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The Tumen River Area Development Program

Chanwoo Lee

Abstract

The development of the Tumen River area, located where the borders of China, Russia, and the DPRK meet, has been conducted in a multilateral framework since the collapse of the Cold War structure around 1990. However, development has been obstructed by differences of opinion, a dearth of experience of international cooperation on the part of the participating countries, lack of an institutional base, absence of a country that can provide leadership, limits on the supply of development finance, and lack of information exchange between participating countries. In 2005 the participating government agreed to extend the project to 2015, and expand its geographical coverage to the Greater Tumen Region. The project has the potential to be a model for multilateral cooperation in Northeast Asia, and a pillar of peace and security in the region.

Background to the initiation of the development program

The Tumen River (in Korean, Tuman River) flows eastwards along the border between the northeastern part of the Korean Peninsula and China's Jilin Province, into the Japan Sea (known in Korean as the East Sea). The lower reaches of the river, about 15 kms from the mouth, form the border between Russia and the Democratic People's Republic of Korea (DPRK, North Korea). So, the Tumen River area is located where the borders of China, Russia, and the DPRK meet.

During the 1930s and World War II, the Tumen River area was developed by Japan, including construction of Rajin port near the river mouth, and a railway from Rajin port to Manjunguo.
(northeastern China) to facilitate transportation between there and Japan. During the Cold War period of east–west conflict, there was no multilateral economic cooperation at the regional level in Northeast Asia, due to disparities in economic development and differences in ethnicity, language and culture. Most economic cooperation took the form of bilateral cooperation.

However, the series of tectonic shifts in the international situation around 1990 gave birth to a new post-Cold War era. These changes included the normalization of Sino-Soviet relations (1989), the system change in Mongolia (1990), the normalization of relations between Russia and the Republic of Korea (ROK, South Korea, September 1990), the simultaneous admission to the UN of the ROK and DPRK (1991), diplomatic negotiations between Japan and the DPRK (1991–1992), and the normalization of Sino–ROK relations (August 1992). In particular, the transition of Russia and China to market economies has become the foundation for multilateral economic cooperation in Northeast Asia. As a result, discussions on the possibility of an economic bloc in Northeast Asia gained ground.

The concept of using multilateral cooperation to develop the Tumen River area, based on its geopolitical location and historical background, was suggested as a model for regional cooperation in the new post-Cold War era in Northeast Asia by Japanese and Chinese scholars at several conferences of academic or non-governmental level before and after 1990. The Tumen River area (see Figure 1) encompasses China’s Yanbian Korean Autonomous Prefecture in Jilin Province, Russia’s Primorsky Territory, and the Rajin-Sonbong Zone of the DPRK (currently known as Rason City), but in a wider sense, Eastern Mongolia is also included from the perspectives of transport routes to the Tumen River area.

The Tumen River area has a number of advantageous conditions including abundant natural resources such as timber and minerals in China and Russia, a cheap workforce in China and the DPRK, and ice-free ports in the DPRK and Russia. The region can be linked to vast markets in Japan, the ROK and further away in Europe by means of marine and rail networks. However, it suffers from such disadvantages as poor infrastructure development and long distance from major consumption centers (see Figure 2).
Figure 1: Tumen River Area
## Tumen River Area Development Program

### Figure 2: Strengths and Weaknesses

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yanbian</strong></td>
<td>Geographical distance from major domestic markets and ports of the three northeast provinces</td>
</tr>
<tr>
<td>Distances to DPRK, Russia, ROK, and Japan are shorter from Yanbian than elsewhere in China</td>
<td>Landlocked location and lack of efficient access to east coast ports</td>
</tr>
<tr>
<td>Korean ethnic community (40.5% of the 1990 population): Yanbian has good relations with the DPRK and the ROK.</td>
<td>Lack of supporting industries, including parts manufacturing</td>
</tr>
<tr>
<td>FDI using new technologies, combined with monthly wages of US$70-80, produce levels of productivity similar to southern China</td>
<td>Inadequate social infrastructure, and underdeveloped facilities for tourists</td>
</tr>
<tr>
<td>Natural resources including water, wood and herbs for traditional medicine</td>
<td>Underdeveloped international access routes to Yanbian</td>
</tr>
<tr>
<td>Changbaishan (Mt. Paekdu) is a holy mountain for all Koreans; Fangchuan in Hunchun near the sea could be a tourist attraction in the border area.</td>
<td></td>
</tr>
</tbody>
</table>

| **Rason** | Road network is underdeveloped and the condition of its surface is poor. The railway is old and in need of modernization. Electricity, fresh water supply, waste treatment system, healthcare and housing are all inadequate. |
| Rajin Port: the facility is old but in overall good condition, with handling capacity of 4 million tons of cargo per year. The port is superior to Zarubino and Posiet, and has room for further expansion. There is dual gauge railway access to Khasan, Russia. | Domestic markets are remote and underdeveloped, putting the RSZ at a disadvantage in any manufacturing industry. Access for tourists is complicated, and tourism resources are underdeveloped. |
| Beautiful coastal beaches can easily attract tourists from inland China who want to enjoy swimming, fishing, and seafood. Labor cost and quality: The entire workforce has completed 11 years of high-quality compulsory education. | Supporting industries and business infrastructure are largely absent or inefficient (e.g. packaging, quality control, telecoms). |
| The Zone is rich in marine resources and forest products such as pine mushrooms and oriental herbs. | |

| **Primorsky** | Remoteness from major domestic markets |
| Good international transportation infrastructure including port facilities (Vostochny, Nakhodka, Vladivostok), a rail network and international airport. Primorsky has abundant supplies of natural resources (fish, timber, coal, minerals). Historic city of Vladivostok and areas of ecological interest. | Poor living conditions (criminal, medical, water supply and sewerage systems) Poor soft infrastructure (tax system, legal system, customs arrangements) |
As no country in the Northeast Asia could provide leadership for developing the Tumen River area, the UNDP played a somewhat maternal role in realizing the first multilateral economic cooperation.

