

Sino-Korean Cooperation in Terms of Port Logistics in Tumen River Areas

Guoshan An Director of the Institute of Korean Peninsula Studies at Yanbian University (ags418@ybu.edu.cn)

I. Introduction

Studies on Sino-Korean cooperation, including the Democratic People's Republic of Korea (DPRK), have received full attention as a mode of reconciliation has continued on the Korean Peninsula since last year. One major focus has involved the issue of international logistics. For one, the New Northern Policy encompasses North Korea, the core nation of the "New Economic Map" initiative, as well as China and Russia. Against this background, studies on Sino-Korean cooperation in the Tumen River areas in terms of logistics are crucial as the region is one of the bridges that connects Korea to the vast lands in the north. More specifically, we need to focus on how to maximize synergy across on-going projects such as the Changjitu Project, Belt and Road Initiative, New Economic Map for the Korean Peninsula initiative and advanced economic zones in North Korea. Of course, economic sanctions against North Korea still remain in place, but research in this area needs to be performed as this could also serve to encourage the North toward denuclearization.

II. Strategies of each country in the areas around Tumen River

1. China: The Changjitu Project and Belt and Road Initiative

The central government of China has approved the Outline of the Tumen River Area Cooperative Development Program Considering Changchun-JilinTumen as Pilot Zone for Development and Opening (the "Changjitu Project"). The essence of the project is to create a new international logistics corridor through international cooperation measures surrounding the Tumen River area. In other words, Hunchun of Jilin Province serves as the starting point of a road that will lead to Zarubino, Russia in the east and further to North Korea's Najin and Chongjin ports, which are connected to the East Sea. From Hunchun, the road extends all the way through Changchun, Baicheng, and Inner Mongolia to Choybalsan in Mongolia and ultimately is connected to the Trans-Siberian Railway (TSR). The purpose of the project is to secure a maritime route through adjacent ports. In addition, the entire Changjitu Project can be seen as an extension of the Belt and Road Initiative in the Tumen

River areas, as the former is included in the latter.

2. Republic of Korea: New Economic Map for the Korean Peninsula initiative

The New Economic Map of the Korean Peninsula initiative was one of the pledges of President Moon Jae-in during his presidential campaign. The initiative aims to expand the economic territory of the South to the North and regions further to the north, bringing the Korean economy out of the isolation caused by division on the peninsula, thus gaining new growth momentum and establishing peace and bringing prosperity to Northeast Asia. The two major arenas of the initiative are the East Sea Rim and Yellow Sea Rim economic blocs. The former starts from the eastern regions of South Korea, following the east coast line up to Rason, North Korea and connecting to China and Vladivostok, Russia. This forms the Northern Triangle whereas the Southern Triangle encompasses Busan, Rason, and Niigata of Japan, all of which include the Tumen River area. The specific projects of the initiative cover exports and imports, processing trade and international logistics in the Tumen River area.

3. DPRK: Economic development strategies focusing on special economic zones

The one and only place within North Korea where international cooperation is currently taking place is the Rason Economic Trade Zone developed and managed together by China and North Korea. When considering the political and economic circumstances surrounding North Korea, should the current sanctions on North Korea be lifted, it is likely that a strategy of gradual growth based on special economic zones will be opted for, rather than several development projects commencing all at once. Therefore, this study pos-

its the future development strategy of North Korea as one centered on special economic zones.

In November 2015, the central government of DPRK presented its development plans for the Rason Economic Trade Zone, projecting a total of approximately US\$15.6 billion would be needed in investment. The plan stipulates the establishment of an industrial logistics zone in the vicinity of Rason port and specified the construction of wharfs number 4, 5 and 6 in Rason port, railways, roads, yards, and warehouses, roll-on/off facilities, as well as sites behind the port.

III. Issues at hand

There are several issues to overcome when considering the current situation of the international logistics complex project around the Tumen River area. From a technical and economic perspective, and putting aside for the moment current sanctions against North Korea, the project is hindered by the following issues.

