficulties with the withdrawal of profits from the DPRK, the dependence of investment projects on hidden and informal internal political processes, and poor development of the regulatory framework and infrastructure for the DPRK foreign economic activity.
5. Dominance of Chinese business in foreign trade. Today, China accounts for more than 90% of the DPRK foreign trade. In the borderlands, Chinese capital is represented in the Sinuiju and Rajin FEZs. In 2010, the agreements were concluded between the PRC and the DPRK on the development of Sinuiju and Dandong according to a general plan (Kim, 2013).



## **2.2. Systematization of typical problems of socio-economic development in peripheral territories of NEA countries**

The entire set of problems that determine the nature of the socio-economic development of the peripheral territories of the Northeast Asia countries can be conditionally divided into five areas: demography; economy; control; infrastructure. The processes determined by international integration are in the focus of our attention. In this regard, we were faced with the following task: to determine the problems of the areas which are most elastic to the changes in international integration process intensity.

The demographic problem is common to all peripheral territories, regardless of nationality. Stagnation in the economy, the depressive state of social life, determine the negative demographic trends. The main ones include low birth rates, the population aging, and the population outflow to more developed regions of the country. The intensity of these processes differs from country to country. However, the presence of demographic problems in national development models increases the gap between developed and peripheral regions of the countries.

The unevenness of the economic development of peripheral territories is manifested in the formation of difficult-to-eliminate disproportions in the economic system of the region. The economic models of the NEA countries differ from each other. Each of them has its own development trajectory. However, two problems can be distinguished that are typical for the countries of the region and are elastic in relation to cross-border integration. First, there is an imbalance in the sectoral structure of regional economies. Secondly, there is low investment attractiveness of either all industries, or individual sectors of the regional economy. The problems negatively affect the competitiveness of the region and / or its economic entities in national and international markets, which reduces the incentives for integration.

When they analyze the problems related to the sphere of governance, it is necessary to proceed from the fact that at least three political and economic models of public administration are being implemented in NEA: 1) a mature market model (Japan, South Korea); 2) planned / directive model (PRC, DPRK); 3) transitional model (Russia). Within the framework of each model, the problems arise that are inherent only in a particular country and its management tradition. However, no matter in which political and economic model the problems were born, the degree of their influence on the nature and intensity of integration processes is high. The principles, rules and perspectives of integration are determined in the field of management. Here we can speak of inverse elasticity, i.e. the intensity of problem manifestation associated with the management of the territory development determines the intensity of economic integration.

The success of most events related to international economic integration within a single cross-border space is largely determined by the development of transport communications. Integration is implemented better where the movement of goods, energy, people, capital, information occurs with minimum obstacles, i.e. there are more communication options.

## Conclusion

1. The problems of socio-economic development of peripheral territories differ from each other not only by belonging to a particular sphere of the regional functioning, but also by the degree of sensitivity / elasticity to the changes in the intensity of integration processes aimed at a particular periphery.
2. In relation to international economic integration, the problems of peripheral territory development can have both direct and reverse elasticity. Direct elasticity is determined by the dependence of the problem severity on the integration process intensity. The reverse elasticity characterizes the conditionality of cross-border integration by the presence of regional development problems.
3. An example of direct elasticity is the problem of population outflow and the low level of investment attractiveness. With the growth of the international contact intensity, a qualitative change in the problem field occurs - migration processes are stabilized, the investment climate is improving.
4. Development problems associated with regional management and the quality of transport and other infrastructure have a high degree of inverse elasticity in relation to the processes of international economic integration. Any, even a slight reduction in barriers (liberalization of legislation, the construction of cross-border infrastructure facilities, etc.) can significantly increase integration activity in the region.
5. The specificity of the peripheral sectoral structures of the NEA countries has formed the "diversity" of industries and economic processes in the region. This, in turn, creates objective preconditions for the development of various forms of cross-border integration. Local economic systems, using the complementarity property of individual industries can form a single cross-border economic complex under favorable conditions.

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