
THE TUMEN RIVER

T@6a * ' ^ 5 +MST 4M5aZ OP?6MNMATA4OGP6STPV4TVPAL ?aL 5aT@6aNO46aM7aPON
NFM4@6J 6L Ta36TZ 66La4ONAT1GASTaSM4ACOSTaCL 5a= PJ 6FJ] aSM4ACOSTa4MVL TP6Sa
M7a@6aP6?AMLaz AGaO 64Tat@6a6XMGVTAMLaM7aSV4@a56X6GMU 6L TSa87aNP6S6L Ta
TP6L 5Sa4ML TA.V6'aTaONN6OPSaAF 6G at@OTat@6a' +, ' 'a+O4A 4a VSSAOaCL 5aV6P
@ONSa6X6L a ML?MBO d AGaB6a5POZ LaL TM7a@6aFMZ Te@MP3ATaM7a NPT@6OSTa S4Oa
T@FMW?@aLXMX6J 6L TaL aSV4@aSV3P6?AML 1G56X6GMU 6L TSa

. @6aP6?AML 1GatPO56aNOTT6R aS@MZ Sa6X6F] aL 5MOTAMLa@OTaTat AGaB6a4@OP
O4T6PA_65a3] fa5X6PSAT^aL 4P6CS65aT64@LMB?A4OG4M N6TATAMLaCL 5a@aP@6Pa
G6X6Sav7aL TPOF6?AML OaCL 5aL TFO^AL 5VSTP^aP0566^ Z HT@W?@POT6SaM7aFMZ Uba
M7a OTAMLOGAL 4M 6d AGaB6a@aP@a8] aP@BOGASTOL 5OP5Sa@6] d AGaNPMB03G a36a
J M7aJ N56POT6aT@CLaT@M6a6N6P6L 465a3] at@6aP6?AML a5VPAL ?aT@6a fY ^ S_a
* X6Pat@6aL 6U; X6a] 6OPSa) NPT@6OSTa S4Oa64MLM A4aNM04] aJ OF6PSaZ AGa
9246at@6a055ATAMLOGa@OG6L ?6aM7a CL O?A ?aL 95OTAMLOP^aNP6SSVP6Ssz @AGaT@6a
NFM46SSaM7aSTPVM7VPOG4@L ?6a4ML TA.V6SaOTaOPNa5aNO46a d aF6] a66J 6L TaV7a
T@SaNP46SSa AGaB6aL CL O?A ?aM N6TA ?aNMATA4OGa?MOSaOSa64MLM A6SaOP6a
MNL 65aSTAGa M7aM7aL T6R OTAMLOGaP056aL <V6L 46Sa

. @6aP0N45a?FM] T@aL aP6Oa\$) +a@OSaM7a4MWP56aL Ma366La6X6L G a6N6PA
6L 465a @SaSaNOQTAA/GFJ] a6Y/56L TaLa! @AL Oaz @6P6aP6?AML 1Ga A6 :aSV3LO
TAMLOGaL 4M 6aN6Pa4ONATaLMZ a5A 6PSaSV3STOL TAOG] a @6L @6L aP6S56L TSa
6VN6P6L 46aCL aLL VOGaL 4M 6at@OTaSaZ MCL 5aOa@OG7aJ 6Sat@OTaM7aATA_6L Sa
M7a 6M7aL ? 3V7a364OV56aM7a5A 6P6L 46SaLaM4OGaNP46Sat@aSaJ O] aVX6PSTOT6a
T@6aSTOL 5OP5^MBOXAL ?a5A 6P6L 46^7 , 6?AML Oa5ASNOPAT6SaLaP61@N6Pa4ONATCa
AL 4M 6aM7a 6La6J 6P?6aM7aOP6aOJ Na 65 a5VPAL ?aV6PAM5SaM7aPON5a64MLM A4a
?FM] T@at@SaSaNOQTAA/GFG] aSMAL aSM4OC65aé a J M56K ?FMZ T@6a

#VFMN6a@6a366La044M NCL 3] aB?AMLOGAL 6OV0CA^a
OSaT@6aSTPV4TVPaM7a@6aP6?AML SaTOf 6SaMLaJ M7aM7a@6aM7aP6aP T4S
@M6aCL 5aOSaNM04 M7aP6?AML OaP65 TP VTAMLaAL M7aOT65a@6a VJ 6L M7a4Tq CGaF 6G aOX6

