
Trade and Transportation in Northeast Asia: A Business Perspective

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Akita Kairiku Unso Co., Ltd. is the sole agent in Japan acting on behalf of Yanbian Hyuntong Shipping Group Corporation, operator of the Posyet Container Service. In past meetings of this Forum, a majority of the presentations have been made by prominent scholars. I would like to express my hope for the development of Northeast Asia and to contribute to this discussion from a businessman's viewpoint.

My knowledge is limited to a specific area of Northeast Asia: the route from Changchun by way of Yanji to the port of Posyet in Russia. In the not-too-distant future, we intend to trade also with Mongolia and the Democratic People's Republic of Korea. At present, however, this trade has not yet materialized.

What is the difference between a scholar and a businessman? After careful consideration of the actual situation, the scholar speaks of a desirable future. On the other hand, the businessman considers the actual situation as a fluctuating factor. The businessman then takes action in order to realize the desirable future. For a businessman, the desirable future is not based simply on the pursuit of personal profit. A business run solely for personal profit is not likely to exist for very long. A business will not survive unless everyone concerned with the business also profits from it—especially those who contribute intellectually and those who “sweat it out” for the business. No business is simply born successful.

We have been involved in the Posyet Container Service now for more than a year. Unfortunately, the business is not yet profitable. People ask us: “Why do you continue to pay the guarantee, despite the lack of profits?” Certainly, we have sometimes paid nearly US\$4,000 per month as a guarantee. Our partner has also lost money. However, we businessmen are not pursuing an immediate profit. Our motivation is the “vision.” We are not familiar with politics. It is said that Northeast Asian nations are politically unstable. Through our business, we desire to contribute to the development and stability of Northeast Asian nations. People call this “preventive” or “protective” diplomacy. They are quite right.

Let me turn here to more practical issues. From the practical side of trade, there are several problems, and the biggest is the transport of cargo. (I would also like to introduce our attempts to increase the volumes of cargo traded.) Two important issues when we discuss the transport of cargo are (1) customs clearance practices and (2) how long customs clearance takes. In past Forum meetings, people have discussed what is called the “dissolution of discontinuity.”

This expression is used in discussions of infrastructure, such as transshipment facilities and road construction. It is used to discuss physical infrastructure. The expression gives a good impression, as if resolving the physical discontinuity would meet all requirements for cargo distribution. Yet, adequate physical infrastructure is only one of the essential conditions for successful cargo transport.

First of all, let us discuss the question of how much time customs clearance requires. Currently, customs clearance between Hunchun and Kraskino requires at least forty minutes per trailer. Inspection is carried out one by one. In addition, on the Russian side, cargo undergoes not only customs inspection but a border guard check as well. Under these circumstances, research shows that only six trailers pass the border per day. If anyone still believes that “thirty containers (six trailers times five weekdays) cross the boarder per week,” it is time to think again!

Secondly there is the crucial issue of customs inspection procedures. For example, at the end of last year, we decided to import into Japan 150 vans of salt packed in flexible container bags. Unfortunately, when Chinese customs inspected the cargo, the testing tools made holes in the bags. The holes were then closed with rags and magazines. The now damaged cargo remained in this condition until it arrived in Japan. Naturally, the end user refused to receive this damaged cargo. The bags had to be replaced with brand new ones at our expense. Consequently, only twenty-one containers were imported. In contrast, when the same type of cargo was shipped via Tianjin port, customs inspection was carried out by a different testing method. The inspector untied the strings of the bags and then tied them again, as they had been before inspection. As a result, the cargo traveling through Tianjin was not damaged, and there was no problem. Despite the fact that both routes undergo inspection by the same Chinese customs agency, the sharp contrast in the two places is astounding.

Here I turn my attention to our attempts to increase cargo volume. We are now searching for promising commodities such as, onions, tires, used paper products, truck components, and so forth. Let me introduce our experience with onions and tires. First, since the year 2000, a Japanese type of onion has been cultivated in Yanbian Korean Autonomous Province. It takes only two days for a container vessel to travel from Posyet to Akita. This distance has the advantage that fruit and vegetables can be transported without the use of a refrigerated container. Forty-five acres are now cultivated, and the estimated crop yield is 8,000 tons. Unfortunately, during the year 2000, the fields were affected by the worst rainfall in fifty years, and therefore, the crops were significantly reduced. However, we plan to expand our agricultural business after the crops and quality are confirmed.

We are now studying the practical use of the Siberian Railway for trade in

tires. With our Russian partner, JSC Trade Port Posyet, we negotiated with the Russian government for the extension of the Siberian Railway to the Posyet area. Through the good offices of our partner, the matter was brought to a successful conclusion, and the approval came through on 29 December 2000. We had made promises to our customers in Japan, but we remained somewhat concerned about the regularity of service and the safety of cargo.

Therefore, on a trial basis we decided to import tires from France along this route. According to Michelin Japan, “there were no problems in this trial, and if this service results in the reduction of physical distribution costs, this could become one of the main transportation systems for Michelin Japan.”

Invariable friction will arise from the challenge of change, often because people cling to their vested interests. However, we intend to continue to pursue new business in cooperation with good partners.