
UNDP-led Tumen Region Development at the Crossroads

Hisako Tsuji

Senior Economist, Research Division, ERINA

I participated in the TRADP Transport Working Group Meeting, held in Changchun on 30-31 October 2000. The details of the meeting are in the attachment for your reference. This paper summarizes my personal impression.

Incomplete list of participants

The last TRADP Transport Working Group Meeting was held in Yanji in December 1998. The five member countries, including the DPRK, sent a full delegation to the Yanji meeting. Additionally, private sector

representatives, research institutes, consultants, a World Bank expert and local government representatives, about 40 in total, participated and exchanged opinions.

The list of participants in this meeting was incomplete, unlike two years ago. First of all, it was disappointing that the DPRK cancelled their attendance at the last minute. The absence of DPRK representatives has been observed quite often in past UNDP sponsored meetings. The reason for the absence of the DPRK was related to the conflict between North and South Korea in the past. However, since this was the first Transport

Working Group after the North-South summit meeting, held in June 2000, it was expected that the North and South could participate together in a friendly manner. This time, the reason for the absence was stated as "not being for a political reason" by the DPRK official. However, the real reason is unknown. Some people said "they probably were not able to get management approval for attendance in advance due to the layered bureaucracy in the DPRK." On the other hand, some experts said "they know that participation in this meeting doesn't provide real benefits, such as financial aid, for the DPRK." The absence of the DPRK eventually diluted the impact of the meeting since the DPRK is one of the three countries bordering on the Tumen River, and has the most serious transport infrastructure deficiencies. It was disappointing particularly for the representatives of the ROK, who prepared a presentation on the symbolic Trans-Korean railway construction project, being driven by both governments since the June 2000 summit.

The four other countries appear to have sent smaller delegations than to the previous meeting. The UNDP Tumen Secretariat said that they were not able to provide sufficient support due to budget problems. Furthermore, the support of the Secretariat was reduced significantly. At the Yanji meeting, the Secretariat gave strong support, led by Mr. Husband. However, since Mr. Husband resigned in mid 2000, the position of Director is vacant, and staffing has been reduced. This meeting was managed by only two staff members from the Secretariat.

Transport related research presented in the meeting was less than of the last meeting and tended to be less fresh and based on older data. This reflects the fact that new research can't be requested due to the UNDP's financial problem. For instance, a follow-up study of the non-physical impediments at border crossings between the TRADP member countries, conducted in 1999, is still suspended.

A positive element was that the participation of new bodies, such as the Asian Development Bank (ADB), the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and the Korea Transport Institute (KOTI), contributed to constructive discussion.

Infrastructure Development Progress

There has been some, albeit slow, progress in infrastructure development in the Tumen Region. While China is aggressive, the slow movement of the DPRK is impeding the integral project. The progress of the major projects are summarized as follows:

- 1) Construction of a new highway between Hunchun and Quanhe will be completed in the spring of 2001. An extended highway from Hunchun to Changchun is under construction, targeting a completion date of 2003.
- 2) Both the Quanhe and Wonjong border crossings have new customs and immigration control facilities, scheduled open in early 2001.
- 3) No progress has been observed in the improvement of the Wonjong ~ Sonbong highway. The DPRK delegate asked for China's assistance for the construction of a new alternative road (\$15 million) in a national coordination meeting held in early October 2000. However, China has no plan to help the DPRK, since

China has already invested a huge amount in construction of its own roads. The Emperor Casino Hotel in Rajin-Sonbong was officially opened in a ceremony on October 17, 2000. The hotel is asking for prompt improvement of the road in order to facilitate access from China.

- 4) A request will be made to the ADB for feasibility studies on a new railway construction project connecting Eastern Mongolia, Inner Mongolia and Jilin, including an assessment of developing Eastern Mongolia.

Accumulating problems and unsettled arguments

The private sector knows best about infrastructure problems in the Tumen Region, and has been appealing to the public to encourage possible improvements. Mr. Li Mao Xiang, President of the Yanbian Hyuntong Shipping Group, made an excellent presentation regarding the problems in transportation in the Tumen Region. The Yanbian Hyuntong Shipping Group has opened new shipping routes, connecting Yanbian and Japan/ROK through Russian and DPRK ports. Firstly, infrastructure development is poor in the Tumen Region according to Mr. Li. The Namyang ~ Rajin railway in particular is very old and is in poor condition, with a 160km journey taking 8-9 hours. The condition of road between Wonjong and Rajin is also very poor. The second problem is that the telecommunication systems among the riparian three countries are different, making cross-border communication troublesome. The third problem is that border-crossing procedures between the three countries are complicated and time consuming. Kraskino customs at the Sino-Russian border in particular has much room and opportunities for improvement. The fourth problem is that the DPRK government requires a nuisance invitation letter to enter Rajin-Sonbong. Finally, the fundamental problem is that the legislative framework is different between the three countries. Mr. Li said that the most serious problems are related to be soft infrastructure, such as border-crossing impediments, and solving these problems will not require huge amounts of capital.