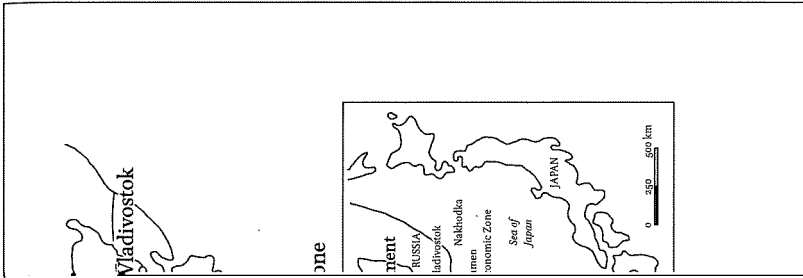
The essential policy agenda for North east Asia remains unchanged. As Elek has recently pointed out, these are⁹ (1) improving market access; (2) reducing uncertainty in output and product markets; (3) reducing physical bottlenecks; and (4) harmonization of domestic legislation and rules of

a

Soviet Union could result economically in the much touted peace dividend. For example, the prospects in the medium term of resolution of the Kurile Islands dispute between Japan and Russia are improved and could result in a large injection of capital into the region. While substantial risks lie ahead as parts of the former Soviet Union try to put in place stable institutions and negotiate workable arrangements among themselves, if the transition can be managed, Pacific Russia should begin to play a larger economic role in the region. This expected development must not be overlooked in the discussions that have been undertaken to establish new subregional areas of cooperation.¹¹

Increased environmental concerns globally are reflected in the region. Northeast Asia, since it contains developed, maturing, and developing economies, to some extent represents a microcosm of the key international issues. Along with a diversity of overwhelming environmental problems, there are also challenges of integrating these concerns with the imperatives of adjusting to a changing global environment.

11



Zones.

long period of complex negotiation which in the end some participants may choose not to accept. International management is successful only when all contracting states acquiesce and agree to sublimate national political issues. Unfortunately, there is no tradition of cooperation in the region which would suggest effective management based on this type of behavior.

A third plan has

tho)

in recent years is an indication of the potential. China's local water and energy resources could be put to area use.

Although there is a significant potential for increasing trade among the partners, quantification of this potential is difficult. Furthermore, while China has undertaken more than a decade of reforms the DPRK continues to pursue a policy of "Juchai" (self-reliance) and Russia and Mongolia have only just initiated significant restructuring of their economies. In this political climate changes are likely to occur slowly and absorb large amounts of human and financial resources.

A set of measures that facilitate trade may be more beneficial than an overarching scheme. In Russia this means improving the management and utilization of the existing infrastructure, including the port capacities in Vladivostok and Nakhodka. For Chinese, Russian and DPRK cooperation, it requires improved transit facilities at the borders, including minor investments in facilities for railway gauge changes, composite rail, and other measures that increase existing rail transport capacity. Meanwhile, idle capacity has developed in many parts of Russia's economy such as in the naval shipyards and military industrial sector of a post-cold war Vladivostok.

It should be noted that the participating countries emphasize different aspects of the Tumen River project. Some see the benefit of the immediate effect whereas others focus on the longer run consequences. China, for example, the immediate trade of

international airport and large container port as part of an immediate first stage development program as is currently being contemplated. Capital limitations of participant countries and the "restructuring" and shifting priorities of international funding agencies may preclude the high initial investments in any case.

Any international treaty among participant countries should not only deal with TREZ, but should also give equal importance to trade, transit, and transport facilitation in the broader NEARDA region. Trade facilitation is not specifically a TREZ issue, it deals only marginally with physical planning, and it applies to the region at large, rather than just to any specific border site. There is probably no better way to convince investors about the potential of TREZ than to demonstrate that existing port and transport facilities are fully utilized, that border trade is booming, and that participant countries have eliminated traditional barriers to border transit and fully cooperate in the joint use of their transport networks. It would be judged that C n " s

o f i o n t r a l c u t i n e t . h i c 7 s n t i e t r a t y e u s e f d o r g a l n e g a l
w o r k s w i o t h e r f o s p a r t i c i p a t t i o n i m p r o v e n t l o
c o n t f a c t s s n g e c o i n a r l b i y t r a t i d e m i t o e r a n y s s d e s
p r o d s u p e t c i f S a u t e i x o p n e s i c b i u s o l m f e o n s o u k t o r e a n
c o n g l o n g e a n e t t r e a s t i o m p a f n o t a s p a r f , r n s p e c i a
i z i i n o g m p e n s a t a i d e t r e n t a n e l a s t E u r o p e .