**Moves to promote the Tumen River area**

*China*

The watchword for China’s approach to the Tumen River area was *Zou chu qu Yin jin lai*, expanding overseas, while introducing foreign investment at home.

The idea of trying to develop the Tumen River area in the Yanbian Korean Autonomous Prefecture, Jilin Province, by means of international cooperation, in order to develop the northeastern region, arose because the development of the three northeastern provinces was lagging behind. The Tumen River area development concept is a vision for multilateral economic cooperation that was born out of attempts by Jilin Province to search for an outlet onto the Japan Sea via the Tumen River. China was the first to become interested in the project. After this vision was taken up as a UNDP project, China’s government decided to create preferential policies in order to promote the development of the Tumen River area through three schemes.

The first scheme was a plan to build a port in Fangchuan, a border village located about 15 kms upstream from the Tumen estuary, dredge it, and create an outlet onto the Japan Sea. However, this plan was aborted due to the non-agreement between China, the DPRK, and Russia regarding China’s navigation rights.

A second scheme planned to secure an outlet onto the Japan Sea by using ports in the DPRK and Russia. China probably had the idea of promoting both Russian and DPRK routes in order to create competition between them and thus derive advantageous terms. For the Russian route, 62km of railway would be built between Hunchun in Jilin Province and Russia’s Zarubino Port, and other plans would secure use of Russia’s Posiet Port. For the DPRK route, there were plans to use the Chongjin and Rajin ports.

A third scheme aimed to develop Hunchun under the “special
economic zone” policy. In March 1992, China’s central government opened up the city of Hunchun, which is adjacent to the borders with Russia and the DPRK, and established the Hunchun Border Economic Cooperation Zone as a state-level economic cooperation zone and stepped up its efforts to attract foreign investment. The regional government of Jilin Province, which is the main body at the regional level, implemented three stages of measures to develop the Tumen River area through Hunchun.¹ The first stage in 1995–2005 included the construction of an expressway between Changchun and Hunchun, and the opening and improvement of a road between Hunchun and Quanhe. In the second stage (2005–2010), a China–DPRK–Russia transport network will be created focusing on Hunchun, by linking the Chinese and Mongolian railways; and collaborative administrative entities were created between China, the DPRK and Russia to oversee investment, trade, tourism, freight transport, banks and the prevention of dual taxation. In the third stage (2010–2015), a new regional economic bloc will be nurtured, focusing on Hunchun through the development of the Tumen River area.

**DPRK**

As one of the countries formed by the partition of the Korean Peninsula, the DPRK occupies a unique position in Northeast Asia. As the DPRK has adhered to a socialist planned economic policy, there has been antagonism between socialism and capitalism on the Korean Peninsula. The changes in the international situation that took place around 1990, particularly the collapse of the socialist economic bloc, were a major ordeal for the DPRK which became more oriented towards security through economic cooperation in Northeast Asia. That was why the DPRK government has been an active participant in the Tumen River Area Development Program from the outset, and announced its plan to create a free economic and trade zone in the Rajin-Sonbong region (now known as Rason City) at the UNDP’s First Northeast Asia Subregional Program Conference, which took place in Ulaanbaatar, Mongolia in July 1991. The UNDP’s Second Northeast Asia Subregional Program Conference (16 October 1991) was held in Pyongyang, DPRK. On
28 December 1991, the DPRK proclaimed the founding of the Rajin-Sonbong Free Economic and Trade Zone in Decision No.74 of the Administrative Council, and made a formal decision to implement preferential measures, including designating Rajin, Sonbong, and Chongjin as free trade ports, waiving enterprise income tax for foreign-invested companies in that region, and introducing exemptions for customs duties.

However, there were no significant advances in the policy on the Rajin-Sonbong Zone until the end of 1994, due to such factors as the conflict between the DPRK and the US resulting from the issue of the DPRK's suspected development of nuclear weapons. As a result of the Geneva Agreed Framework in October 1994, the issue of nuclear weapons development was settled and some signs of international cooperation were seen in the development of Rajin-Sonbong Zone, but as a result of a serious food crisis arising from such natural disasters as floods and droughts, which occurred from 1995 onwards, and a reduction in the rate of operation of factories due to shortages of power, raw materials and resources, the DPRK plunged into an economic crisis.

Amid this economic crisis, the DPRK had no domestic sources of development finance and had to depend on foreign sources. In September 1996, a first international investment and business forum was held in the Rajin-Sonbong Zone, at which the government conveyed its hope to attract about US$ 1 billion of foreign capital for infrastructure development (railways, roads, ports) and investment in 101 industrial sectors.

In June 1997, in order to improve the investment environment in the Rajin-Sonbong Zone, the DPRK government implemented the following: wide-ranging delegation of power relating to investment to the Rajin-Sonbong Zone authority (a one-stop system); introduction of a market price system (abolishing the rationing system and implementing an independent profit and loss accounting system for enterprises); creation of a unified exchange rate (about 200 won/US$); permission for private enterprise and the establishment of a free market; integration of the rail administration system; and propagation of a market economic system (nurturing human resources). Through this policy, the Rajin-Sonbong Zone became the only region in DPRK in which
the principles of the market economy had been introduced.

In fact, the DPRK was positive about the UNDP’s Tumen River Area Development Program from 1991 to 1997 on the condition that the territorial sovereignty of the Rajin-Sonbong Zone should be maintained, and that there would be no multilateral joint administrative management of the zone’s development. During the economic crisis which began in the mid 1990s, the government of the DPRK hoped that the development of the Tumen River area, which includes the Rajin-Sonbong Zone, would promote cooperation, trade, and both economic and technological exchange between the DPRK and the countries of Northeast Asia, as well as countries across the globe (International Economy and South-South Cooperation Institute: 6). There was a coherent strategy to promote economic development and regime security by means of a policy on the special economic zone.