1. Most of the infrastructures and facilities are outdated and obsolete. Most facilities in the wharfs are worn out, and the office buildings, bridges, roads and railways were created during the time of Japanese colonisation and are in urgent need of an overhaul.
2. Renewing the infrastructure will require a huge amount of financial resources. As is well known, the construction of ports, railways, tunnels, roads, and bridges costs large amounts of money. Considering the current status of the international logistics corridor around the Tumen River area, the majority of infrastructure will realistically have to be rebuilt rather than just repaired. As the region is mostly mountainous terrain, a large portion of

the construction work will involve earth fills, bridges and tunnels, which will bring construction costs even higher.

3. The quantity of goods transported is relatively small. Trade around the Tumen River area accounts for 30% at most of the total amount of Sino-DPRK trade, and the trade volume passing through ports around the Tumen River area accounts for an even more trivial proportion in the total trade between China and South Korea. While the Tumen River area holds huge potential, the current sanctions against North Korea and biases in route selection by ship operators result in the amount of transported goods remaining very low.

Do to the above issues, it will be difficult for corporations which target short- to mid-term profits to make any large-scale investments and, instead, it would be a more ideal solution to finance the projects through international funding sources or inter-governmental support. If all the projects of China, the Republic of Korea and DPRK can be connected with each other, this could maximize synergy and offer an optimal cooperation model that would bring benefits to all three parties.

IV. Cooperation strategies in the area of port logistics in Tumen River areas

Based upon the aforementioned issues at hand, this study aims to propose investment plans and multilateral cooperation strategies for port logistics around the Tumen River area from short- and long-term perspectives.

1. Short-term

(1) Rekindling port logistics network along the

East Sea Rim

a. Revitalization of Hunchun – Zarubino (Rajin) – Busan logistics corridor

The transport corridor between Hunchun – Zarubino (Rajin) – Busan used to be operated on a weekly basis by Northeast Asia Marine International Shipping Co., Ltd based in Hunchun, but was downgraded to an irregular service due to lack of transported goods. Zhoushan Group, whose headquarters are based in Ningbo, China resumed the regular service but lack of transported goods still remains a major problem. If inter-Korean relationships improve, shipments between Busan and Rason should be considered in the future.

b. Establishment of marketing strategies that differentiate ports in the East Sea axis

The New Economic Map of the Korean Peninsula initiative includes ports from Busan, Ulsan, Pohang, Sokcho, extending all the way up to Wonsan, Hungnam, Chongjin, Rajin, Zarubino and Vladivostok. Systemic studies on these ports and a specific marketing strategy based upon their merits to prevent any malicious competition are required.

c. Studies of integrating ports in the Rason Economic Zone

There are three ports in the Rason Economic Trade Zone, in Rajin, Sonbong and Woonsang. Rajin port handled containers or miscellaneous goods, whereas oil shipments are docked in Sonbong port. Woonsang port used to handle timber produced in Russia. The distance between Rajin port and Sonbong port is 12 kilometers and Sonbong and Woonsang ports are 8 kilometers apart. All three ports are located in the same region and each port takes care of different shipments. Since they are close to each other and the interests of adjacent coun-

tries are intertwined, it would be best to integrate these three into one single port to raise efficiency, maximize synergy, minimize risk and mediate between the various stakeholders. This would also be a very realistic solution as a model for international cooperation.

d. Joint studies of port clusters around the Tumen River area

The recent development of the Tumen River area can be seen as the second round of various projects initiated in the early 1990s, which failed to reap any clear benefit mainly due to the conflicting interests of so many parties involved in such a small region. The most visible obstacles were the containing measures and overall lack of cooperation by other countries in regard to China's strategy to secure a maritime route. As such, the second round of development will have to overcome these limitations, and in this context this study proposes the concept of a Tumen River port cluster. The idea is to consider the various ports in the area – Slavyanka, Zarubino, Posyet, Woonsang, Sonbong, Rajin and Chongjin ports – as a single port cluster instead of separate ports in different countries, and to establish differentiated development strategies for the role and positioning of each port. As it would be difficult for a single nation to conduct studies toward this goal, the project will require joint studies by all nations involved to produce credible findings that all parties can accept as valid.