The response to Mr. Li's presentation from the Russian side towards cooperation was weak. The Russian side repeated that Russia would not invest in infrastructure development unless the Chinese government guarantees certain cargo volume. China replied that its government couldn't guarantee future cargo volume since volume could vary depending on the quality of transport services and tariffs. I believe that cargo volume forecast should be made by potential investors, followed by an investment decision with own responsibility, under the market economy.

The above argument indicates that while China is converting to market economy smoothly, Russia still can't get rid of the idea of a planned economy. In the Soviet era, most of the international economic relations were determined by bilateral governmental talk. Russian policy makers probably can't forget the old scheme.

Furthermore, Russians don't demonstrate a cooperative attitude on the border-crossing procedure issues. On the contrary, they even believe that the Sino-Russian border shouldn't be further opened up since there are already many illegal Chinese immigrants in Primorsky. Problems of illegal

immigrants and transit cargoes shouldn't be mixed up. Russians should understand that the promotion of transit cargoes through the relaxing of legal constraints and charging reasonable port charges could greatly benefit the Primorsky economy.

Russia sends a delegation to UNDP meetings on every occasion and advertises the advantages of Russian ports and railways. They demonstrated powerful salesmanship in this meeting, saying that using the Russian route is more cost effective. However, they have to fully understand that cross-border facilitation through improvements in the soft/hard infrastructure is necessary to realize larger scale use of the Russian route. I suggest that the Russian central and local governments and the private sectors should discuss whether they will relax/open the border. In particular, listening to transportation service companies inside and outside the country will be necessary. That will be the key for the development of Primorsky Territory.

The ESCAP, the new comer to the Tumen Region, has a program for standardizing the cross-border procedure. It was proposed that the experience of ESCAP could be applied to the TRADP. It may be a good idea, since both Russia and the DPRK are member countries of the ESCAP.

Pros and cons of the geographical expansion of the Tumen Region

I have the impression that the geographical definition of the TRADP is becoming ambiguous. The original vision of the TRADP was composed of two triangles; the small triangle [Rajin-Hunchun-Posiet] and the large triangle [Chongjin-Yanji-Vladivostok (Nakhodka)]. The initial intention was to develop a short sea rout from Yanbian via Russian and Korean seaport. Later, Mongolia, located far away from the above triangles, was included, and recently, the Trans-Korean railway construction project, connecting Seoul and Pyongyang was discussed. Furthermore, some countries are proposing the expansion of the geographical definition of the TRADP based on their opinions that the current TRADP is too small to appeal to central governments or to the international community. If this trend continues the TRADP will be expanded to encompass all of Northeast Asia, which is quite different from the original vision. Will that be good for the TRADP, or will the real needs be unfocused and eventually lose their impact? We need to think carefully.

In a development program using foreign aid, geographical "definition" tends to expand naturally, since recipients try to create new projects and to be included in the existing framework. The TRADP will not be an exception. What will happen if the current TRADP, suffering a serious financial shortage, has to take care of larger area? Limited resources have to be dispersed and people's eyes will move to rich projects with strong political support. The original Tumen Region, which has been left behind in development mainly due to political reasons, might have to wait for another decade.

Similarly, the definition of development sectors must be reviewed. The UNDP expanded its target sectors including transportation, tourism, investment, and public health when sufficient resources were available. Is it

realistic to continue supporting a wide range of activities under the current low budget? Looking back at the initial intention of the TRADP, the most urgent areas to be improved will be "transportation" and the related "investment climate". The environmental issues may be put into other experienced UN organizations' hand, such as UNEP or ESCAP. Coordination will be necessary among existing international organizations in order to efficiently utilize the limited funds and human resources.

Expectations and dissatisfaction with the UNDP's efforts

Many opinions were stated in the meeting regarding what the UNDP ought to be. The UNDP has actively coordinated the bilateral and multilateral meetings and sponsored various research projects. Some of the participants pointed out that UNDP's meetings were all similar and ended up with clarifying problems to be improved but real action didn't follow. Such criticisms were stated strongly, particularly from representatives from Jilin, who have been involved in the program for many years. For instance, most of the priority projects agreed in the previous Transport Working Group Meeting have not been realized. Although the above-mentioned cross border facilitation issues of Russia and the poor road and rail conditions of the DPRK have been raised from the early stages of the program, progress is as slow as glacier melt. Therefore, those who have been working hard are frustrated with the slow progress.