However, as a result of the Asian currency crisis of 1997, which occurred while the DPRK was experiencing its own economic crisis, the DPRK intensified its negative stance vis-à-vis the global market economy. In 1998, the Rajin-Sonbong Zone’s official name changed from the “Free Economic and Trade Zone” to the “Economic and Trade Zone,” with the expression “free” being expurgated. Business persons from ROK were prohibited to enter the zone since 1998. The DPRK shifted back to its conservative economic policy of prioritizing heavy industry, and backtracked from the policy of promoting special economic zones to attract foreign investors.

Currently in the Rajin-Sonbong Zone, the DPRK government offers preferential measures for foreign capital, aims to attract foreign capital for infrastructure development (roads, railways, communications, and electrical power), and also aims to attract foreign capital to fields in which cooperation is possible, such as marine produce. The focus is on the development of infrastructure, manufacturing, and service industries by attracting foreign capital, with priority given to investment in the development of entrepot trade and the tourism industry. The Rajin-Sonbong Zone authority is making haste to secure a supply of capital for transport development, having designated this as a top-priority issue. 2
Russia

Russia implemented radical market reforms of its socialist economy after the collapse of the Soviet Union, and has since inclined towards “Atlanticism,” focusing on the US and Europe. Of all Russia’s regions, the Russian Far East has lagged far behind, with its population shrinking, its infrastructure outdated, and its processing industries deteriorating, rather than becoming a hub for Russian expansion into the Pacific region.

Russia has prioritized the development of the wider Far East and Zabaikal regions, rather than treating the Tumen River area as a special development region. In contrast to China and the DPRK, Russia has had little interest in a vision for the Tumen River area development from the outset, both within the central government and within the government of the Primorsky Territory, which holds jurisdiction over the relevant area.

Meanwhile, the authorities of the Khasan District, which adjoins the Tumen estuary, concluded an agreement with China in 1992 regarding the joint development and management of Zarubino Port, fitting in with speculation that China is seeking an outlet onto the sea in that area.

The government of Primorsky Territory began to tackle the development of the Tumen River area in earnest in 1995, focusing on the Khasan District. On 17 July 1995, the Russian federal government promulgated Decree No. 732, The Russian Federation’s Participation in the Implementation of the UNDP’s Tumen River Area Development Program, and Decree No. 990, About the Khasan Marine Commercial Port Transit Transport Hub. These decrees envisioned: the construction of international transit facilities for passengers and cargo between Kraskino and Hunchun, promoting the construction of the Golden Link Railway, the refurbishment of Posiet and Zarubino ports, and the development of a regional telecommunications network; a stable electricity supply for the Khasan District; development of the region’s fishery, fur and agricultural industries; and development of tourism infrastructure in the region.

The Russian government’s switch in policy towards Northeast Asia boosted Primorsky Territory’s policy on Tumen River area development. Russia’s policy vis-à-vis Northeast Asia are outlined in
Vision for the Foreign Policy of the Russian Federation (1998), Military Doctrine of the Russian Federation (2000), and Major Development Policies to 2010 (2000). In geopolitical terms, the policy is that of maintaining regional stability. To this end, the development of relationships in Northeast Asia is emphasised. In economic terms, the policy is that of economic development in Siberia and the Russian Far East. To this end, it is necessary to expand economic relations with neighboring countries, promote infrastructure development, and improve standards of living for the people.

In order to carry out these policies, the Russian federal government has tried to implement such initiatives as the use of bilateral government links in Northeast Asia (relations with China, the DPRK, the ROK, and Japan), and participation in Northeast Asia’s security and economic cooperation system; and investigating Russia’s role in the international division of labor in Northeast Asia (the supply of energy, the dynamization of the Trans-Siberian Railway). In particular, a plan is being promoted to run services across the Russia–DPRK border using the Trans-Siberian Railway and the Korean Peninsula railway, and to absorb transit cargo to China’s three northeastern provinces.

The policies currently adopted by the government of Primorsky Territory vis-à-vis the development of the Tumen River area include the development of Vladivostok, Nakhodka and Vostochny ports and the increase of international intermediate trade; the expansion of intermediate trade involving Chinese cargo by developing Zarubino Port and other parts of the Khasan District; and international cooperation to nurture the fishery, agriculture and livestock farming industries in the Khasan District and cultivate industry in Primorsky Territory. As the Russian government has insufficient financial capability, it is hoped that investment from Japan and the ROK will be forthcoming.

ROK

Taking the opportunity presented by the systemic transformations in Eastern Europe and the former Soviet Union around 1990, the ROK government implemented its “Northern Policy” and became active in cooperation and exchange with
socialist countries. After beginning with the normalization of diplomatic relations with Hungary (1989), it formed diplomatic links with most Eastern European countries, as well as normalizing diplomatic relations with the former Soviet Union in 1990 and with China in 1992. The ROK also opened cabinet-level political dialogue with the DPRK in 1991–2. In December 1991, along with the DPRK, it adopted the *Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation Between South and North Korea*.

The ROK has been an active participant from the very first stages of the Tumen River Area Development Program, which was proposed along with other such post-Cold War moves. The reasons for the ROK’s display of interest in multilateral economic cooperation in the Tumen River area include the pursuit of improved links with the DPRK, not to mention the fact that the Tumen River area is home to many ethnic Koreans.

Since 1993, the international situation surrounding the DPRK has become tense arising from the issue of nuclear weapons development, but the ROK has been undertaking large-scale investment activities in the Tumen River area. In particular, there has been an upsurge in investment in China’s Yanbian Korean Autonomous Prefecture. Because of wage increases and shortages of manufacturing capacity and labor in the ROK economy in the latter half of the 1980s, production bases began to be relocated overseas, especially to China.

Because of economic stagnation resulting from the currency crisis in late 1997, the ROK promoted economic liberalization policies and structural reforms in line with the IMF’s policy guidance. Moreover, it switched to a policy of engagement with the DPRK in order to improve North-South relations and achieve peaceful coexistence. The ROK government’s positive attitude towards alleviating the tension on the Korean Peninsula led to the North-South Summit held in Pyongyang in June 2000. The “June 15th Joint Statement” by the leaders of the ROK and DPRK announced that they had agreed that the Korean people would undertake unification and socio-economic cooperation through their own efforts. Since 2001, amid signs of a resurgence of tension in Northeast Asia as a result of the deterioration in relations
between the US and the DPRK, there have been no fundamental changes in the ROK’s policy of peaceful coexistence with the DPRK.