(2) Promoting complex logistics networks in the East Sea Rim

a. Reviewing in-land connectivity of Chongjin, Rajin and Zarubino ports

Previous studies on Chongjin, Rajin and Zarubino ports did not fully investigate the char-

acteristics of these ports or their comparative advantages. Therefore, the connectivity between these ports and in-land transport sites should be studied and their results should be shared for comparison.

b. Reviewing the feasibility of joint construction of Arxan – Choybalsan Railways by China, Mongolia and Korea

The railway between Arxan and Choybalsan has not even started construction due to several obstacles in China-Mongolia relations. On the other hand, the Republic of Korea and Mongolia are cooperating in several areas such as the trade of mineral resources. When considering the current status of relations between the three nations, there is a need to conduct a feasibility analysis of joint construction of the railway. Constructing the railroad would further shorten the route used by Korea to import mineral resources from Mongolia, thus reducing transport costs.

c. Strengthening East Sea Rim logistics network via Liaoning, Manzhouli, and Europe

Samsung Electronics and WooJin E&T Co., Ltd of Korea, Dalian Port Company and Dalian Vanguard International Logistics Co., Ltd established a strategic alliance at the end of 2014 and agreed to concentrate all Northeast Asian goods bound for Europe in Dalian Port and ship them to local plants in East Europe by train. The railway between Liaoning and Europe via Manzhouli was officially opened when a fully loaded train slowly departed from Dayowan port in Dalian in April 2015. According to data collected for this study, the railway reduces shipping times by 8-10 days and total transportation costs by 10-15% compared to the maritime route along the Southern Sea via Suez Canal. Hence, with no progress being made with the railway between Arxan

and Choybalsan, the route between Liaoning and Europe could be a feasible alternative to vitalize the complex logistics network in the East Sea Rim area.

2. Long-term

(1) Joint development of North Korean ports

Large amounts of financial resources are required to develop and construct ports, and the Republic of Korea possesses a high level of technological expertise, knowhow and economic resources. From a longer perspective, it will be essential to launch joint development and construction projects for ports in North Korea.

(2) Connecting inter-Korean railways and levelling them up

President Moon Jae-in of the Republic of Korea proposed to connect railways between the two Koreas during the annual meeting of the Asian Infrastructure Investment Bank (AIIB) in 2017. This is, of course, not feasible at the moment, but it will be in the future and is one of the key features in the “New Economic Map” initiative.

(3) Construction of port cluster in Tumen River area and development into a complex logistics hub

As mentioned above, it is crucial to integrate Slavyanka, Zarubino, Posyet, Woonsang, Sonbong and Chongjin ports into a single port cluster. This cluster should eventually be developed into a complex logistics hub for Northeast Asia, with each port performing its own differentiated development strategy while remaining mutually complementary with the others.

(4) Establishing international land and sea logistics network in the East Sea Rim

The port cluster of the Tumen River area should be connected with Busan to create a win-win strategy. In other words, the port cluster in the Tumen River area will be necessary for Busan to grow into a hub port for the Northeast Asian region and vice-versa. This mutually beneficial relationship can be sustained based on the strong ties created by the international logistics network in the East Sea Rim.

V. Conclusion

The détente on the Korean Peninsula that has continued since last year is providing new momentum in the Tumen River area in terms of international cooperation. This area also happens to be a region where state-level projects such as the Belt and Road Initiative and the New Economic Map of the Korean Peninsula initiative overlap with each other. When it comes to international cooperation in the Tumen River area, the first projects that come to mind are international logistics projects centered on ports. However, it is also undeniable that previous cooperation projects in the area of logistics failed to achieve any significant results due to various reasons.

In this new era with different political circumstances, we should absorb what we have learned from the slow progress in developing Tumen River areas, particularly in port logistics, and move forward to developing the area as an international logistics hub of Northeast Asia through multilateral cooperation from both short- and long-term perspectives. In the end, this region should be developed into an area of peace and prosperity. **KIEP**