The UNDP also has conducted economic research using sub-contractors. Major research projects conducted in the past few years include the pre-feasibility study for a Mongolia to China railway construction project, a transport forecast study and the investment climate in the Tumen Region. ERINA was involved in some of the projects. Some of the research was invaluable. Some of them will be used as a preliminary study for the next steps, and others clarified important issues and provided recommendations. However, the problem is that these recommendations have not materialized in most of the cases. The UNDP is willing to conduct more studies. However, most of the people involved in the TRADP are just waiting for actualization rather than studies.

One of the reasons for the slow progress is that infrastructure funding is not mobilized properly in the DPRK. Another issue is that cross-border facilitation between China-Russia and China-DPRK is not fully agreed.

The function of the UNDP is not to provide funds for infrastructure development and the conducting of feasibility studies, because it is not a bank. Therefore, the UNDP's proposals tend to focus on costless soft infrastructure improvement. Their direction is 100% correct, but is there a possibility that the cross-border facilitation can be achieved more easily if it is promoted along with hard infrastructure construction? To take a recent example, the immigration process appears to have become smoother at Vladivostok after a new terminal building was completed in 1999. A similar case is evident at Beijing Airport. We can possibly extend these positive records and presume that the newly constructed customs

offices at Quanhe and Wonjong could facilitate border crossing between China and the DPRK. Isn't it possible to do it the same way at the notorious Kraskino customs?

An idea of a Northeast Asia Development Bank has been proposed to alleviate the financial problems in the Northeast Asia. South Korean delegates made the same proposal at the meeting. However, it will not be easy considering the political environment in this region.

Appeal to the Asian Development Bank

For first time a representative of the ADB participated in the Working Group Meeting. Mr. Gunter Hecker of the ADB made a useful presentation regarding the experiences of the Greater Mekong Subregion (GMS) and the ADB's role in their effort. He also made valuable comments on the TRADP. The main points stressed in the presentation was the need for strong political commitment by the central governments and the highest level of participation from the governments in the project. The priority projects in the sector are identified and the sequencing and phasing are agreed among the participating countries. Then the ADB provides loans and technical assistance. On the "soft infrastructure" side too, the progress has been phenomenal. Overall, the ADB's involvement as the facilitator and financial supporter undoubtedly played a critical role in the successful progress of regional cooperation at the GMS.

Delegates from member countries were greatly impressed with the story of the GMS and asked Mr. Hecker for similar assistance. Some even said that they want the ADB's help rather than the UNDP's. China and Mongolia are already approaching the ADB since they are already members. It is proposed that a feasibility study of China-Eastern Mongolia be conducted with the help of the ADB.

The primary reason that the ADB is successfully facilitating the multilateral project is that the ADB is capable of arranging financing for infrastructure construction. Member countries will send high ranking representatives and cooperate in soft infrastructure reform, if they can receive funding. This is the crucial difference between the ADB and the UNDP. The UNDP suffers from poor member participation and weak cooperation. It is a step forward that the UNDP proposed that member countries should fix core delegates at this workshop.

Previously, Russian delegates changed quite often, and representatives from Moscow had little knowledge about the real picture of the Tumen Region. Once core members are fixed, more professional discussion will be carried out in a constructive manner.

The desired participation of the ADB in the TRADP has institutional barriers, since neither Russia nor the DPRK are members of the ADB. We hope the changing political atmosphere in Northeast Asia could remove these difficulties in the near future.

Expectations for Japan and the ROK

Japan is expected to join the TRADP Consultative Commission and play an active role. The major role is assumed to be a financial supporter. The ROK is a founding member of the Consultative Commission and provided with a special fund (\$1million) to the UNDP. Japan is expected to make a similar contribution as the only developed neighboring country in Northeast Asia. Japan's role shouldn't be limited to a fund provider. Its important role will be contributing to the regional development and establishing friendly neighborhood relations through promoting active human and economic exchanges. Japan also should support the entry of Russia and the DPRK into the ADB.

The ROK's unwillingness to strongly support Rajin-Sonbong has undermined TRADP cooperation. Surprisingly, no ROK businesses have invested in Rajin-Sonbong and major ROK business groups have negative impressions of the area. ROK's current interest is the symbolic Trans-Korean railway connection, and the idea of Kaesong Industrial Park is promoted by the private sectors. Why are ROK people so negative towards Rajin-Sonbong? Rajin-Sonbong is located in the midst of an important transit corridor, connecting Yanbian and the ROK ports. Importantly, many Korean business located in Yanbian are waiting for the improvements in the transport corridor. Furthermore, in the long term, if unification is realized, Rajin-Sonbong will become a part of the unified Korea. The ROK should pay more attention to the issues Rajin-Sonbong faces. It was good news that an ROK representative promised in the meeting that he would propose the ROK government's cooperation in improving the transport corridor, especially the land transport section in Rajin-Sonbong.