The ROK government’s cooperation in the development of the Tumen River area can also be seen from its financial backing. In 1992, the ROK government decided to provide the UNDP with US$ 5 million of support for use in the Tumen River Area Development Program, and had paid US$ 4.06 million of this amount by the end of 2000.3

Given these policies, the strategy of the ROK government can be said to be the creation of a framework for regional cooperation by playing a coordinating role in multilateral economic cooperation in Northeast Asia while also assisting in its development, as well as promoting peace, stability and sustainable economic growth in the region, and pursuing the peaceful integration of the Korean Peninsula.

*Mongolia*

For Mongolia, a landlocked country sandwiched between Russia and China, economic cooperation in Northeast Asia is an extremely important issue that will lead to economic growth and security. At present, the countries of Northeast Asia (Russia, China, Japan, and the ROK) account for 60 percent of all foreign capital invested in Mongolia and 70 percent of all trade with the country. Mongolia’s economic development is closely intertwined with Northeast Asia. Accordingly, the Mongolian government has a great deal of interest in the creation of a framework for multilateral economic cooperation in Northeast Asia, and is taking a stance of supporting all proposals made with the aim of promoting cooperation in the region. Mongolia places particular emphasis on the UNDP’s Tumen River Area Development Program, and has participated in this program from its initial stages, with a view to creating a mechanism for multilateral development cooperation. The Mongolian government came up with a vision for a transportation route linking the Tumen River area with Eastern Mongolia. As it would create a new outlet onto the sea for Mongolia, the Mongolian government is attaching great importance to this vision. In Mongolia, there are hopes that this route will contribute not only to Mongolia’s trade and economy,
but also to the development of a trade and transportation network for the whole of Northeast Asia.

**Japan**

The Japanese government is not a formal member of the UNDP’s Tumen River Area Development Program, but has participated in the program as an observer. Since 1996, UNDP and membership countries of the TRADP have requested the Japanese government’s formal participation and membership, but the Japanese government has declined, citing its lack of diplomatic relations with the DPRK. Japan’s policy vis-à-vis Northeast Asia hitherto has been to prioritize its relationship with the US, and it seems to have feared participation in a framework for multilateral cooperation that does not include the US. Moreover, the Japanese government has maintained that normalizing diplomatic relations is a prerequisite for economic cooperation with the DPRK.

It can be said that, as a result of Japan’s lack of participation, the development of the Tumen River area has not been dynamized in terms of attracting investment and providing finance, and the development process has stagnated.

However, the local authorities and economic groups based on the Japan Sea coast of the country have displayed a positive attitude to the Tumen River area development. They have jointly promoted a feasibility study regarding the development of Zarubino Port in Russia’s Primorsky Territory (Committee for Zarubino Port Feasibility Studies, 1996), and plans for cooperation. Moreover, private companies (Shinwa Bussan and Toyo Engineering) published the *Rajin-Sonbong Free Economic and Trade Zone Investment Guidebook* (1996) at the request of the DPRK Committee for the Promotion of External Economic Cooperation. Various cooperation with China is taking place, including collaboration by Japanese local authorities and representatives of the business community on the Japan Sea coast in promoting transportation and investment in Yanbian Prefecture. Accordingly, investments by Japanese enterprises in the Tumen River area increased from the late 1990s. In other words, at the non-governmental level, Japan has embraced the concept of the Japan Sea Rim Economic Region, which aims for the expansion of
economic relations between Japan and Russia, China and the DPRK, taking the opportunity offered by the promotion of the Tumen River Area Development Program.

In the domestic background in Japan lies the concept of the Japan Sea Rim Region, which began to gain currency in the latter half of the 1980s, focusing mainly on the local authorities, economic groups and universities on the Japan Sea coast. Along with the concept of the Tumen River Area Development Program, economic interest in the Japan Sea Rim Region, which encompasses Northeast China, the Russian Far East, the DPRK and Japan, has picked up steam. The development plan for the Tumen River area has been acknowledged as the crown jewel of economic cooperation in the Japan Sea Rim Region. The development of the Tumen River area can be said to have provided an important opportunity for Japan to adopt not only a bilaterialist but also a multilateralist perspective in its economic relations with the countries of Northeast Asia.

It is to be hoped that, if there is an improvement in Japan-DPRK relations, Japan will participate in the development of the Tumen River area. If Japan were to participate and even take the lead in Northeast Asia’s sole multilateral cooperative framework, it would almost certainly lead to cooperation and security in Japan’s policy on Northeast Asia.

**UNDP development cooperation**

*Phase I: March 1991 to December 1995*

The UNDP has actively carried out a supporting role since the initial preparatory phase. In March 1991, UNDP decided to take up the development of the Tumen River area as a priority issue in the UNDP’s Fifth Project Plan (1992–1996). In July 1991, the UNDP-organized First Northeast Asia Subregional Program Conference (in which representatives from China, Russia, the DPRK, the ROK, Mongolia and the US participated) took place in Ulaanbaatar, and the Tumen River Area Development Program was recognized as the first UNDP-supported development project in Northeast Asia. In October 1991, the *Vision for Tumen River Area Development* was published by the UNDP in Pyongyang.
This report pointed out that “the resources of Northeast Asia and the complementarities between the countries of the region are most promising, while the Tumen River area has great potential for intermediate trade and the development of industries engaging in intra-regional cooperation, but the cooperation of the three countries is an important prerequisite for realizing this.” The report outlined the areas to be the focus for this development: the Tumen River Economic Zone, defined as the small triangle (1,000 km²) linking Hunchun, Rajin-Sonbong and Posiet and Zarubino ports; and the Tumen River Economic Development Area, defined as the large triangle (10,000 km²) linking Yanji, Chongjin and Nakhodka Port.

