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Transportation and Grand Design Session

**Toward the Integration of the Northeast Asian Transport Market
-Report on 2006 EWC/KOTI Conference in Sapporo**

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1. Synopsis

This paper is reporting on the 2006 EWC and KOTI Conference which was held in Sapporo, Japan on August 14-15, for the first time being held outside Hawaii in its seven-year history with the helps by several Japanese institutes including the Port Policy Study Institute of the Japan Port and Harbor Association and Public Policy School of the Hokkaido University. The theme of the conference was titled as “Toward the integration of the Northeast Asian Transport Market“ and interesting discussions took place in sessions for the specified issues including a) on standardization of related statistics and building of Data Base, b) on multimodal transport development in the region and c) on Trans-Korean Land Transportation Network.

This paper mainly focuses on the session chaired by the author which discussed on the transport market integration in the context of the Trans-Korean land Transportation Network. Also the paper reviews the significance of the transport market integration in the North East Asian Region.

2. Outline of the Conference

The conference was composed of four sessions, 3 sessions by theme and a concluding session. Three papers were reported respectively in each session, and after that 3 to 4 discussant commented on these papers.

Eight panelists participated the concluding session, chaired by Dr. Lee-Jay Cho.

After having four sessions with exchanges of views and interesting information, the Sapporo conference was successfully concluded and the host announced the next conference would be prepared for the next year in a Chinese city.

Agenda:

Session 1. Standardization of Transport and Logistics Statistics and Building a Northeast Asian Regional Database

Chair: Jae-Hong Kang, President, KOTI

In this session each person reported on the current status and action plan on proposal for a regional database.

Paper 1. China; WUCHAO CHEN, Director, China Statistics Press, National Bureau of Statistics, Beijing

Paper 2. Japan; TAEKYU KIM, Researcher, Institute of Transport Policy Studies (ITPS), Tokyo

Paper 3. ROK; SANG-MIN LEE, Director, Center for Transport Database, KOTI

Discussants

TETSURO HYODO, Associate Professor, Tokyo University of Marine Science and Technology (Paper 1)

HOON-TAIK SUH, Director, Comprehensive Transport Planning Team, Ministry of Construction and Transportation, Seoul (Paper 2)

WENHUA WU, Director of Department of Transportation Economics and Technology, Institute of Comprehensive Transportation of NDRC, Beijing (Paper 3)

Session 2. Integration of the Northeast Asian Transport and Logistics Market through Multimodal Transport Development

Chair: Koki Nagata, Managing Director, Air Transport Research and Advice

Paper 4. China's Multimodal Transport Development Strategy for the Yellow Sea Region

WENHUA WU, Director of Department of Transportation Economics and Technology, Institute of Comprehensive Transportation of NDRC, Beijing

Paper 5. Japan's Multimodal Transport Network Strategy and Ports in VAL-Chain for the Northeast Asian Region

MASAHIKO FURUICHI, Senior Examiner of Port Planning, Ministry of Land, Infrastructure and Transport, Tokyo

Paper 6. Current Status of Korea's Multimodal International Transport and Its Future Prospects

HYUN JEUNG KO, Senior Researcher, Korea Maritime Institute, Seoul

Discussants

IKUO MITSUHASHI, Senior Fellow, Economic Research Institute for Northeast Asia (ERINA), Niigata (Paper 4)

CHOONGYEOL YE, Research Fellow KOTI (Paper 5)

WUCHAO CHEN, Director, China Statistics Press, National Bureau of Statistics, Beijing (Paper 5)

ERIK E. CEMPEL, Research Associate KOTI (Paper 6)

Session 3. Northeast Asian Transport Market Integration in the Context of the Trans-Korean Land Transportation Network

Chair: HIDEO KAYAHARA, Professor of Hokkaido University and Chairman of the Japan Port and Harbor Association

Paper 7. Current Status of China/DPRK Transport Network and Its Future Prospects

XUYANG CAI, Vice Mayor of Hunchun City

Paper 8. Current Status of DPRK/Russia Transport Network and Its Future Prospects

YAROSLAV SEMENIKHIN, Director, Far-Eastern Marine Research Institute, Vladivostok

Paper 9. Current Status of Trans-Korean Transport Network Development and a Vision for Eurasian Land-bridge Transport Network

WEON-YONG SUNG, Research Fellow, KOTI

Discussants

IN-YOUNG KIM, Vice President for International Cooperation and Professor, Hallym University, Chuncheon (Paper 7)

SHIGERU MORICHI, President, Institute for Transport Policy Studies and Professor, National Graduate Institute for Policy Studies, Tokyo (Paper 8)

DONG WOOK WON, Research Fellow, KOTI (Paper 8)

HYUNG-GON JEONG, Research Fellow, Korea Institute for International Economic Policy, Seoul (Paper 9)

Concluding Session Policy Directions for Northeast Asian Transport Market Integration