T r a e d e p a n i s t i e s n u b r e w g i u d o r e f c i l i b t y a n t i p g r a d
i n o g f r a s d u e p s o e r r t v i i t h e s a r t i c c i o p u a n t t i r n i g e s q u i r
c l o c s e l r l a b a o n n e t t i w o a r r k o t m g g a s d u e p i o n r s t t i a t n u d , i
i p a r t i a c m o l f i a g r e , i t g r a d e s e i a m s c h a t h o d e p e a r t o n f e n
s t a t i i s h i a c g e o f a n o b e s e o t a n i g n d u r s a t r e i a a
C o n s i d e e x p a e b i r t e h e a s e i a s v a i l a d o m e c o o u f n t e r
s u b r e g i . e n R O K e , p a n n a) c a t n e a r e s f s i e n d p r o v i
t h l e e v e a l l p a r t i c i p a t i n g c a m o n s g i n i e s a r d s
s u p p i o n r s t t i t u t t h i e o b s e s h i o c a n d o a i n p e a r a w i l t e h
n e t w o r k i n g e n t e r s p e r c i p e a r t i c c i o p u a n t i p r a i n g e t s i c u
M o n g d P l a i c a t , o c e h p a r a o b a r

and finance should be actively encouraged, particularly through the creation of joint ventures

Perhaps the most important component of trade enhancement, and the one element which underlies all the others, is the establishment of a data base on industry and trade. Basic information on trade and economic relations among the five participating countries must be improved to provide a basis for planning and infrastructural development within TRADP, and for presenting and promoting the Tumen River area, and Northeast Asia in general, to outside traders and investors. The present availability of trade data is very limited and the data that are available are often contradictory.¹⁹ Only for the ROK and China are quality data by region and commodity currently available.

(c) *TRADP and the Importance of Trade Enhancement*

The development of trade along the lines discussed in the preceding section should be seen as the necessary driving force for the successful implementation of TRADP. The trade component is important for the success of the program in at least four aspects.

First, the development of intra-subregional and third-country trade among the participating countries generates the demand for improvements in the physical, policy and regulatory infrastructure linking the three riparian countries. A growing volume of trade through and within the Tumen River area could also provide some of the necessary financing for these improvements.

Second, the three riparian territories (Hangong Pukto Province in the DPRK, China's Jilin Province, and Primorski District in Pacific Russia) are all undertaking considerable efforts to strengthen international trade, both intra- and extra-subregionally. This is most clearly demonstrated in the priority attached to the development of free trade zones and the rapidity with which they were implemented in each of the three riparian territories.²⁰ Clearly, trade development is a point of common interest. It is essential, therefore, that projected

* ~~SECRET~~

Although there does not appear to be any outright

strategies in the area of industrial and trade policy, land use, transportation and physical infrastructure expansion). UNDP support was also seen as shorter-term confidence-building by giving the project the appearance of less risk than otherwise in the hope of stimulating some foreign investment (in the form of joint ventures). Any momentum gathered would aid the longer-term economic initiatives. During the inaugural PMC meeting in Seoul, in February 1992, it was generally agreed by the participants that the TRAP should initially focus on the economic and technical feasibility of and related financing strategies for, one specific approach to intrasub-regional economic collaboration. The "ultimate vision" was the creation of a multinational industrial and trade servicing zone in Northeast Asia—a "Rotterdam of the East."²²

This so-called vision would involve some sort of amalgamation, under a coordinated management structure, of territory from the three riparian states of China, Russia, and North Korea into a contiguous export-oriented zone (referred to as the Tumen River Economic Zone or TREZ). This could include China's Hunchun, Songbon and Rajin in North Korea, q

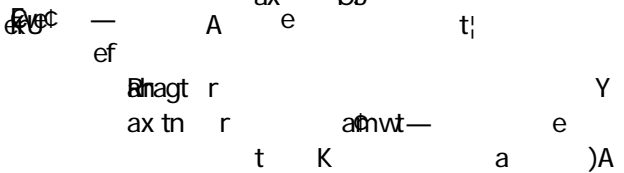
RIF dtv d30

Russia's Primorski District in the Tumen River area has gained momentum. Numerous agreements have been implemented for the construction of highway, railway, telephone, and border facilities, along with trade contracts and joint projects in manufacturing and services (mostly Chinese restaurants).²⁴