The report estimated the total cost of developing the Tumen River area to be about US$ 30 billion, with construction of about ten modern quays and a city in which around a million people can live, including the development of such infrastructure as roads, ports, railways, airports and electrical power and the nurturing of the necessary human resources (Miller et al.: 65). It predicted the development period to be about twenty years, including two years for a study of the area, four to five for construction projects, and seven to twelve years for the formation of industrial zones. The UNDP also proposed that the three countries should jointly designate a region as a special economic zone, and jointly undertake administrative coordination with regard to its development and management. However, the DPRK and Russia opposed the lease of land, and the various countries questioned where such vast sums for development would come from.

In 1994, the UNDP’s initial proposal was revised considerably, and subsequently the UNDP relinquished the leadership of the program to the various countries involved, and withdrew to a coordinating role.

In December 1995, agreements were formally signed, establishing the Tumen River Area Development Coordination Committee involving China, Russia, and the DPRK, and the Consultative Commission for the Development of the Tumen River Economic Development Area and Northeast Asia which involved the ROK, Mongolia, and the Coordination Committee. A Tumen Secretariat was established to service both the committee and commission. Furthermore, a Tumen Trust Fund was set up to
provide technological support aimed for the sustainable development of the economy and society of the Tumen River area and Northeast Asia as a whole. As a result, the Tumen River Area Development Program moved into its second, practical stage.

**Phase II: January 1996 to December 2000**

In this second phase, the plan for a jointly managed special economic zone proposed by the UNDP failed and the development of the Tumen River area returned once more to a framework of regional cooperation. The Coordination Committee and the Consultative Commission had met a total of four times by the end of 2000 (Figure 3).

![Figure 3: Tumen Secretariat 1996–9](image)

<table>
<thead>
<tr>
<th>Date</th>
<th>Place</th>
<th>Major content of discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>April, 1996</td>
<td>Beijing</td>
<td>Establishment of Tumen Secretariat, the secretariat for the two committees, in Beijing</td>
</tr>
<tr>
<td>October, 1996</td>
<td>Beijing</td>
<td>Passed a resolution to invite official affiliation of Japan</td>
</tr>
<tr>
<td>November, 1997</td>
<td>Beijing</td>
<td>Agreed on the second stage development plan by 1999 Major issues, including trade barriers, promotion of investment, tourism, environment and transportation</td>
</tr>
<tr>
<td>June, 1999</td>
<td>Ulaanbaatar</td>
<td>The DPRK was absent from the meeting. The meeting of eminent persons was held simultaneously. Announcement that the ROK was to donate an additional US$ 1 million to the Tumen Trust Fund UNDP emphasized transportation and environmental protection UNDP suggested the establishment of an investment company for development Implementation of cooperative project with more than two countries</td>
</tr>
</tbody>
</table>
In the second phase, the UNDP's Tumen Secretariat acted as a catalyst in many areas. It supported the Investment Forum of the three countries of the Tumen River area, initiated the Tumen Region Investor Service in 1998 (Tumen Secretariat, 2000: 7), and implemented a study of the investment environment in the Tumen River area in September 1999 with the cooperation of such bodies as the World Bank and ERINA (Economic Research Institute for North Asia). 4

Phase III: January 2001 to December 2005

During the third phase, the main issues were (Figure 4): the reinforcement of a stable framework for international cooperation and change in leadership (from the Tumen Secretariat to member countries) (Tumen Secretariat, 2001: 3; Tumen Secretariat, 2001: 2); contributing to economic development in the region through concrete activities in five fields (trade and investment, transport and communications, the environment, tourism, and energy); and expanding geographical coverage (from the Tumen River area to the Northeast Asia Region) and requesting actively the participation of Japan. With the participation of the UNDP, the Tumen program undertook several projects: increasing trade and transit with the opening of border crossing, construction of roads and railways, development of ports and airports and the opening of new shipping routes; providing a useful tool for member countries to collectively address trans-boundary environmental problems in the region as the Global Environment Facility supported environmentally friendly development of the region; stimulating the tourism industry by the opening of regular ferry service and initiating a tourism promotion program such as publishing tourism booklets and developing multi-destination tourism packages.

In recognition of the changing geopolitical environment, especially the rapidly growing economy of China, the member governments of the Tumen program agreed to expand its geographical coverage to the Greater Tumen Region, including: Jilin, Liaoning and Helongjiang province including Inner Mongolia in Northeast China; Rason Economic and Trade Zone of the DPRK; part of the Primorsky Territory of Russia; the eastern provinces of Mongolia; and the eastern port cities of ROK.
Tumen River Area Development Program

The Tumen River Area Development Program moved into its fourth phase, with the above enlarged geographical coverage, being named as the Greater Tumen Initiative, without the Japanese government’s participation. The member governments agreed to take full ownership of the Greater Tumen Initiative, supported by development partners such as UNDP, donor countries, and international financing institutions.

Figure 4: Tumen Secretariat, 2001–5

<table>
<thead>
<tr>
<th>Date</th>
<th>Place</th>
<th>Major content</th>
</tr>
</thead>
</table>
| April, 2001  | Hong Kong  | Official affiliation of Japan is necessary  
Expansion of the project area (from Tumen area to Northeast Asia as a whole)  
Reduction of the role of UNDP and enhancement of the role of member countries  
Confirmation and signing of yearly plan for 2001 to 2003 |
| June, 2002   | Vladivostok| Tasks for the third phase  
I. Specification of projects and fund-raising  
II. Formal affiliation of Japan  
Emphasis on Russian energy development projects |
| July, 2004   | Changchun  | Consensus at extension of the project till 2015  
Emphasis on formal affiliation of Japan |
| September,   | Changchun  | Agreement at extension of the project till 2015  
Greater Tumen Region  
Establishment of Business Advisory Council |

Phase IV: January 2006 to present

The Tumen Program has reached an important step of development in its fourth stage. Further success requires the
political will of member states to create a growth pole for Northeast Asia, and realistic policy formulation by the Consultative Commission.