Chair: Lee-Jay Cho. Emeritus Senior Fellow. East-West Center

Korean Perspectives

JAE-HONG KANG, President, KOTI

HYOUNGSOO ZANG, Associate Professor, Hanyang University

Chinese Perspectives

DONGHUI ZHANG, Deputy Director General, Tumen River Area Development Administration. Jilin Provincial Government, Changchun

Japanese Perspectives

SHIGERU MORICHI, President, Institute for Transport Policy Studies and Professor, National Graduate Institute for Policy Studies, Tokyo

KOKI NAGATA, Managing Director, Air Transport and Advice, Washington

Russian Perspectives

YAROSLOV SEMENIKHIN, Director, Far Eastern Marine Research Institute Vladivostok

YURY A. SHCHERBANIN, Director, Research Programs, Euro-Asian Transport Union (EATU), Moscow

International Perspectives

ERIC I. IM. Director. China/US Relations Program, University of Hawaii at Hilo

3. Northeast Asian Transport Market Integration in the Context of the Trans-Korean Land Transportation Network

Paper 7:

In his paper of the transportation network between China/DPRK, Mr. Cai who is the sub-mayor in the Hunchun City described the expectation of Jilin Province and the Hunchun City for the transport corridor of Tumen area. This route integrates Quanhe Port of the Hunchun city with Yuanting Port and Rajin Port etc. of Korea. However, the current state of the road where Yuannting ties to Rajin is in not suitable condition for the development of the trade of China and South Korea. Mr. Cai emphasized that the cooperation of China and South Korea was indispensable this road maintenance. For this announcement, discussant Prof. Kim gave us a political and social perspective by which we can better understand the significance of Tumen River Development Project.

Paper 8:

In paper 8 of the transportation network between DPRK/Russia, Dr. Semenikhin of FEMRI introduced (1) the present condition of each transport routes, (2) detailed explanation of on-going discussions, (3) the remaining issues for future development and (4) proposals for practical transition towards the future. Dr. Semenikhin made a very much informative and suggestive presentation with various maps and figures.

Dr. Morichi a discussant to Dr. Semenikhin's presentation pointed out in his paper that the four points as quoted bellow are the most important ones for the conference theme.

(1) Transportation network in this region would not only facilitate the international trade flow but also promote regional development benefiting each country.

(2) The paper highlights current important problems. 1) Political uncertainty due to the present condition of relation between DPRK and some other countries. 2) Very low level of the demand volume for key transport corridors. 3) The problems of implementing plans or projects which were already agreed in bilateral or multilateral forum.

(3) As for the several project- or program-based activities, different countries may have different interest for promoting particular project or program component, the task of coordinating and achieving consensus is really challenging.

(4) The paper has made some strategic suggestions for promoting transport network development in NEA region.

In addition to the above comments, Dr. Morichi explained the global and regional trends in transport sector based on his recent research works related to the next National Land Development Plan of Japan, as being the chairman of the Council for N.L.D.P. Also he gave a proposal how to efficiently and effectively implement the NEA regional development projects based on the lessons obtained.

Paper 9:

In the paper 9, titled as Current Status of Trans-Korean Transport Network Development and a Vision for Eurasian Land-bridge Transport Network, Dr. Weon-Yong Sung, Research Fellow, KOTI reconfirmed the purpose of Trans-Korean Railway reconnection program and said it is indispensable for the connecting route of the Korean-peninsula to the European continent, “Eurasian Landbridge”. Discussant Dr. Won emphasized the importance of mutual understanding and international co-operation for gearing up the NEA regional development and transport network projects which would have great significance for the peace and prosperity of the region including DPRK.

Dr. Jeong, in his comment to Dr. Sung’s presentation, prioritized the proposed railway linkages which connect the Korean Peninsula and Europe.

4. The Significance of the integration of transport market in NEA region

In this section, the author tries to examine the significance of the integrated market in the Northeast Asia, based on the key-note speech at the Sapporo Conference.

Dr. Hisao Kanamori who is a prominent economist in our country and is an old member of this Forum and also he is a good friend of Dr. Lee Jay Cho, wrote a paper to the famous Japanese economic magazine, “Touyou Keizai” in 1990. In this paper he said that a large integrated economic market may be realized in the Northeast Asia in the 21st century. And he pointed out three reasons for this prospect, those were (1) Heterogeneity of production factor, (2) Vertical division of production, (3) the interdependence relation of economy is not concluded in this area. And he showed one table about the first reason.

Table-1 The Complementary Relationship of Production Factor between the Northeast Asian countries (by Dr. Hisao Kanamori)

	Japan	ROK	Russia	PROC	DPRK
Labor	×	—	×	⊙	⊙
Resources	×	×	⊙	○	○
Capital	⊙	○	×	×	×

Technology	◎	○	×	×	×
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Note: ◎:Abundant ○:Margin ×:Shortage

Table-1 shows the complementary relationship of production factor between the Northeast Asian countries. There is no country which stands on predominance by all the production factors. However, perfect complementary relationship [say / that other countries can compensate the factors which one country lacked] can be observed. This implies strong corporation of these countries will lead them to the significant economic development.

