

Moscow seems to be looking to improve relations with neighbouring Asia Pacific economies. Nevertheless, despite some increase in economic interaction between the RFE and neighbouring economies, particularly China because of a rapid increase in border trade, Moscow's motives are being questioned by local officials.⁴⁴ They sense that Moscow may be seeking to limit local officials' contact with representatives from neighbouring economies, and to skim off funds generated by the development of the RFE's resources, which, in turn, will hinder regional development. Increased interaction with the neighbouring economies of North Asia may be hampered by such central/local differences within Russia in the future.

5.7 National Policies and Integration

Rapid economic growth and structural reform have been the driving forces behind the development of closer links among North Asian economies. Physical obstacles to continued growth, such as infrastructure bottlenecks, and lingering trade and investment barriers, as well as political ones, will slow any move towards integration.

The three NIEs in the region will have to overcome a number of significant political and economic hurdles in the near future. Long a centre for Asian trade and investment, Hong Kong's future is dependent upon how the merger with mainland China will be managed in the run-up to 1997, as well as after. The flight of human and financial resources out of Hong Kong in recent years is indicative of the underlying currents of uncertainty pertaining to the future of the colony. Taiwan's economic future is also bound up with that of mainland China. China has already become an important economic hinterland for Taiwan's labour-intensive industries and an outlet for foreign investment. Political relations between the two economies will have an impact on their prospects for continued economic growth. Korea also faces serious impediments to regional integration. Although Korea has come to recognize the importance of trade and investment links with the rest of North Asia, Korean officials are reluctant to open key sectors of the economy to foreign influence. The Korean government has made little progress with regards to liberalizing its foreign investment regime and it continues to protect the role of state-owned enterprises.

While China's future economic prospects remain good, it will have to resolve a number of economic and political problems, probably before the turn of the century. China will likely emerge as the main stabilizing or destabilizing factor in the region. China has become increasingly economically interdependent with the other economies of North Asia because of its reform program, its open-door policies and its rapid

⁴⁴ See John Stephan, "The Russian Far East", in Current History, October 1994.