The 8th Meeting of the Consultative Commission at Changchun in 2005 laid out a plan focussing on the priority areas of transport, tourism, energy, and investment with environment as a cross-cutting sector. Private sector participation in the Greater Tumen Region is one of the most critical success factors. However, in spite of its expanded geographical coverage, the activities of the Tumen Program at present are similar to those in Phase III.

In this current stage, member governments share the following strategic objectives for the period 2006 to 2015 (Tumen Secretariat, 2005): to rehabilitate and construct the basic communications infrastructure to facilitate the movement of goods through the Tumen ports (east coast ports of the DPRK and the Russian ports in the South of the Primorsky Region) between the Tumen River area and the industrial areas of Jilin and Heilongjiang; to increase the movement of goods from the Greater Tumen Region and in particular from Northeast China through Tumen ports by ten to fifteen percent per year by achieving more competitive costs for freight than through the port of Dalian; to increase the deregulation of border crossing procedures for goods and passengers in the Tumen River area; to increase the number of cross-border tourists in the Tumen River area by ten to fifteen percent a year; to establish a high-level institutional mechanism for energy policy support and reduce non-physical barriers to energy transmission and trade in the Greater Tumen Region; to increase private sector investment, including foreign direct investment, in the Greater Tumen Region in general and the special economic zones in particular; to improve access to international financial institutions for both public and private sector investment; and to revise and re-activate the environment Strategic Action Plan.

**Evaluation of the Tumen River Area Development Program**

*Transport infrastructure*

During the past ten years activities of the Tumen River Area Development Program, the development of transport infrastructure
has been the most important issue, involving the development of transport networks in China, the DPRK and Russia as international transportation corridors. Achievements in developing transport infrastructure in this region are as follows.

The transport of cargo and passengers across the borders between Hunchun, Primorsky Territory, and Rajin-Sonbong has increased sharply since 1999. In particular, since the passenger and cargo sea route between Hunchun, Zarubino and Sokcho in the ROK was established in April 2000, cross-border traffic between China and Russia has been dynamized and the number of travelers passing through the Hunchun customs checkpoint reached 441,484 in 2004 (Figure 5).

Four routes linking the Tumen River area with the ROK and Japan (Rajin-Busan, Rajin-Niigata, Posiet-Akita, Zarubino-Sokcho) have been opened and the Hunchun-Kraskino railway has begun operating commercially.

Let us evaluate the achievements in the development of transport infrastructure in the Tumen River area by route.

**Yanbian-Rajin Port.** The rail route between Tumen, Namyang and Rajin (about 165 kms) and the road route between Hunchun, Quanhe, Wonjong and Rajin (about 116 kms) are gateways to Rajin Port in the DPRK’s Rajin-Sonbong Zone. The former, an existing route, has been used for transit and as a trade route between China and the DPRK. The latter was opened in September 1995, and the number of passengers has risen sharply since it was opened up to passengers from other countries in February 1997 (China International Center for Economic and Technical Exchange and UNDP, 2001: 139–140).

The advantage of these routes is that the infrastructure at Rajin Port is relatively good. It can handle about 3 million tons of cargo annually, and has sufficient capacity to handle both container and
bulk cargo. Rajin Port was constructed in 1938. It has three quays (ten piers) that can be used by 20,000-ton ships. In October 1995, the regular Rajin–Busan container route was established by Dong Long Shipping, a joint venture between a company from the ROK and a company from Yanbian Prefecture. Niigata became a port of call in August 1999.

The main route between Hunchun and Rajin port is the Hunchun–Quanhe–Wonjong–Rajin road of about 100 kms, of which 39 kms are paved including two tunnels on the China side, and 54 kms is unpaved mountain road on the DPRK side. The lack of development of this mountain road on the DPRK side is a bottleneck. With regard to the development of this road between Wonjong and Rajin, it was agreed between Hunchun city and Rason city to build a relatively flat new relief road of 67 kms along the Tumen River, rather than using the existing mountain road.

Yanbian–Khasan. This transport route uses Zarubino and Posiet ports in Russia’s Khasan region as gateways. The advantages of this route are that it is shorter than the Rajin route (45 kms from Hunchun to Kraskino), flat, and more or less straight, with a paved road and a railway recently constructed. However, Zarubino and Posiet ports do not boast such good infrastructure or handling capacity as Rajin. Zarubino port can handle only 1.2 million tons of cargo annually, and Posiet only 1.5 million tons. Cranes were installed for use with the cargo and passenger ship between Sokcho and Zarubino, and a passenger terminal was built.