Integration of the TREZ and NEAR A would occur with the creation of an intermediate region identified at the conclusion of the first PMC meeting as the Tumen Economic Development Area (TEDA) (see map). TEDA might include regions and ports such as Vladivostok, Chongjin in the DPRK, and the Yambian Korean Autonomous Prefecture in China's Jilin Province. Thus, a rationalized series of modern, specialized ports would position TREZ as the principal transportation and transit entrepot for Northeast Asia and the gateway to a so-called land bridge serving the Far East trade with Central Asia and Europe.²⁵

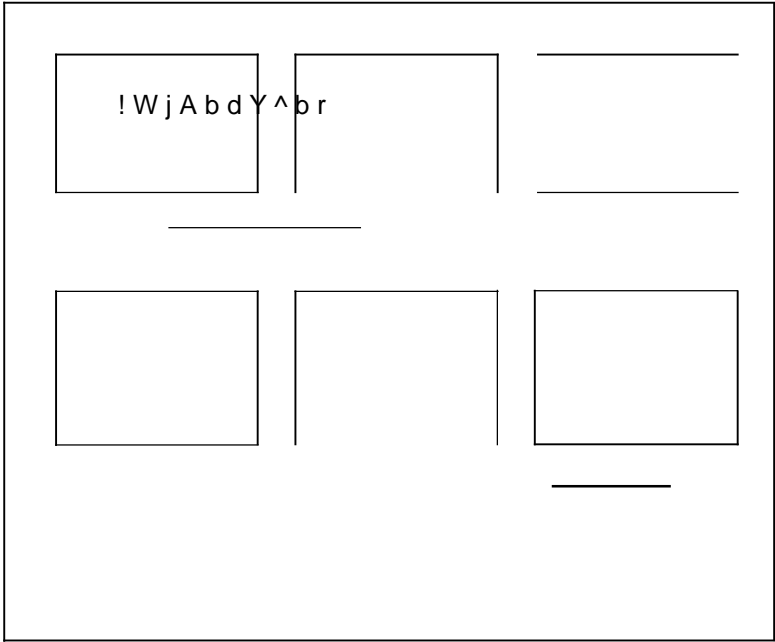
(b) Stakeholders, Institutional Structures and Regions

The evolving market of the region, especially between Northeast China and Pacific Russia, has been an effective driving force of regional economic integration in the area of the Tumen River. The Program Management Committee explicitly



corporation- the Tumen River Corporation (TRC). Shareholders in the TRC will also include public and private sector investors and Mongolia and the ROK who are full members of TRA P.¹⁰⁰) The corporation will oversee development in the three zones that now comprise TREZ, and according to the UNDP, will be an independent body with international management headed by a former executive of the giant U.S. engineering firm Bechtel.²⁷

However, documentation from the PMC III reveals that TRC will exist within a complex matrix of institutional structures whose membership, interests and responsibilities have not yet been clearly defined or agreed to. The first two of the agreements referred to above established two new bodies including a coordinating committee from China, the DPRK and Russia to harmonize activities of the riparian countries in the TEDA called the Tumen River Area Coordinating Committee (TRACC). The second is a consultative body comprised of the five TRADP governments in NEARDA, which might eventually be open to other countries and institutions such as Japan, the ADB and the World Bank, called the Northeast Asian Regional Development Commission (NARDC). Figure 2, which is expanded upon in the



;#K*:GA}EKNUE)*X;.=K\$VCO*M#ZG<JWA*)(GDIGN*)
G,Q*K<I#KN<#E<#NN*GEA#EA)*#N#E<EW*NNUGKKIX'zN*)
_5KNG(<G IGA<NFG(SMJE ZGU'A \$E<E)*I*E)(*E OIG ^
K#OEROJONE(O<ZGM A E(A W) #NA#E) #E#9KEG L*KT
'GKKGDGE9QJ\$E#E)(**W*AGID#)DQE<NQ*KG B9A#'GUK
(GDDG)<#E<#N<G#EAKGY<#EB9GKG KE#O;E K W<N<G
G,L;JN<(#E-HKD#E)GE#E(<E#NOKUE)OKK*N*(GE)
\$AO*M\$POW*N E(RGEWU'A*)<K*(N\$U I*KX'zN*)_#E)_
N;#K*:G Z)G K A*)*\I#E)*OGE(A\$A B D'D'*KN, _
< N#D#D;*_ _EGQ*ZGK)GE9G#E#)* _ ZGU'A*)
(GEN<)#N J U)#AKOE#NNUJIG; *BKD'*KN<E*_
ANG_D*E OEGE*_)G(UD*EO#E Z G E P<9;A<9;O<

poEa AOfiG @ApupSp e)E7 Z G eOcto;R; %P o