This table is a historical table which gave the logical basis to the necessity of Northeast Asia cooperation. However, the data used as a basis was not exactly shown. May be this table was created by the insight of Dr. Kanamori based on his abundant knowledge and experiences.

Changes after his thesis proposed cannot be well interpreted without the data. So, to see the latest changes, I try to apply the numerical data to each item.

About labor, a value of number of labor force divided by per-capita is used. Oil deposits are represented for resources. Foreign currency reserves are used for capital. The number of patent rights is represented as technology.

Numerical data of 1990 and 2004 are shown in Table2.

Table-2 Data of 1990 and 2004

		Japan	ROK	Russia	PROC	DPRK
Labor	1990	2.47thousand person/\$/person	3.13	1.59	123.10	9.07
	2004	1.85	1.65	1.67	37.97	n.d.
Resources	1990	9mt	—	8,357	3,434	n.d.
	2004	8	—	8,586	2,612	n.d.
Capital	1990	79,710m\$	14,809	n.d.	30,220	n.d.
	2004	835,229	199,021	121,486	615,548	n.d..
Technology	1990	59,401rights	7,762	7,897	4,122	17
	2004	124,192	49,068	23,191	49,360	n.d.

Note: Labor; Russia=Far east Russia, PROC=3 Northeast Provinces

In this table, some departures from Dr. Kanamori's judgment are observed. The element of labor of North Korea is evaluated excessively. As for China in capital, foreign currency reserves had reached to about 40% of Japan in 1990. "Shortage" as Dr. Kanamori's evaluation may not be true.

Although ROK and Russia in technology are in the same level Dr. Kanamori's evaluation is different. In this case, if China is limited to three provinces of northeast and Russia is limited to Far East Russia, it will become as Dr. Kanamori's judgment.

My evaluations based on the latest numerical data are shown in Table3.

In doing so, when the judgment of "Abundant", "Margin", and "Shortage" is necessary, I decided to raise one rank, when it exceeded the index of 1990. The change of China in capital and technology is remarkable. ROK is also developing technical power.

From this table, I would like to conclude that the relationships between Northeast Asian countries are not only complementary as Dr. Kanamori contemplated, but also alternative each other, in the other words fully competitive in these days.

Table-2(1) Yare of 1990

	Japan		ROK		Russia		PROC		DPRK	
Labor	×	2.47 thousand person/\$/person (2)	—	3.13 (3)	×	1.59 (1)	◎	123.10 (100)	◎	9.07 (7)
Resources	×	9mt (0.11)	×	— (—)	◎	8,357 (100)	○	3,434 (41)	○	大
Capital	◎	79,710m\$ (100)	○	14,809 (18)	×	n.d.	×	30,220 (38)	×	n.d.
Technology	◎	59,401rights (100)	○	7,762 (13)	×	7,897 (13)	×	4,122 (7)	×	17 (0.03)

Notes: 1. () is an index at the time of setting the greatest country to 100.

2. About the labor force, Russia used Far East Russia and China used the data of three provinces of northeast.

Table-2(2) Year of 2004

	Japan		ROK		Russia		PROC		DPRK	
Labor	×	1.85 thousand person/\$/person (5)	×	1.65 (4)	×	1.67 (4)	◎	37.97 (100)		
Resources	×	8mt (0.09)	×	— (—)	◎	8,586 (100)	○	2,612 (30)	○	大
Capital	◎	835,229m\$ (100)	○	199,021 (24)	×	121,486 (14).	◎	615,548 (74)	×	小
Technology	◎	124,192 件 (100)	○	49,068 (40)	○	23,191 (19)	○	49,360 (40)	—	— (—)

Notes: 1. () is an index at the time of setting the greatest country to 100.

2. About the labor force, Russia used the data of the Far East Russia and China used the data of three provinces of northeast part of China.

3. The rank was pulled up when it exceeded the index in 1990.

Table-3 Changes from 1990 to 2004

		Japan	ROK	Russia	PROC	DPRK
Labor	1990	×	—	×	◎	◎?
	2004	×	×	×	◎	—.
Resources	1990	×	—	◎	○	○.
	2004	×	—	◎	○	n.d.
Capital	1990	◎	○	×	×?	×
	2004	◎	○	○	◎	n.d..
Technology	1990	◎	○	×	×	×
	2004	◎	○	×	○	—

Note: Evaluation for 1990 is Dr. Kamamori's.

By saying this, I would like to conclude my paper, the significance of the multi-lateral endeavor to cooperate the creation of the combined transport market in the region is and will be believed to be of great significance for the future peace and prosperity of the region.