As a result of the December 1992 agreement between China and Russia, work on a new railway between Hunchun and Kraskino (38 kms) began in 1994, and although there were delays arising from a lack of finance from both countries, the rails were linked in October 1996 and officially opened in May 1999. Actual cargo transport began in February 2000, with irregular imports of timber from Russia taking place.
**Figure 5: Volume of goods and number of travelers passing through Hunchun customs point**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td>Transit freight (tons)</td>
<td>DPRK</td>
<td>Qanhe</td>
<td>23,772</td>
<td>66.3</td>
<td>70,021</td>
<td>77.0</td>
<td>41,387</td>
<td>67.2</td>
<td>116,784</td>
<td>84.3</td>
<td>159,845</td>
</tr>
<tr>
<td></td>
<td>Shatuozi</td>
<td>4,961</td>
<td>13.8</td>
<td>5,575</td>
<td>6.1</td>
<td>5,575</td>
<td>9.1</td>
<td>932</td>
<td>0.7</td>
<td>2,915</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>Russia</td>
<td>Changlingzi</td>
<td>7,143</td>
<td>19.9</td>
<td>15,358</td>
<td>16.9</td>
<td>14,604</td>
<td>23.7</td>
<td>20,754</td>
<td>15</td>
<td>39,787</td>
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<tr>
<td></td>
<td>Total</td>
<td>35,876</td>
<td>100</td>
<td>90,954</td>
<td>100</td>
<td>61,566</td>
<td>100</td>
<td>138,470</td>
<td>100</td>
<td>202,547</td>
<td>100</td>
</tr>
<tr>
<td>Transit passengers (to and from)</td>
<td>DPRK</td>
<td>Chanhe</td>
<td>11,992</td>
<td>50.1</td>
<td>71,364</td>
<td>83.1</td>
<td>99,436</td>
<td>85</td>
<td>143,301</td>
<td>76.2</td>
<td>127,349</td>
</tr>
<tr>
<td></td>
<td>Shatuozi</td>
<td>7,645</td>
<td>32</td>
<td>9,657</td>
<td>11.2</td>
<td>4,995</td>
<td>4.3</td>
<td>3,568</td>
<td>1.9</td>
<td>6,573</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td>Russia</td>
<td>Changlingzi</td>
<td>4,278</td>
<td>17.9</td>
<td>4,834</td>
<td>5.6</td>
<td>12,571</td>
<td>10.7</td>
<td>41,291</td>
<td>21.9</td>
<td>146,181</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>23,915</td>
<td>100</td>
<td>85,855</td>
<td>100</td>
<td>117,002</td>
<td>100</td>
<td>188,160</td>
<td>100</td>
<td>280,103</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Hunchun City Border Entry and Exit Management
As the gauge of the rails in the two countries differs (China uses standard gauge of 1,435mm, whereas Russia uses broad gauge of 1,524mm), the construction of a trans-shipment station on either side of the border was planned, and four rails (one set each of broad and standard gauge rails) were laid between the two stations. It was planned that trans-shipment should take the form of changing the bogies, but the trans-shipment station on the Russian side did not materialize and so cargo is transferred at Hunchun Trans-shipment Station.

Problems in the development of transport infrastructure

Development of each route is thus underway and great improvements have been made in terms of border crossing procedures, but in addition to the problem that the volume of cargo on these routes is low in proportion to their economic potential, the routes are beset by a variety of impediments.

Both the Zarubino and Rajin routes are uncompetitive in terms of price compared with the Dalian route. Moreover, as there is no agreement on clear standards for collecting fees when crossing borders between the relevant countries, it is difficult to calculate transport costs.

The customs procedures for both cargo and passengers are cumbersome and complicated. The necessary documents and details to be provided when crossing borders between China and Russia, and China and the DPRK are complex and crossing the border is therefore time-consuming.

There have been insufficient discussions among the Tumen Program member countries to make transport infrastructure a key factor for regional economic integration.
Attracting foreign direct investment

As a result of the favorable conditions for intermediate trade that are characteristic of the region, the existence of cheap labor and natural resources, and preferential treatment for foreign investment, foreign direct investment has been undertaken in the Tumen River area.

According to data provided by countries in the Tumen River area (excluding Mongolia), a total of US$ 947.5 million dollars of foreign direct investment had been implemented from 1996 till 2003, with Yanbian Prefecture, Primorsky Territory, and Rajin-Sonbong Zone receiving US$ 451.7 million, US$ 356.9 million, and US$ 138.9 million respectively (Yanbian Statistical Bureau, 2005; Goscomstat, 2005; Tumen Secretariat, UNDP, 2005).

The biggest investor is the ROK, followed by Japan. ROK investment is concentrated in Yanbian Prefecture, as this region possesses such advantages as cheap labor and land costs, not to mention the fact that about 40 percent of the local population is ethnic Korean and therefore speaks the same language. Furthermore, the development of transport infrastructure by the government of Yanbian Prefecture is progressing. The main focuses of investment are resource-processing sectors such as timber and, foodstuffs processing, textiles and apparel, and mining. Moreover, foreign direct investment has been used to develop hotels and tourism, while there has also been investment in the Rajin-Sonbong Zone and Primorsky Territory in transport and communications, emphasizing the position of these areas as gateways to the region.

Other than in Yanbian Prefecture, foreign investment in the Tumen River area is sluggish. Although this is due in part to such problems as economic instability in the DPRK and Russia, the lack of infrastructure development and inadequate institutional development, insofar as the development of the Tumen River area is a multilateral cooperative development project, the discrete investment attraction policies of each country are a problem in terms of joint cooperation.

First, there is little development of infrastructure in the DPRK. While the Chinese government has actively invested in infrastructure development, and Russia has invested in new roads and railways, and developed the investment environment using
existing infrastructure, the DPRK depends on foreign finance for infrastructure development, and has lagged behind in attracting investment.

Second, there are delays in the development of international cooperation. A framework for multilateral international cooperation has been formulated, but the specific practical content of cooperation in the development of special economic zones has lagged behind (ERINA, 2001: 33).

Third, there are delays in cooperation on international finance.

Fourth, uncertain and turbid circumstances in Northeast Asia region, basically caused by the DPRK’s nuclear weapon development, have been a bottleneck against attracting investment into the Tumen River area.

Fifth, uncertain and fluctuating economic policy for the Far Eastern Russia adopted by Russian central and local governments has made foreign investors reluctant to sink funds into the Tumen River area.

**Issues for the Tumen River Area Development Program**

The development of the Tumen River area has been conducted within a multilateral framework but there have been various problems, including: differences of opinion; a dearth of experience of international cooperation on the part of the participating countries; lack of an institutional base; absence of a country that can provide leadership; limits on the supply of development finance; and lack of information exchange between participating countries. The background to these problems includes a drop in investment as a result of the 1997/98 economic stagnation in East Asia, just at the time when the Tumen River Area Development Program began to be promoted in earnest, the passive policies for the development of the Rajin-Sonbong Zone adopted by the DPRK government from 1998, the stance of prioritizing the development of the wider Far East and Zabaikal regions rather than the Tumen River area adopted by the Russian government, and the lack of participation by the Japanese government. Although the Tumen River Area Development Program is a framework for multilateral cooperation, development has actually come about through bilateral
cooperation between the three countries of the area.

However, it is necessary to rebuild the Tumen River Area Development Program to be a model for multilateral cooperation in Northeast Asia. If we realize that promoting domestic economic reforms in the DPRK and international economic cooperation in Northeast Asia will bring peace and security to the region, the necessity of multilateral economic cooperation becomes even clearer.

Fields in which multilateral cooperation should be tackled include: the development of a cross-border transport network (railways, roads, ports, and airports); cooperation aimed at the joint use of energy in the Tumen River area, including electricity and oil; the development of joint institutions for promoting trade, investment, and tourism; the formation of a framework for obtaining international finance; and environmental cooperation aimed at preventing atmospheric and water pollution.

*Transport infrastructure*

In order to develop the Tumen River area as one of Northeast Asia’s major international corridors, the transport infrastructure problems must be solved. A bilateral or multilateral treaty is needed to reduce obstacles to the crossing of borders (trade and the transport of people and goods).

One problem that must be solved swiftly is the development of the road between Wonjong and Rajin, which forms a bottleneck on the Hunchun-Rajin Port route. Moreover, the development of Zarubino Port is a matter of some urgency. In the medium to long term, the linkage of the Trans-Siberian Railway with a line running down the Korean Peninsula to Busan Port will also assist the development of the Tumen River area, as the route would run through it.

*Attracting investment*

The starting point for the development of the Tumen River area was the implementation of multilateral economic cooperation in Northeast Asia. In addition to multilateral cooperation in transport infrastructure, multilateral cooperation in the field of investment (developing and managing special economic zones) has
come to be an important issue. However, as cooperation was pursued after China, the DPRK, and Russia had independently developed such areas, the multilateral framework has not had much effect.

Moreover, competition for Chinese transit trade between the Rajin-Sonbong Zone and the Khasan area is the reason why international cooperation in the field of investment has weakened. Accordingly, an important issue in multilateral cooperation in the Tumen River area is to ensure that, in the areas of transport infrastructure and investment attraction, the relationship between the DPRK and Russia is cooperative rather than competitive.

In order to achieve this, multilateral cooperative development should be promoted by jointly establishing an international free trade zone that transcends the boundaries of the three countries. This zone should be centered around Hunchun, Rajin-Sonbong, and Khasan (Zarubino Port). One option is for the DPRK to designate Rajin-Sonbong as a special administrative zone, just like Sinuiju, and to transfer authority from the central government to the regional government.

Financial cooperation

The biggest reason why the development of the Tumen River area has not made much real progress is the dearth of finance for development. The necessity of multilateral financial cooperation has been stressed since the initial stages of the Tumen River Area Development Program. From 1993, the UNDP proposed the establishment and joint development of a multilateral development company, but due to opposition from the DPRK, among others, it became reliant on individual development initiatives by each country, with multilateral cooperation being promoted thereafter. In fact, procuring finance for infrastructure development was a serious problem; the UNDP is not an organization that provides loans or equity, so its support was limited to technical consulting. Various proposals have been made for establishing some kind of institution for financial cooperation (Asia-Pacific Institute, 1997: 269–80), such as the Northeast Asian Development Bank, the Northeast Asia Development Fund, the Tumen River Area Development Fund, and the Northeast Asia/Tumen Investment
Bank, but none have yet come into being. In order to promote full-scale international financial cooperation, serious discussion and agreement between the countries of Northeast Asia is required.

**Japan’s participation**

The main reason why the Japanese government refused formally to participate in the development of the Tumen River area was that it had no diplomatic relations with the DPRK. The lack of US involvement in the program is probably another factor in Japan’s reluctance to participate.

However, the local authorities on the Japan Sea coast side of the country have shown great interest in the development of the Tumen River area, with Niigata, Akita, and Tottori prefectures actively taking the lead in interaction with the area. Such moves have yet to be reflected in government strategy, but they all hint at an important point about Japan’s cooperation in the Tumen River area in the future, namely that international cooperation in the Tumen River area is inter-regional cooperation, and that Japan and the ROK should dynamize inter-regional cooperation of the local region on the Japan Sea / East Sea coast side from this perspective.

It is to be hoped that, if there is an improvement in Japan–DPRK relations, Japan will participate in the development of the Tumen River area. If Japan were to participate and even take the lead in Northeast Asia’s sole multilateral cooperative framework, it would almost certainly lead to cooperation and security in Japan’s policy on Northeast Asia.

**Initiative of China and hopes for the ROK’s role**

Considering its weakness of geographical remoteness from major markets, the Tumen River area should strengthen relationships with major markets area in the Northeast Asia region. China has done more, through investment in infrastructure, than Russia and the DPRK. At the 8th Meeting of the Consultative Commission at Changchun in 2005, China clearly took the initiative for promoting the Tumen Program. In the future, China might perceive the Tumen Program as an extended plan for the development of China’s northeastern region.

The ROK could contribute to the Tumen Programme as a
cooperative investor on industry and natural resources development for the prosperity of the Northeast Asia region, let alone as financial provider and commercial trader.

The DPRK should take steps to alleviate the concerns of international society on her foreign policy. Stabilization of Russia’s economic policy is also necessary for the success of the Greater Tumen Initiative.

Notes

1 Interview with Dai Xiyao, director (at the time) of the Tumen River Area Development Administration, Government of Jilin Province, 23 August 2001.

2 Interview conducted during a visit to the DPRK by the Japanese Committee of the Northeast Asia Economic Forum (the Kanamori Committee) in July 2000.

3 In April 1996, the Memorandum of Understanding Between the ROK and UNDP Regarding the Trust Fund was concluded and US$ 1 million was transferred into the trust fund’s account from the UNDP and ROK account for state projects. In February 2002, the second tranche of US$ 1 million was transferred to the trust fund.

4 Report of the joint study work between World Bank and ERINA was held at the TREDAA Advocacy Workshop 2000 in Beijing hosted by the Tumen Secretariat.

5 Recent comprehensive research on the Northeast Asian Development Bank (NEADB) was conducted by the Tokyo Foundation. See Tokyo Foundation (2002).

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